

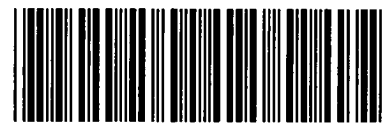
ASTRAZENECA TREASURY LIMITED

Financial Statements

For the year ended 31 December 2016

Registered number: 2910116

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AstraZeneca Treasury Limited

Directors' Report and Financial Statements

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AstraZeneca Treasury Limited

STRATEGIC REPORT

Principal activities

The principal activities of AstraZeneca Treasury Limited (the “**Company**”) are to act as an investment holding company for a number of AstraZeneca PLC subsidiaries (“**Group companies**”) and to act as an in-house bank for the AstraZeneca Group, conducting substantially all of the AstraZeneca Group’s foreign exchange and cash management activities. These activities are carried out in compliance with clearly defined policies and procedures, which have been approved by the Board of AstraZeneca PLC.

Business review

The Company’s financial statements (“**Financial Statements**”) have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“**FRS 101**”). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“**Adopted IFRSs**”), but adds to these requirements where necessary in order to comply with Companies Act 2006. Business performance outlined below is disclosed in accordance with FRS 101.

The profit on ordinary activities after taxation for the year was \$3,947m (2015: \$3,013m). The increase in profit was primarily due to an increase in dividend income from the AstraZeneca Group from \$3,139m in 2015 to \$4,592m in 2016.

The Company paid dividends during the year amounting to \$7,021m (2015: \$nil) to its parent company, AstraZeneca UK Limited.

Principal risks and uncertainties

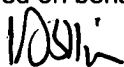
The Company manages certain financial risks of the AstraZeneca Group through the use of financial instruments. For information on the Company’s use of financial instruments, see the Accounting Policies section on pages 9 to 11 of the Financial Statements. The Company is exposed to credit risk on financial assets, such as cash balances (including fixed deposits, cash and cash equivalents) and derivative instruments.

On 23 June 2016, the UK held a remain-or-leave referendum on the UK’s membership within the EU, the outcome of which was a decision for the UK to exit from the EU (“**Brexit**”). A process of negotiation will likely determine the future terms of the UK’s relationship with the EU, as well as whether the UK will be able to continue to benefit from the EU’s free trade and similar arrangements. Until the Brexit negotiation process is initiated and completed, it is difficult to anticipate the potential impact on the wider AstraZeneca group.

The AstraZeneca Group operates from a global footprint and retains flexibility to adapt to changing circumstances. The uncertainty before, during and after the period of negotiation is also expected to increase volatility and may have an economic impact, particularly in the UK and Eurozone. The AstraZeneca PLC Board reviews the potential impact of Brexit as an integral part of its Principal Risks (as outlined from page 20 of the AstraZeneca Group’s Financial Statements) rather than as a stand-alone risk. As the process of Brexit evolves, the AstraZeneca PLC Board will continue to assess its impact on the Group as a whole.

The Company does not import or export goods or services to the EU, nor does it employ any EU employees. However the Company may be impacted by changes to the current directives regarding cross-border interest payments.

Signed on behalf of the Board



Iain Alistair Collins
Director

19 September 2017

AstraZeneca Treasury Limited

Directors: Ian Brimicombe (resigned 31 May 2017)
Brendan Boucher
Alistair Collins (appointed 31 May 2017)
Adrian Kemp

Registered Office: 1 Francis Crick Avenue
Cambridge Biomedical Campus
Cambridge
CB2 0AA
United Kingdom

Secretary: Katie Jackson-Turner

Auditor: KPMG LLP
Chartered Accountants
Registered Auditors
15 Canada Square
London E14 5GL

Date: 19 September 2017

DIRECTORS' REPORT 2016

The Directors of the Company submit their Report, together with the Financial Statements of the Company, for the year ended 31 December 2016.

Going concern

The Board of Directors of AstraZeneca PLC has indicated that AstraZeneca PLC currently intends to provide financial support to the Company for the foreseeable future (at least a year from the date of the approval of these Financial Statements) to the extent necessary to enable the Company to continue to pay its liabilities as and when they become due.

The AstraZeneca Group has considerable financial resources available. As at 31 December 2016, the AstraZeneca Group has \$5.7 billion in financial resources (cash balances of \$5.0 billion and committed bank facilities of \$3.0 billion that are available until April 2021, less \$2.3 billion of debt due within one year).

On this basis the Directors believe that the Company has adequate resources to continue operations for the foreseeable future and therefore continue to use the going concern basis in preparing the accounts.

Proposed dividend

The Directors do not recommend the payment of a dividend (2015: \$nil). During the year dividends were paid amounting to \$7,021m (2015: \$nil).

Directors

The Directors whose names appear at the head of this report were, unless otherwise noted, Directors of the Company at the date of this report and for the whole period under review other than as indicated.

Political donations

The Company has made no political donations during the year (2015: \$nil).

Statement as to disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


AstraZeneca Treasury Limited

DIRECTORS' REPORT 2016 (CONTINUED)

Auditor

Following an audit tender conducted during the year, PricewaterhouseCoopers LLP were selected as auditor for the AstraZeneca Group. Accordingly, it is intended that PricewaterhouseCoopers LLP will be appointed to replace KPMG LLP as auditor for the year ending 31 December 2017.

By Order of the Board



Iain Alistair Collins
Director

1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, United Kingdom, CB2 0AA

AstraZeneca Treasury Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AstraZeneca Treasury Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASTRAZENECA TREASURY LIMITED

We have audited the Financial Statements of the Company for the year ended 31 December 2016 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



John Edwards (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

28th Sept 2017.

AstraZeneca Treasury Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December	Notes	2016 \$m	2015 \$m
Income from shares in group undertakings		4,592	3,139
Other operating expense	1	(10)	-
Finance income	2	1,589	707
Finance expense	2	(2,225)	(827)
Profit on ordinary activities before taxation		3,946	3,019
Taxation	4	1	(6)
Profit on ordinary activities after taxation		3,947	3,013

\$m means millions of US dollars.

The results for the year relate entirely to continuing operations.

The gains or losses reported above represent the total comprehensive income for the year, therefore an additional statement of other comprehensive income has not been presented.

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax.

The accounting policies on pages 9 to 11 and the Notes to the Financial Statements on pages 12 to 27 form part of these Financial Statements.

AstraZeneca Treasury Limited

BALANCE SHEET AT 31 DECEMBER

	Notes	At 31 December 2016 \$m	At 31 December 2015 \$m
Non-current assets			
Investments in subsidiaries	7	60,603	53,848
Other Investments	9	14	-
Derivative financial instruments	11	351	446
Deferred tax asset		-	-
		60,968	54,294
Current assets			
Debtors	8	4,615	8,500
Derivative financial instruments	11	31	6
Other investments	9	474	-
Cash and cash equivalents	10	4,326	5,240
		9,446	13,746
Current liabilities			
Amounts owed to Group undertakings	12	(41,645)	(36,598)
Derivative financial instruments	11	(22)	(15)
Other creditors	12	(8)	(3)
		(41,675)	(36,616)
Net current liabilities		(32,229)	(22,870)
Total assets less current liabilities		28,739	31,424
Non-current liabilities			
Amounts owed to Group undertakings	12	(14,798)	(14,599)
Derivative financial instruments		(125)	(1)
Deferred tax liability		-	(1)
Net assets		13,816	16,823
Capital and reserves			
Share capital	14	5,965	5,965
Profit and loss account reserve	15	7,850	10,858
Shareholders' funds	16	13,816	16,823

\$m means millions of US dollars.

The accounting policies on pages 9 to 11 and the Notes to the Financial Statements on pages 12 to 27 form part of these Financial Statements.

The Financial Statements on pages 7 to 27 were approved by the Board of Directors on 19 September 2017 and were signed on its behalf by

Iain Alistair Collins
Director



Company registered number: 2910116

AstraZeneca Treasury Limited

ACCOUNTING POLICIES

Basis of presentation of financial information

The Company incorporated and domiciled in England and Wales.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but adds to these requirements where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, AstraZeneca PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of AstraZeneca PLC are prepared in accordance with International Financial Reporting Standards and are available to the public online and can be obtained from the address given in note 19.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Basis of Accounting

These Financial Statements are prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts. Therefore, these Financial Statements present information about the Company as an individual undertaking and not about its group.

Foreign Currencies

The Company's functional currency is US dollars. Transactions denominated in foreign currencies are translated into US dollars at actual spot rates on the dates the transactions are incurred.

Monetary assets and liabilities are translated at exchange rates prevailing at the date of the Company balance sheet. Exchange differences on foreign currency borrowings and deposits are included within finance income and expense.

AstraZeneca Treasury Limited

ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by IAS 12 Income Taxes, deferred tax is provided in full on temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Fixed Asset Investments

Fixed asset investments are stated at cost and reviewed for impairment on an annual basis to identify any indications that the carrying value may not be recoverable. Any impairment losses are recognised in the profit and loss account.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at the balance sheet date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements.

Financial Instruments

All financial instruments held by the Company are used to manage financial risks within the AstraZeneca Group.

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

- Forward foreign exchange contracts: the Company has forward foreign exchange contracts to sell currency for the purpose of hedging non-dollar commercial transaction exposures which existed within the AstraZeneca Group at the date of the balance sheet. The majority of the contracts for existing transactions had a maturity of six months or less from the year end. These contracts are stated at fair value at the balance sheet date and gains or losses arising are recognised in the profit and loss account. The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at the balance sheet date.
- Foreign currency option contracts: the Company may use foreign currency option contracts to hedge anticipated, but not firmly committed, non-dollar commercial transactions within the AstraZeneca Group. Gains or losses on these contracts are recognised in the profit and loss account. The fair value of option contracts is estimated using Black-Scholes valuation techniques.
- Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less when acquired. They are readily convertible into known amounts of cash and are held at amortised cost.

Amounts due to or from Group undertakings and interest rate swaps: the AstraZeneca Group uses derivatives, principally interest rate swaps, to hedge the interest rate exposure inherent in a portion of its fixed interest rate debt. The AstraZeneca Group also uses cross currency interest rate swaps to hedge its foreign currency exposures. The Company holds these interest rate swaps on behalf of the AstraZeneca Group. Where derivatives are used for hedging interest rate risk, the Company will either designate the associated debt as fair value through profit or loss, when certain criteria are met, or as the hedged item under a fair value hedge. Where the debt instrument is designated as fair value through profit or loss, the debt is initially measured at fair value and is remeasured to fair value at each balance sheet date with changes in carrying value being recognised in the profit and loss account (along with changes in the fair value of the related derivative). Where the debt is designated as the hedged item under a fair value hedge, the debt is initially measured at fair value and is remeasured for fair value changes in respect of the hedged risk at each balance sheet date with changes in carrying value being recognised in the profit and loss account (along with changes in the fair value of the related derivative).

AstraZeneca Treasury Limited

ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

- In 2016 the AstraZeneca Group issued €2.2bn of bonds in the Euro debt capital markets with maturities of 5, 8 and 12 years. The proceeds from these bonds were lent to the Company, and the Company entered into cross-currency swaps to convert the proceeds into fixed US dollar debt with a weighted average interest rate of 2.69% and maturities equal to the bonds.
- The bonds and associated derivatives have been designated in a cash flow hedge. These bonds are measured at amortised cost (with gains or losses taken to profit and direct transaction costs being amortised over the life of the debt). The related derivative is remeasured for fair value changes at each reporting date with the portion of the gain or loss on the derivative that is determined to be an effective hedge recognised in other comprehensive income. The amounts that have been recognised in other comprehensive income are reclassified to profit in the same period that the hedged forecast cash flows affect profit.
- All other amounts due from or due to Group undertakings not designated as described above are recorded at amortised cost.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS

1. Other operating expense

	2016 \$m	2015 \$m
Operating expense		
Fixed asset impairments	10	-
Total	10	-

Following the decision taken by Affinita Biotech, Inc. to terminate a lead program, the Company's investment in this company's equity securities was impaired by \$10m.

2. Finance income and expense

	2016 \$m	2015 \$m
Finance income		
Interest receivable - Group undertakings	347	99
Interest on short term investments	58	76
Fair value changes on debt and interest rate swaps	-	25
Exchange gains on foreign currency loans and deposits	1,184	507
Total	1,589	707
Finance expense		
Amounts payable on other loans - Group undertakings	(678)	(445)
Amounts payable on bank loans and overdrafts	(2)	(1)
Fair value changes on debt and interest rate swaps	(21)	-
Exchange losses on foreign currency loans and deposits	(1,534)	(381)
Total	(2,235)	(827)
Net finance expense	(646)	(120)

\$31m fair value losses (2015: \$31m fair value losses) on interest rate fair value hedging instruments and \$30m fair value gains (2015: \$30m fair value gains) on the related hedged items have been included within fair value changes on debt and interest rate swaps. All fair value hedge relationships were effective during the year.

\$12m fair value losses (2015: \$5m fair value losses) on derivatives related to debt instruments designated at fair value through profit or loss and \$4m fair value gains (2015: \$15m fair value gains) on debt instruments designated at fair value through profit or loss have been included within fair value changes on debt and interest rate swaps.

3. Auditor's remuneration

The auditor's remuneration was borne by AstraZeneca UK Limited, a subsidiary of AstraZeneca PLC. The fee assigned to the 2016 year end audit of the Company is \$101,000 (2015: \$101,000). Full disclosure of the amounts of remuneration given to the Company's auditor for the supply of other (non-audit) services to the Company is included, on a Group-wide basis, in the AstraZeneca Group financial statements. These can be obtained online or from the address given in note 19.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Taxation

	2016 \$m	2015 \$m
UK corporation tax		
Current tax on income for the period	-	4
Overseas tax	-	-
<hr/>		
Current tax on income for the period	-	4
Deferred tax	(1)	2
<hr/>		
Tax on profit on ordinary activities	(1)	6
<hr/>		

Taxation reconciliation to UK statutory rate

The total tax expense for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.25% (2015: 20.25%). The differences are explained below.

	2016 \$m	2015 \$m
Profit on ordinary activities before taxation	3,946	3,019
<hr/>		
Current tax at 20.25% (2014: 21.50%)	789	611
Non-taxable dividend income	(918)	(635)
Group relief surrendered for nil consideration	131	52
Non-taxable income / non-deductible expenses	(3)	(22)
<hr/>		
Total tax expense	(1)	6
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Factors affecting future tax rate charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax at 31 December 2016 has been calculated based on these rates.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Taxation (continued)

Deferred taxation

The movements in the net deferred tax balance during the year are as follows:

	Other \$m	Total \$m
Net deferred tax balance at 31 December 2014	1	1
Taxation expense	(2)	(2)
Net deferred tax balance at 31 December 2015	(1)	(1)
Taxation expense	1	1
Net deferred tax balance at 31 December 2016	-	-

The net deferred tax balance consists of:

	Other \$m	Total \$m
Deferred tax assets at 31 December 2015	-	-
Deferred tax liabilities at 31 December 2015	(1)	(1)
Net deferred tax balance at 31 December 2015	(1)	(1)
Deferred tax assets at 31 December 2016	-	-
Deferred tax liabilities at 31 December 2016	-	-
Net deferred tax balance at 31 December 2016	-	-

Deferred tax has been measured at 17% (2015: 18%).

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Employees and Directors

The Company had no employees during 2016 (2015: nil).

The total emoluments of the Directors of the Company for the year, net of pension contributions, were \$499,831.97 (2015: \$443,227.36) in respect of services to the Company, and were borne by another company in the AstraZeneca Group. The aggregate amount of company contributions to defined benefit and money purchase schemes was \$43,513 (2015: \$79,178), and were borne by another company in the AstraZeneca Group.

During 2016 and 2015, all of the Directors participated in defined benefit or defined contribution schemes sponsored by other Group companies. The details of these schemes are disclosed in the AstraZeneca Group consolidated financial statements, which can be obtained online or from the address given in note 19.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director, net of pension contributions were \$383,037 (2015: \$311,374) and the pension contributions were \$41,478 (2015: \$76,900). During the current year, the highest paid Director did receive shares under a long term incentive scheme. In the prior year, the highest paid Director received shares under a long term incentive scheme.

	2016	2015
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	1	1
Defined benefit schemes	2	2
The number of Directors who exercised share options was	1	-
The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes was	3	3

6. Dividends to shareholders

	2016 cents per share	2015 cents per share	2016 \$m	2015 \$m
Ordinary shareholders				
Dividends on Ordinary Shares	1177	-	7,021	-

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments in subsidiaries

Net book value	Shares in subsidiaries \$m	Loans to subsidiaries \$m	Total fixed asset investments \$m
Carrying amount as at 1 January before restatement	50,601	3,247	53,848
<u>Reclassification¹</u>	<u>174</u>	<u>(174)</u>	=
Carrying amount at January 2016 (restated)	50,775	3,073	53,848
Additions	3,900	2,869	6,769
Disposals and other movements	(10)	(4)	(14)
Carrying amount at 31 December 2016	54,655	5,938	60,603

1. On 1 December 2015, AstraZeneca BV assigned 5 intercompany loans with principal totalling \$3.1bn to the Company at carrying value. An adjustment of \$174m has been made to the opening carrying values of 'Shares in subsidiaries' and 'Loans to subsidiaries' to reflect the fair value of the loans had they been assigned at market rates prevailing at 1 December 2015.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The companies in which the Company has an interest at 31 December 2016 are as follows:

Subsidiaries	Country of registration	Address	Percentage of ordinary shares held	Principal Activity
Affinita Biotech, Inc.	United States	329 Oyster Point Blvd., 3rd Floor, South San Francisco, CA 94080	16.22%	Financing
AstraZeneca Holdings BV	Netherlands	PO Box 283, 2700 AG Zoetermeer, Louis, Pasteurlaan 5, 2719 EE, Zoetermeer, Holland	100%	Investment holding company
AstraZeneca AB	Sweden	SE-151 85Sodertalje, Sweden	100%	Research and development, manufacturing, marketing
AstraZeneca Egypt for Pharmaceutical Industries JSC	Egypt	Villa 133, Road 90 North, New Cairo, Egypt	98%	Manufacturing, marketing
AstraZeneca Egypt for Trading LLC	Egypt	14C Ahmed Kamel Street, New Maadi, Cairo, Egypt	50%	Marketing
LLC AstraZeneca Pharmaceuticals	Russia	15284, Begovaya str, 3, block 1, Moscow, Russian Federation	100%	Marketing
AstraZeneca S.A.	Chile	Av. Isadora Goyenechea 2939, of .201, Santiago de Chile, Chile	99.9%	Marketing
AstraZeneca Maroc SARLAU	Morocco	92 Boulevard Anfa ETG 2 Casablanca 20000, Morocco	100%	Marketing
AstraZeneca Tunisie SaRL	Tunisia	Lot no 1.5.5 les jardin du lac, Bloc B les berges du lac Tunis, Tunisie	99.999%	Marketing
AstraZeneca Taiwan Limited	Taiwan	21st Floor, Taipei Metro Buiding 207, Tun Hwa South Road, SEC 2 Taipei, Taiwan, Republic of China	100%	Marketing
AstraZeneca Sweden Investments Limited	England and Wales	1 Francis Crick Avenue, Cambridge, Biomedical Campus, Cambridge, CB2 0AA, United Kingdom	95.578%	Financing
AstraZeneca Asia Pacific Business Services SDN BHD	Malaysia	Level 8, Unit 8.01-8.05 Menara UAC, Jalan PJU 7/5, Multiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia	100%	Shared Service Centre
AstraZeneca Health Care Division S.A. de CV	Mexico	Avenida Lomas Verdes 67 Colonia Lomas Verdes, Naucalpan de Juarez, CP 53120	0.2%	Marketing
AstraZeneca SA de CV	Mexico	Av. Periferico Sur 4305 interior 5, Colonia Jardines en la Montana, Mexico City, Tlapan Distrito Federal, Mexico, CP 14210, Mexico	0.02%	Marketing
AZENCO4 Limited	United Kingdom	1 Francis Crick Avenue, Cambridge, Biomedical Campus, Cambridge, CB2 0AA, United Kingdom	100%	Financing

In the Directors' opinion, the investments in, and amounts due, from the Company's subsidiaries are worth at least the amounts at which they are stated in the balance sheet.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Debtors

	2016 \$m	2015 \$m
Amounts owed by Group undertakings	4,591	8,466
Prepayments and accrued income	24	34
Total debtors	4,615	8,500

9. Other investments

	2016 \$m	2015 \$m
Fixed income securities – non-current asset	14	-
Fixed income securities – current asset	474	-
Total other investments	488	-

During the year, the Company appointed four investment managers to invest a proportion of the AstraZeneca Group's cash across a wider range of high quality fixed-income securities including; corporate bonds, government bonds, commercial paper, asset-backed securities, certificates of deposit and covered bonds. These fixed-income securities were classified according to their maturity profile. Fixed income securities – current assets have a maturity greater than 3 months but less than 1 year.

10. Cash and cash equivalents

	2016 \$m	2015 \$m
Cash at bank and in hand	119	251
Other investments	4,207	4,989
Total cash and cash equivalents	4,326	5,240

Other investments of \$4,207m (2015: \$4,989m) principally comprise investments in Money Market Funds and Triparty Repurchase Agreements held directly with third party managers with an average life of 70 days (2015: 64 days).

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Derivative financial instruments

	2016 \$m	2015 \$m
Non-current assets	351	446
Current assets	31	6
Current liabilities	(22)	(15)
Non-current liabilities	(125)	(1)
Net Derivative Asset	235	436

Derivative financial instruments consist of interest rate swaps (included in instruments designated at fair value if related to debt designated at fair value or instruments in a fair value hedge relationship if formally designated as in a fair value hedge relationship), cross-currency swaps (included in instruments designated in a cash flow hedge relationship if formally designated in a cash flow hedge relationship), and forward foreign exchange contracts.

	2016 \$m	2015 \$m
Cross currency swaps	163	319
Interest rate swaps	83	126
Foreign Exchange	(11)	(9)
Net Derivative Asset	235	436

Fair value hierarchy

Financial instruments carried at fair value can be analysed by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All derivatives are held at fair value and fall within Level 2 of the above fair value hierarchy. None of the derivatives have been reclassified in the year.

The fair value of cross-currency swaps and interest rate swaps is estimated using appropriate zero coupon curve valuation techniques to discount future contractual cash flows based on rates at current year end. The fair value of forward foreign exchange contracts are estimated by cash flow accounting models using appropriate yield curves based on market forward foreign exchange rates at the year end. The majority of forward foreign exchange contracts for existing transactions had maturities of less than one month from year end.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Analysis of Debt by Maturity

	2016 Loans \$m	2016 Other \$m	2016 Total \$m	2015 Loans \$m	2015 Other \$m	2015 Total \$m
In less than 1 year	1,769	39,881	41,650	-	36,598	36,598
1-2 years	1,397	-	1,397	1,797	-	1,797
2-5 years	3,847	-	3,847	3,982	-	3,982
5+ years	9,554	-	9,554	8,820	-	8,820
Greater than 1 year	14,798	-	14,798	14,599	-	14,599
Total Debt	16,567	39,881	56,448	14,599	36,598	51,197

'Other' primarily comprises amounts owed to Group undertakings under interest bearing call account facilities which bear interest at a rate of the London Interbank Bid Rate (LIBID). These facilities may be terminated by not less than one month's written notice given by either party to the other. Fair value approximates to carrying value. Included in 'Other' is an amount due to the ultimate parent company, AstraZeneca PLC, for \$7,124m (2015: \$7,237m). The amounts owed to Group undertakings includes a fair value adjustment of \$63m (2015: \$119m).

'Loans' primarily comprises external loans on-lent to the Company by AstraZeneca PLC. On 12 May, 2016, AstraZeneca PLC lent a further \$2,175m to the Company. At 31 December 2016, the unamortised discount on borrowings from AstraZeneca PLC was \$129m, this includes \$23m of unamortised discount on the \$2,175m of additional borrowings (2015: \$116m). The total fair value of 'Loans' as at 31 December 2016 was \$17,748m (2015: \$15,412m). Also included in 'Loans' are debt instruments designated at fair value through profit or loss. The fair value of these borrowings was \$351m at 31 December 2016 (2015: \$355m). Fair values, as disclosed in this note are based on the Level 1 valuation method as defined in Note 11.

A loss of \$8m (2015: \$9m gain) was made during the year on the fair value of bonds designated at fair value through profit or loss, due to reduced credit risk. A gain of \$39m (2015: \$47m gain) has been made on these bonds since designation due to increased credit risk. Changes in credit risk had no material effect on any other financial assets and liabilities recognised at fair value in the Financial Statements. The change in fair value attributable to changes in credit risk is calculated as the change in fair value not attributable to market risk. The amount payable at maturity on bonds designated at fair value through profit or loss is \$288m (2015: \$288m).

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, comprise bank overdrafts, deposits and loans with Group undertakings, current and non-current investments, cash and short-term deposits. The main purpose of these financial instruments is to manage the AstraZeneca Group's funding and liquidity requirements.

The principal financial risks to which the Company is exposed are those of liquidity, interest rate, foreign currency and credit. Each of these is managed in accordance with AstraZeneca PLC Board-approved policies. These policies are set out below.

The Company uses foreign currency borrowings, foreign currency forwards, currency options, cross-currency swaps and interest rate swaps for the purpose of hedging its foreign currency and interest rate risks. The Company may designate certain financial instruments as either fair value hedges, cash flow hedges or net investment hedges in accordance with IAS 39. Key controls applied to transactions in derivative financial instruments are: to use only instruments where good market liquidity exists, to revalue all financial instruments regularly using current market rates and to sell options only to offset previously purchased options. The Company does not use derivative financial instruments for speculative purposes.

Capital management

The capital structure of the Company consists of share capital (Note 14), borrowings from Group undertakings (Notes 12) and cash (Note 10). For the foreseeable future, the Board will maintain a capital structure that supports the wider AstraZeneca Group's strategic objectives through:

- managing funding and liquidity risk for the AstraZeneca Group;
- optimising shareholder return for the shareholders of AstraZeneca PLC, the ultimate parent company; and
- contributing towards maintaining a strong, investment-grade credit rating for the AstraZeneca Group.

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with policies described below.

Liquidity risk

The Company holds the majority of cash balances for the AstraZeneca Group. As such the Company's liquidity risk are linked to the wider AstraZeneca Group. The AstraZeneca Group's policy is to monitor liquidity risks annually as part of the wider AstraZeneca Group planning process and on an *ad hoc* basis. The AstraZeneca PLC Board of Directors considers short-term requirements against available sources of funding, taking into account forecast cash flows, for the AstraZeneca Group.

Specifically, the Company manages liquidity risk by having access to a number of sources of funding including borrowings from Group undertakings, overdraft facilities and cash resources to manage short-term liquidity and manages long-term liquidity with funds raised through the capital markets on-lent to the Company by AstraZeneca PLC, the ultimate parent company of the AstraZeneca Group.

The maturity profile of the anticipated future contractual cash flows including interest in relation to the Company's financial liabilities, on an undiscounted basis and which, therefore, differs from both the carrying value and fair value, is as follows:

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Financial risk management objectives and policies (continued)

	Short-term borrowings from Group undertakings	Other Creditors	Loans from Group undertakings	Total non-derivative financial instruments	Interest rate swaps	Currency swaps	Total derivative financial instruments ¹	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
In less than 1 year	(36,612)	(2)	(809)	(37,421)	54	17	71	(37,350)
1-2 years	-	(1)	(2,466)	(2,466)	54	17	71	(2,395)
2-3 years	-	-	(2,019)	(2,019)	19	26	45	(1,974)
3-4 years	-	-	(1,605)	(1,605)	15	330	345	(1,260)
4-5 years	-	-	(2,192)	(2,192)	15	-	15	(2,177)
Greater than 5 years	-	-	(13,345)	(13,345)	44	-	44	(13,301)
	(36,612)	(3)	(22,436)	(59,046)	201	390	591	(58,457)
Effect of interest	12	-	7,736	7,748	(201)	(67)	(268)	7,480
Effect of discounting, fair values and issue costs	-	-	101	101	125	(3)	123	224
31 December 2015	(36,600)	(3)	(14,596)	(51,200)	125	320	446	(50,751)

	Short-term borrowings from Group undertakings	Other Creditors	Loans from Group undertakings	Total non-derivative financial instruments	Interest rate swaps	Currency swaps	Total derivative financial instruments ¹	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
In less than 1 year	(40,134)	(4)	(2,490)	(42,628)	54	(32)	22	(42,606)
1-2 years	-	(1)	(2,042)	(2,043)	19	(12)	7	(2,036)
2-3 years	-	-	(1,624)	(1,624)	15	216	231	(1,393)
3-4 years	-	-	(2,211)	(2,211)	15	(47)	(32)	(2,243)
4-5 years	-	-	(1,688)	(1,688)	15	(86)	(71)	(1,759)
Greater than 5 years	-	-	(13,958)	(13,958)	30	(320)	(290)	(14,248)
	(40,134)	(5)	(24,013)	(64,152)	148	(281)	(133)	(64,285)
Effect of interest	258	-	7,390	7,648	(148)	351	203	7,851
Effect of discounting, fair values and issue costs	-	-	56	56	82	93	175	231
31 December 2016	(39,876)	(5)	(16,567)	(56,448)	82	163	245	(56,203)

1. Total derivative financial instruments exclude foreign exchange derivatives.

Where interest payments are on a floating rate basis, it is assumed that rates will remain unchanged from the last business day of each year ended 31 December. It is not expected that the cash flows in the maturity profile could occur significantly earlier or at significantly different amounts.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

The Company maintains a mix of fixed and floating rate debt, in line with policies approved by the Group Board. The Company uses interest rate swaps to manage this mix.

At 31 December 2016, the Company held interest rate swaps with a notional value of \$1.6bn, converting the AstraZeneca Group's 7% guaranteed debentures payable in 2023 to floating rates and partially converting the 5.9% callable bond maturing in 2017 and 1.75% callable bond maturing in 2018 to floating rates. No new interest rate swaps were entered into during 2016.

At 31 December 2016, swaps with a notional value of \$1.35bn were designated in fair value hedge relationships and swaps with a notional value of \$0.29bn related to debt designated as fair value through profit or loss. Designated hedges are expected to be effective and therefore the impact of ineffectiveness on profit is not expected to be material. The accounting treatment for fair value hedges and debt designated as fair value through profit or loss is disclosed in the Company Accounting Policies section from page 9.

The majority of surplus cash is currently invested in US dollar liquidity funds, fixed income securities or repurchase agreements earning floating rates of interest. The interest rate profile of the Company's interest-bearing financial instruments, as at 31 December 2016 and 31 December 2015 is set out below. In the case of current and non-current financial liabilities, the classification includes the impact of interest rate swaps which convert the debt to floating rate.

	2016			2015		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Financial liabilities						
Short-term borrowings from Group undertakings	-	39,881	39,881	-	36,598	36,598
Loans from Group undertakings	14,075	2,492	16,567	12,477	2,122	14,599
	<u>14,075</u>	<u>42,373</u>	<u>56,448</u>	<u>12,477</u>	<u>38,720</u>	<u>51,197</u>
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Financial assets						
Amounts owed by Group undertakings	190	4,401	4,591	142	8,328	8,470
Long term loans to subsidiaries	5,605	333	5,938	3,100	-	3,100
Other investments	474	-	474	-	-	-
Cash and cash equivalents	-	4,326	4,326	-	5,240	5,240
	<u>5,795</u>	<u>9,534</u>	<u>15,329</u>	<u>3,242</u>	<u>13,568</u>	<u>16,810</u>

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Financial risk management objectives and policies (continued)

Foreign currency risk

The US dollar is the Company's most significant currency. As a consequence, the Company's results are presented in US dollars and exposures are managed against US dollars accordingly.

Translational

Approximately 66% of the wider AstraZeneca Group's external sales in 2016 were denominated in currencies other than the US dollar, while a significant proportion of manufacturing, and research and development costs were denominated in pounds sterling and Swedish krona. Surplus cash generated by business units is substantially converted to, and held centrally in, US dollars by the Company.

The Company manages this currency exposure centrally for the AstraZeneca Group, based on forecast cash flows. The impact of movements in exchange rates is mitigated significantly by the correlations which exist between the major currencies to which the AstraZeneca Group is exposed and the US dollar. Monitoring of currency exposures and correlations is undertaken on a regular basis and hedging is subject to pre-execution approval.

Foreign currency risk arises where the Company has non-USD denominated intercompany balances with subsidiaries. This exposure is regularly monitored against agreed limits and managed to minimise the effect on the profit and loss account.

Transactional

The Company's policy is to hedge, wherever practically possible, the wider AstraZeneca Group's major transactional currency exposures on working capital balances, which typically extend for up to three months, using forward foreign exchange contracts. In addition, the AstraZeneca Group's external dividend, which is paid principally in pounds sterling and Swedish krona, is fully hedged by the Company from announcement to payment date. Foreign exchange gains and losses on forward contracts transacted for transactional hedging are taken to profit.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Financial risk management objectives and policies (continued)

Sensitivity analysis

The sensitivity analysis set out below summarises the sensitivity of the market value of our financial instruments to hypothetical changes in market rates and prices. The range of variables chosen for the sensitivity analysis reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of future cash flows based on market rates and prices at the valuation date. For long-term borrowings, an increase in interest rates results in a decline in the fair value of borrowings.

The inherent rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2016, with all other variables held constant. Based on the composition of the Company's long-borrowings position as at 31 December 2016, a 1% increase in interest rates would result in an additional \$424m in interest expense being incurred per year.

The exchange rate sensitivity analysis assumes an instantaneous 10% change in foreign currency exchange rates from their levels at 31 December 2016, with all other variables held constant. The +10% case assumes a 10% strengthening of the US dollar against all other currencies and the -10% case assumes a 10% weakening of the US dollar.

Each incremental 1% change in interest rates would have approximately the same effect as the 1% detailed in the table below and each 10% movement in foreign currency exchange rates would have approximately the same effect as the initial 10% detailed in the table below.

31 December 2015	Interest rates		Exchange rates	
	+1%	-1%	+10%	-10%
Increase/(decrease) in fair value of financial instruments	1,108	(1,289)	155	(155)
Impact on profit: gain/(loss)			155	(155)
Impact on equity: gain/(loss)			-	-

31 December 2016	Interest rates		Exchange rates	
	+1%	-1%	+10%	-10%
Increase/(decrease) in fair value of financial instruments	1,209	(1,341)	197	(197)
Impact on profit: gain/(loss)			197	(197)
Impact on equity: gain/(loss)			-	-

There has been no change in the methods and assumptions used in preparing the above sensitivity analysis over the two-year period.

Credit risk

The Company is exposed to credit risk on financial assets, such as cash balances (including fixed deposits and cash and cash equivalents), derivative instruments and amounts due from Group undertakings. The Company is also exposed in its net asset position to the credit risk of the AstraZeneca Group in respect of the 2023 debentures which are accounted for at fair value through profit or loss.

The Company may hold significant cash balances as part of its normal operations, with the amount of cash held at any point reflecting the level of cash flow generated by the business and the timing of the use of that cash. The majority of the AstraZeneca Group's excess cash is centralised within the Company and is subject to counterparty risk on the principal invested. This risk is mitigated through a policy of prioritising security and liquidity over return, and as such cash is only invested in high credit quality investments. Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. The majority of the Company's cash is invested in US dollar AAA-rated liquidity funds, fully collateralised repurchase agreements, fixed income securities and short-term bank deposits.

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Financial risk management objectives and policies (continued)

In January 2016, the AstraZeneca PLC Board approved an update to the AstraZeneca Group Investment policy which governs how the AstraZeneca Group's cash balances are invested. This was a response to the changing regulatory landscape, including Basel III and pending European Money Market Reform. The changes in the Investment Policy have provided diversification benefits by increasing the number of permitted securities, and enhanced yield by allowing an extension of the weighted average maturity of the money market investments.

The changes to the Investment policy facilitated the Company's investment in fixed income securities. At 31 December 2016, the Company had invested \$550m and recognised \$14m of long-term investments, \$474m of short-term investments, \$59m of cash and cash equivalents and \$3m of derivative assets.

The most significant concentration of financial credit risk at 31 December 2016 was \$3,440m (2015: \$4,389m) invested in five AAA-rated liquidity funds. The liquidity fund portfolios are managed by the related external third party fund managers to maintain the AAA rating. No more than 10% of fund value is invested within each individual fund. There were no other significant concentrations of financial credit risk at the reporting date.

At 31 December 2016, the Company had investments of \$950m (2015: \$1,050m) in short-term repurchase agreements, which are fully collateralised investments. In the event of any default, ownership of the collateral would revert to the Company and would be readily convertible to cash. The value of the collateral held at 31 December 2016 was \$951m (2015: \$1,098m).

All financial derivatives are transacted with commercial banks, in line with standard market practice. The Company has agreements with some bank counterparties whereby the parties agree to post cash collateral, for the benefit of the other, equivalent to the market valuation of the derivative positions above a predetermined threshold. The carrying value of such cash collateral held by the Company at 31 December 2016 was \$242m (2015: \$451m).

14. Share capital

	2016 \$m	2015 \$m
Allotted, called-up and fully paid share capital		
100 Ordinary A shares of £1 each	-	-
5,964,882,232 Ordinary B shares of \$1 each	5,965	5,965
Total share capital	5,965	5,965

15. Reserves

	2016 \$m	2015 \$m
Profit and loss account brought forward	10,858	7,845
Foreign exchange arising on designating borrowings in a Cashflow hedge	66	-
Net profit for the year	3,947	3,013
Dividends	(7,021)	-
Profit and loss account carried forward	7,850	10,858

AstraZeneca Treasury Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Reconciliation of movements in shareholders' funds

	2016 \$m	2015 \$m
Shareholders' funds at beginning of year	16,823	13,810
Foreign exchange arising on designating borrowings in a Cashflow hedge	66	-
Retained profit for the financial year	3,947	3,013
Dividends	(7,021)	-
Shareholders' funds at end of year	13,815	16,823

17. Related party transactions

Under FRS 101.8(k), the Company is exempt from the requirement to disclose related party transactions with AstraZeneca PLC and its wholly owned subsidiaries, along with the requirement to disclose compensation of key management personnel, on the grounds that it is a wholly owned subsidiary undertaking of AstraZeneca PLC. There were no other related party transactions.

18. Post balance sheet event

In June 2017 AstraZeneca PLC issued \$2.0bn of loan notes in the debt capital markets with maturities of 5 and 10 years. The proceeds of these loan notes were on-lent to the Company.

19. Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of AstraZeneca UK Limited, a company incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by AstraZeneca PLC, who is the ultimate controlling party. The consolidated accounts of this group are available to the public and may be obtained online or from the registered office, 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.