**BASE PROSPECTUS**

# AstraZeneca PLC
## (incorporated with limited liability in England)

## U.S.$10,000,000,000
## Euro Medium Term Note Programme

AstraZeneca PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus. Pursuant to the Programme, the Issuer may from time to time issue notes ("**Notes**") up to the maximum aggregate principal amount of U.S.$10,000,000,000.

Notes will be issued in series (each a "**Series**") in bearer form. Each Series may comprise one or more tranches (each a "**Tranche**") issued on different issue dates. Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document setting out the final terms of such Tranche (the "**Final Terms**") or as amended, supplemented and/or replaced in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with all documents incorporated by reference herein, any amendments or supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Notes are constituted by, have the benefit of and are in all respects subject to a trust deed dated 10 September 2007 and amended and restated on 21 June 2018 (the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons appointed for the time being as trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"). The Notes also have the benefit of an amended and restated agency agreement dated 21 June 2018 (the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**") and Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**").

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, and as implemented by any relevant implementing measures in the United Kingdom (the "**Prospectus Directive**"), as a base prospectus issued in compliance with the Prospectus Directive for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**") during the period of twelve months after the date hereof. The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/64/EU on markets in financial instruments (the "**MiFID II Directive**").

The Notes are to be admitted to trading on a market which is a regulated market for the purposes of the MiFID Directive (each a "**Regulated Market**") and offered to the public in any Member State of the European Economic Area and may only be issued under the Programme in minimum denominations of at least EUR 100,000 (or its equivalent in another currency).

***Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.***

*Arranger*

**CITIGROUP**

*Dealers*

**BARCLAYS**
**CITIGROUP**
**GOLDMAN SACHS INTERNATIONAL**
**J.P. MORGAN CAZENOVE**

**BOFA MERRILL LYNCH**
**DEUTSCHE BANK**
**HSBC**
**MORGAN STANLEY**

The date of this Base Prospectus is 21 June 2018

**CONTENTS**

**Page**

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee or any Dealer.

Neither the Dealers nor any of their respective affiliates nor the Agents or the Trustee have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.$10,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

The Programme has been rated by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and by Moody's Investor Services Ltd. ("**Moody's**"), as more fully set out in "*Description of the Programme*" below, which are established in the European Economic Area (the "**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme as described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

***A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes on the basis of the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**£**" or "**sterling**" are to the lawful currency for the time being of the United Kingdom and references to "**Renminbi**", "**Chinese Yuan**", "**CNY**" and "**RMB**" are to the lawful currency of the People's Republic of China (for the purpose of this Base Prospectus, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) ("**PRC**").

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. All figures included in this Base Prospectus which express growth rates are expressed at constant exchange rates unless otherwise stated.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be**

**conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## IMPORTANT EEA RETAIL INVESTORS

If the relevant Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID. Consequently no key information document required by Regulation (EU) No. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## MIFID II PRODUCT GOVERNANCE/TARGET MARKETS

**MiFID II product governance / target market –** The Final Terms (as defined below) in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

## BENCHMARKS REGULATION

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

## DESCRIPTION OF THE PROGRAMME

*This description of the Programme must be read as an introduction to this Base Prospectus, and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including all documents incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.*

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| **Issuer**: | AstraZeneca PLC. |
| **Risk Factors**: | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil their respective obligations under the Notes are discussed under "*Risk Factors*" below. |
| **Arranger**: | Citigroup Global Markets Limited. |
| **Dealers**: | Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes. |
| **Trustee**: | Deutsche Trustee Company Limited. |
| **Principal Paying Agent**: | Deutsche Bank AG, London Branch. |
| **CMU Lodging and Paying Agent:** | Deutsche Bank AG, Hong Kong Branch. |
| **Final Terms or Drawdown Prospectus**: | Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. |
| **Listing and Trading**: | Application has been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange. |
| **Clearing Systems**: | Euroclear and/or Clearstream or CMU, in relation to any Tranche of Notes. |
| **Initial Programme Amount**: | Up to U.S.$10,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme at any time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*". |
| **Issuance in Series**: | Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, issue price and the amount of the first payment of interest may be different in respect of different Tranches. |
| **Forms of Notes**: | Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new |

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| | global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream and/or lodged with a sub-custodian for CMU and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. |
| **Currencies**: | Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated. |
| **Status of the Notes**: | Notes will be issued on an unsubordinated basis. |
| **Issue Price**: | Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. |
| **Maturities**: | Such maturity as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the Bank of England (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant currency.<br><br>Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") by the Issuer. |
| **Redemption**: | Notes may be redeemable at par or at such other redemption amount as may be specified in the relevant Final Terms. |
| **Optional Redemption**: | Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or at the option of the Noteholders to the extent (if at all) specified in the relevant Final Terms. |
| **Tax Redemption**: | Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (*Redemption and Purchase — Redemption for tax reasons*). |

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| **Interest**: | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. For the avoidance of doubt, the interest rate in respect of floating rate Notes shall not be less than zero. |
| **Denominations**: | No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000. Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. |
| **Negative Pledge**: | The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*). |
| **Taxation**: | All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 11 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required. |
| **Governing Law**: | The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law. |
| **Ratings**: | The Programme has been rated as follows by Standard & Poor's and by Moody's which are established in the EEA and registered under the CRA Regulation:<br><br>Standard & Poor's Credit Market Services Europe Limited: BBB+<br><br>Moody's Investor Services Ltd.: A3<br><br>Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating assigned to the Programme as described above or the rating(s) assigned to Notes already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.<br><br>In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. |
| **Selling Restrictions**: | For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, Japan, the People's Republic of China and Hong Kong see "*Subscription and Sale*" section on page 99. |

## RISK FACTORS

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*Investing in Notes issued under the Programme involves certain risks. Set forth below are risk factors that the Issuer believes are the principal risks involved in an investment in the Notes. Prospective investors should consider carefully the following:*

### RISKS RELATING TO FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements about the Issuer. The Issuer believes such forward-looking statements, identified by words such as 'anticipates', 'believes', 'expects' and 'intends', are based on reasonable assumptions. However, forward-looking statements involve inherent risks and uncertainties such as those summarised below. They relate to events that may occur in the future, that may be influenced by factors beyond the Issuer's control and that may have actual outcomes materially different from the Issuer's expectations.

### RISKS RELATING TO THE ISSUER AND ITS BUSINESS

The pharmaceutical sector is inherently risky and a variety of risks and uncertainties may affect the Issuer's business. Here the Issuer summarises, under the headings Product Pipeline and Intellectual Property Risks; Commercialisation Risks; Supply Chain and Business Execution Risks; Legal, Regulatory and Compliance Risks; and Economic and Financial Risks, the principal risks and uncertainties that it currently considers may have a significant effect on its financial condition, results of operations and/or reputation. These risks are not listed in any assumed order of priority. Other risks, unknown or not currently considered material, could have a similar effect.

#### Product Pipeline and Intellectual Property Risks

***Failure or delay in delivery of pipeline or launch of new products***

The Issuer's continued success depends on the development and successful launch of innovative new drugs.

The development of pharmaceutical product candidates is a complex, risky and lengthy process involving significant financial, research and development ("**R&D**") and other resources. A project may fail at any stage of the process due to various factors, including failure to obtain the required regulatory or marketing approvals for the product candidate or for its manufacturing facilities, unfavourable clinical efficacy data, safety concerns, failure to demonstrate adequate cost-effective benefits to regulatory authorities and/or payers and the emergence of competing products.

The anticipated launch dates of major new products significantly affect the Issuer's business, including investment in large clinical studies, the manufacture of pre-launch product stocks, investment in marketing materials pre-launch, sales force training and the timing of anticipated future revenue streams from new product sales. Launch dates are primarily driven by the Issuer's development programmes and various other factors, including findings in pre-clinical or clinical studies, regulatory demands, price negotiation, competitor activity and technology transfer. More complex and stringent regulations govern the manufacturing and supply of biologics products, thus impacting the production and release schedules of such products more significantly.

Failure or delay in development of new product candidates that achieve commercial success could adversely frustrate the achievement of development targets, adversely affect the reputation of the Issuer's R&D capabilities, and is likely to materially adversely affect its business and results of operations.

Since the Issuer's business model and strategy relies on the success of relatively few compounds, the failure of any compound in its late-stage pipeline or in-line products may have a significant negative effect on its business or results of operations.

Significant delays to anticipated launch dates of new products could have a material adverse effect on the Issuer's financial condition and/or results of operations. For example, for the launch of products that are seasonal in nature, delays in regulatory approvals or manufacturing difficulties may delay launch to the next season which, in turn, may significantly reduce the return on costs incurred in preparing for the launch for that

season. Furthermore, in immuno-oncology in particular, speed to market is critical given the large number of clinical trials being conducted by other companies.

In addition, a delayed launch may lead to increased costs if, for example, marketing and sales efforts need to be rescheduled or performed for longer than expected.

In addition to developing products in-house, the Issuer seeks technology licensing arrangements and strategic collaborations to expand its product portfolio and geographical presence as part of its business strategy. Such licensing arrangements and strategic collaborations are key, enabling the Issuer to grow and strengthen the business. The success of such arrangements is largely dependent on the technology and other intellectual property ("**IP**") rights the Issuer acquires or licenses, and the resources, efforts and skills of its partners. Disputes or difficulties in the Issuer's relationship with its collaborators or partners may arise, for example, due to conflicting priorities or conflicts of interest between parties.

Also in many cases, the Issuer makes milestone payments well in advance of the commercialisation of the products, with no assurance that it will recoup these payments.

The Issuer experiences strong competition from other pharmaceutical companies in respect of licensing arrangements, strategic collaborations, and acquisition targets.

Failure to complete collaborative projects in a timely, cost-effective manner may limit the Issuer's ability to access a greater portfolio of products, IP technology and shared expertise. Disputes and difficulties with the Issuer's partners may erode or eliminate the benefits of its alliances and collaborations. In addition, failure to perform on the part of parties to externalisation transactions may diminish the future value of those transactions or, in some cases, allow a competitor to beat the Issuer to market with a similar or first-in-class product. Delay of launch can also erode the term of patent exclusivity.

Competition from other pharmaceutical companies means that the Issuer may be unsuccessful in implementing some of its intended projects or it may have to pay a significant premium over book or market values for its acquisitions.

***Difficulties in obtaining or maintaining regulatory drug approval for products***

The Issuer is subject to strict controls on the commercialisation processes for its pharmaceutical products, including their development, manufacture, distribution and marketing. The criteria for establishing safety, efficacy and quality, which are essential for securing marketing approvals, may vary by country and by region. Regulators can refuse to grant approval or may require additional data before approval is granted, even though the medicine may already be launched in other countries.

Factors, including advances in science and technology, evolving regulatory science, and different approaches to benefit/risk tolerance by regulatory authorities, the general public, and other third-party public interest groups influence the initial approvability of new drugs. While the Issuer seeks to manage many of these risks, unanticipated and unpredictable policymaking by governments and regulators, limited regulatory authority resources or conflicting priorities often lead to severe delays in regulatory approvals.

The Issuer may be required to conduct additional clinical trials after a drug is approved because a regulatory authority may have a concern that impacts the benefit/risk profile of one of the Issuer's marketed drugs or drugs currently in development. For the Issuer's marketed drugs, new data and meta-analyses have the potential to drive changes in the approval status or labelling. In addition, recent years have seen an increase in post-marketing regulatory requirements and commitments, and an increased call for third-party access to regulatory and clinical trial data packages for independent analysis and interpretation, and broader data transparency. Such transparency, while important, could lead to inappropriate or incorrect data analyses which may damage the integrity of the Issuer's products and its reputation.

Delays in regulatory reviews and approvals could delay the Issuer's ability to market its products and may adversely affect its revenue. In addition, post-approval requirements, including additional clinical trials, could result in increased costs, and may impact the labelling and approval status of currently marketed products.

***Failure to obtain, defend and enforce effective IP protection and IP challenges by third-parties***

A pharmaceutical product may be protected from being copied for a limited period of time under certain patent rights and/or related IP rights, such as regulatory data protection or orphan drug status. Typically, products

protected by such rights generate significantly higher revenues than those not protected. The Issuer's ability to obtain, maintain, defend and enforce patents and other IP rights in relation to its products is an important element in of its ability to protect and recoup its investment in R&D and create long-term value for the business. Some countries in which the Issuer operates do not offer robust IP protection. This may be because IP laws are still developing, the scope of those laws is limited or the political environment does not support such legislation.

The Issuer may also face challenges early in the patent application process and throughout a patent's life. The grounds for these challenges could be the validity of a patent and/or its effective scope and are based on ever-evolving legal precedents. The Issuer is experiencing increased challenges in the U.S. and elsewhere in the world and there can be no guarantee of success for either party in patent proceedings and litigation.

The Issuer also bears the risk that its products may be found to infringe patents owned or licensed by third-parties, including research-based and generic pharmaceutical companies and individuals. These third-parties may seek remedies for patent infringement, including injunctions (for example, preventing the marketing of one of the Issuer's products) and damages (for example, research-based competitors are alleging infringement of their patents and are seeking damages in relation to the Issuer's marketing of *Imfinzi* and *Calquence*).

Limitations on the availability of patent protection, the ability to obtain related IP rights or the use of compulsory licensing in certain countries in which the Issuer operates, as well as its ability to defend and enforce its patents, could allow for earlier entry of generic or biosimilar competitor products. This could have a material adverse effect on the pricing and sales of its products and, consequently, could materially adversely affect its revenues.

Third-parties may be awarded remedies for alleged infringement of their IP, for example injunctions and damages for alleged patent infringement. In the US, courts may order enhanced (up to treble) damages for alleged wilful infringement of patents. From time to time the Issuer may acquire licences, discontinue activities and/or modify processes to avoid claims of patent infringement. These steps could entail significant costs and the Issuer's revenue and margins could be materially adversely affected.

**Commercialisation Risks**

***Competitive pressures including expiry or loss of IP rights and generic competition***

The Issuer's pharmaceutical products compete with other products marketed by research-based pharmaceutical companies and with generic or biosimilar drugs marketed by generic drug manufacturers. Approval of competitive products for the same or similar indication as one of the Issuer's products may result in immediate and significant decreases in its revenues.

Generic versions of products, including biosimilars, are often sold at lower prices than branded products, as the manufacturer does not have to recoup the significant cost of R&D investment and market development. Expiry or loss of IP rights can materially adversely affect the Issuer's revenues and financial condition due to the launch of cheaper generic copies of the product in the country where the rights have expired or been lost. For example in 2017, the Issuer's U.S. product sales of *Crestor* fell to U.S.$373 million (2016: U.S.$1,223 million), following the launch of generics.

Additionally, the expiry or loss of patents covering other innovator companies' products may also lead to increased competition and pricing pressure for the Issuer's own, still-patented products in the same product class due to the availability of generic products in that product class.

Generic manufacturers may also take advantage of the failure of certain countries to properly enforce regulatory data protection or other related IP rights and may launch generics during this protected period. This is a particular risk in some emerging markets where appropriate patent protection or other related IP rights may be difficult to obtain or enforce.

The biosimilars market experienced notable growth in 2017, with approval of several monoclonal antibody biosimilars in the U.S. and Europe. Management expects this trend to continue. Increased regulatory and legal activity related to the launch and approval of these therapeutics is anticipated. Regulatory authorities in other territories continue to implement or consider abbreviated approval processes for biosimilars, allowing quicker entry to market for such products and earlier than anticipated competition for patented biologics.

As well as facing generic competition upon expiry or loss of IP rights, the Issuer also faces the risk that generic drug manufacturers seek to market generic versions of its products prior to expiries of its patents and/or the

Regulatory Exclusivity periods. For example, the Issuer is currently facing challenges from numerous generic drug manufacturers regarding its patents relating to key products, including *Brilinta*, *Faslodex*, *Byetta*, *Daliresp*, *Onglyza* and *Crestor*.

IP rights protecting the Issuer's products may be challenged by external parties. The Issuer expects its most valuable products to receive the greater number of challenges. Despite the Issuer's efforts to establish and defend robust patent protection for its products, it bears the risk that courts may decide that its IP rights are invalid and/or that third-parties do not infringe its asserted IP rights.

Where the Issuer asserts its IP rights but is ultimately unsuccessful, third-parties may seek damages, alleging, for example, that they have been inappropriately restrained from entering the market. In such cases, the Issuer bears the risk that it incurs liabilities to those third-parties.

If the Issuer is not successful in obtaining, maintaining, defending or enforcing its exclusive rights to market its products, particularly in the U.S. where it achieves its highest product sales, its revenue and margins could be materially adversely affected. In addition, unsuccessful assertion of the Issuer's IP rights may lead to damages or other liabilities to third-parties that could materially adversely affect the Issuer's financial performance.

Unfavourable resolution of current and potential future patent litigation may require the Issuer to make significant provisions in its accounts relating to legal proceedings and/or could materially adversely affect its financial condition or results of operations.

***Price controls and reductions***

Most of the Issuer's key markets have experienced the implementation of various cost control or reimbursement mechanisms in respect of pharmaceutical products.

In the US, there is significant pricing pressure driven by payer consolidation, restrictive reimbursement policies, and cost control tools, such as exclusionary formularies and price protection clauses. Many formularies employ 'generic first' strategies and/or require physicians to obtain prior approval for the use of a branded medicine where a generic alternative exists. These mechanisms can be used by payers to limit the use of branded products and put pressure on manufacturers to reduce net prices. In addition, patients are seeing changes in the design of their health plan benefits and may experience variation in how their plans cover their medications, including increases in the out-of-pocket payments for their branded medications. Patient out-of-pocket spending is generally in the form of a co-payment or co-insurance, but there is a growing trend towards high deductible health plans that require that patients pay the full list price of their drugs and services until they meet certain out-of-pocket thresholds. Ongoing scrutiny of the U.S. pharmaceutical industry, focused largely on pricing, is placing increased emphasis on the value of medications. This scrutiny will likely continue across many stakeholders, including policymakers and legislators.

The U.S. political leadership continues to consider a range of legislative and regulatory proposals to address the high costs of prescription drugs as well as reforms to the U.S. healthcare system. These may include changes to the Affordable Care Act (the "**ACA**"), modifications to Medicare and other government programmes, and policies aimed at reducing drug prices such as importation schemes. However, many of these proposals have not achieved broad support from policymakers and, in the near term, legislators have shifted focus away from healthcare reform. It is difficult to predict what specific proposals could be enacted and to determine the implications for the healthcare system and pharmaceutical industry. However, healthcare reform remains a key campaign promise of the current administration and proposals that would significantly modify existing laws and regulations, including the ACA, government programmes and policies relating to drug pricing, could affect private health insurance, coverage through Medicaid and the health insurance exchange marketplaces, Medicare coverage and savings provisions, and other facets of the U.S. healthcare market, with potentially significant impacts on the pharmaceutical industry.

In Europe, the pharmaceutical industry continues to be exposed to various ad hoc cost-containment measures and reference pricing mechanisms, which impact prices. There is a trend towards increasing transparency and comparison of prices among EU Member States which may eventually lead to a change in the overall pricing and reimbursement landscape.

In emerging markets, governments are increasingly controlling pricing in the self-pay sector and favouring locally manufactured drugs. In addition, the emergence of price referencing has been seen in some markets combined with a call from authorities to provide greater global price transparency.

Concurrently, many markets are adopting the use of Health Technology Assessment ("**HTA**") to provide a rigorous evaluation of the clinical efficacy of a product at, or post, launch. HTA evaluations are also increasingly being used to assess the clinical effect, as well as cost-effectiveness, of products in a particular health system. This comes as payers and policymakers attempt to drive increased efficiencies in the use and choice of pharmaceutical products.

Due to these pressures on the pricing of the Issuer's products, there can be no certainty that it will be able to charge prices for a product that, in a particular country or in the aggregate, enables it to earn an adequate return on its product investment. These pressures, including the increasingly restrictive reimbursement policies to which the Issuer is subject, could materially adversely affect its business or results of operations.

The Issuer expects that these pricing pressures will continue and may increase.

The continued disparities in EU and U.S. pricing systems could lead to marked price differentials between regions, which, by way of the implementation of existing or new reference pricing mechanisms, increases the pricing pressure affecting the industry. The importation of pharmaceutical products from countries where prices are low due to government price controls, or other market dynamics, to countries where prices for those products are higher, is already prevalent and may increase. Strengthened collaboration by governments may accelerate the development of further cost-containment policies (such as joint procurement). Increased and simplified access to national and regional prices in markets and the publication of these prices in centralised databases have facilitated the uptake and efficiency of price referencing across the world.

***Economic, regulatory and political pressures***

The Issuer operates in over 100 countries and is subject to political, socio-economic and financial factors both globally and in individual countries.

A sustained global economic downturn may further exacerbate pressure from governments and other healthcare payers on medicine prices and volumes of sales in response to pressures on budgets, and may cause a slowdown or a decline in growth in some markets. Those governments most severely impacted by the economic downturn may seek alternative ways to settle their debts through, for example, the issuance of government bonds which might trade at a discount to the face value of the debt. The Issuer's customers may cease to trade, which may result in losses from writing off debts, or a reduction in demand for the Issuer's products.

Deterioration of, or failure to improve, socio-economic conditions, and situations and/or resulting events, depending on their severity, could adversely affect the Issuer's supply and/or distribution chain in the affected countries and the ability of customers or ultimate payers to purchase its medicines. This could adversely affect the Issuer's business or results of operations.

The Issuer is highly dependent on being able to access a sustainable flow of liquid funds due to the high fixed costs of operating its business and the long and uncertain development cycles of its products. In a sustained economic downturn, financial institutions with whom it deals may cease to trade and there can be no guarantee that it will be able to access monies owed to it without a protracted, expensive and uncertain process, if at all.

The majority of the Issuer's cash investments are managed centrally and are invested in collateralised bank deposits, fixed income securities in government, financial and non-financial securities and AAA credit-rated institutional money market funds. Money market funds are backed by institutions in the U.S. and the EU, which, in turn, invest in other funds, including sovereign funds. This means the Issuer's credit exposure is a mix of U.S. and EU sovereign default risk, financial institution and non-financial institution default risk.

While the Issuer has adopted cash management and treasury policies to manage the risk of not being able to access a sustainable flow of liquid funds, it cannot be certain that these will be as effective as they are intended to be, in particular in the event of a global liquidity crisis. In addition, open positions where the Issuer is owed money and investments that the Issuer has made in financial and non-financial institutions or money market funds cannot be guaranteed to be recoverable. Additionally, if the Issuer needs access to external sources of financing to sustain and/or grow its business, such as the debt or equity capital financial markets, this may not be available on commercially acceptable terms, if at all, in the event of a severe and/or sustained economic downturn. This may, for instance, be the case in the event of any default by the Issuer on its debt obligations,

which may materially adversely affect the Issuer's ability to secure debt funding in the future or its financial condition in general.

On 23 June 2016, the United Kingdom (the "**UK**") held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU ("**Brexit**"). On 29 March 2017, the UK Government formally notified the EU under Article 50 of the UK's intention to leave the EU. This notification began the process of negotiation that will likely determine the future terms of the UK's relationship with the EU. Absent a negotiated agreement, the UK will leave the EU on 29 March 2019 and relevant EU law and agreements will cease to apply. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the Issuer's market share, sales, profitability and results of operations. The Group operates from a global footprint and retains flexibility to adapt to changing circumstances. The uncertainty during and after the period of negotiation is also expected to increase volatility and may have an economic impact on the countries in which the Issuer operates, particularly in the UK and Eurozone. The Board of Directors of the Issuer reviews the potential impact of Brexit as an integral part of its principal risks rather than as a stand-alone risk. As the process of Brexit evolves, the Board of Directors of the Issuer will continue to assess its impact on the Issuer.

It is still early to judge the impact of Brexit as it is unclear as to the trading relationships the UK will be able to negotiate with the EU and other significant trading partners. Any deterioration in market access or trading terms including customs duties, VAT or other tariffs that constitute real cost, delay or restrictions to the movement of goods and increased administration may materially adversely impact the Issuer's financial performance.

***Failure or delays in the quality and execution of commercial strategies***

The commercial success of the Issuer's growth platforms is a critical factor in sustaining or increasing global product sales and replacing lost product sales due to patent expiry. The successful launch of a new pharmaceutical product involves substantial investment in sales and marketing activities, launch stocks and other items. The Issuer may ultimately be unable to achieve commercial success for various reasons, including difficulties in manufacturing sufficient quantities of the product candidate for development or commercialisation in a timely manner, the impact of price control measures imposed by governments and healthcare authorities, the outcome of negotiations with third-party payers, erosion of IP rights, including infringement by third-parties, failure to show a differentiated product profile and changes in prescribing habits.

Failure to execute the Issuer's commercial strategies could materially adversely impact its business or results of operations.

If a new product does not succeed as anticipated or its rate of sales growth is slower than anticipated, there is a risk that the Issuer may be unable to fully recoup the costs incurred in launching it, which could materially adversely affect its business or results of operations.

The commercialisation of biologics is often more complex than for small molecule pharmaceutical products, primarily due to differences in the mode of administration, technical aspects of the product, and rapidly changing distribution and reimbursement environments.

Due to the complexity of the commercialisation process for biologics, the methods of distributing and marketing biologics could materially adversely impact the Issuer's revenues from the sales of biologics medicines, such as *Synagis* and *FluMist*/*Fluenz*.

The Issuer faces particular challenges in emerging markets, including: (i) more volatile economic conditions and/or political environments; (ii) competition from multinational and local companies with existing market presence; (iii) the need to identify and to leverage appropriate opportunities for sales and marketing; (iv) poor IP protection; (v) inadequate protection against crime (including counterfeiting, corruption and fraud); (vi) the need to impose developed market compliance standards; (vii) the need to meet a more diverse range of national regulatory, clinical, manufacturing and distribution requirements; (viii) potential inadvertent breaches of local and international law; (ix) not being able to recruit appropriately skilled and experienced personnel; (x) difficulty in identifying the most effective sales and marketing channels and routes to market; (xi) intervention by national governments or regulators restricting market access and/or introducing adverse price controls; (xii) difficulty in managing local partnerships such as co-promotion and co-marketing; both driving performance and adhering to the Issuer's compliance standards which are often higher than the market standard; (xiii) difficulties in cash repatriation due to strict foreign currency controls and lack of hard currency reserves in

some emerging markets; and (xiv) complexity inherent within a direct exports business from UK and Sweden operations to countries where the Issuer does not have a legal entity.

The failure to exploit potential opportunities appropriately in emerging markets or materialisation of the risks and challenges of doing business in such markets, including inadequate protection against crime (including counterfeiting, corruption and fraud) or inadvertent breaches of local and international law may materially adversely affect the Issuer's reputation, business or results of operations.

The Issuer may also seek to acquire complementary businesses or enter into other strategic transactions. The integration of an acquired business could involve incurring significant debt and unknown or contingent liabilities, as well as having a negative effect on its reported results of operations from acquisition-related charges, amortisation of expenses related to intangibles and charges for the implementation of long-term assets.

The Issuer may also experience difficulties in integrating geographically separated organisations, systems and facilities, and personnel with different organisational cultures. Disputes or difficulties in the Issuer's relationship with its collaborators or partners may also arise, often due to conflicting priorities or conflicts of interest between parties.

Integration processes may also result in business disruption, diversion of management resources, the loss of key employees and other issues, such as a failure to integrate information technology ("**IT**") and other systems.

The incurrence of significant debt or liabilities due to the integration of an acquired business could cause deterioration in the Issuer's credit rating and result in increased borrowing costs and interest expense.

**Supply Chain and Business Execution Risks**

***Failure to maintain supply of compliant, quality products***

The Issuer may experience difficulties, delays and interruptions in the manufacturing and supply of its products for various reasons, including: (i) demand significantly in excess of forecast demand, which may lead to supply shortages (which is particularly challenging before product launch); (ii) supply chain disruptions, including those due to natural or man-made disasters at one of its facilities or at a critical supplier or vendor; (iii) delays in construction of new facilities or the expansion of existing facilities, including those intended to support future demand for its products (the complexities associated with biological facilities, especially for drug substance, increase the probability of delay); (iv) the inability to supply products due to a product quality failure or regulatory agency compliance action such as licence withdrawal, product recall or product seizure; and (iv) other manufacturing or distribution problems, including changes in manufacturing production sites, limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, or physical limitations or other business interruptions that could impact continuous supply.

The Issuer increasingly relies on third-parties for the timely supply of goods, such as raw materials (for example, the active pharmaceutical ingredient in some of its medicines and drug substances and/or finished drug products for some of its biological medicines), equipment, formulated drugs and packaging, critical product components and services, all of which are key to its operations. Many of these goods are difficult to substitute in a timely manner or at all. The Issuer expects that external capacity for biologics drug substance production will remain constrained for the next few years and, accordingly, may not be readily available for supplementary production in the event that it experiences an unforeseen need for such capacity.

Difficulties with manufacturing and supply, forecasting, distribution or third-party suppliers may result in product shortages, which may lead to lost product sales and materially adversely affect the Issuer's reputation and revenues. Even slight variations in components or any part of the manufacturing process may lead to a product that is non-compliant and does not meet quality standards. This could lead to recalls, spoilage, product shortage, regulatory action and/or reputational harm.

***Illegal trade in the Issuer's products***

The illegal trade in pharmaceutical products is widely recognised by the pharmaceutical industry, non-governmental organisations and governmental authorities to be increasing. Illegal trade includes counterfeiting, theft and illegal diversion (that is, when the Issuer's products are found in a market where it did not send them and where they are not approved or not permitted or allowed to be sold). There is a risk to public health when illegally traded products enter the supply chain, as well as associated financial risk. Authorities and the public expect the Issuer to help reduce opportunities for illegal trade in the Issuer's products through securing its

supply chains, surveillance, investigation and supporting legal action against those found to be engaged in illegal trade.

Public loss of confidence in the integrity of pharmaceutical products as a result of illegal trade could materially adversely affect the Issuer's reputation and financial performance. In addition, undue or misplaced concern about this issue may cause some patients to stop taking their medicines, with consequential risks to their health. Authorities may take action, financial or otherwise, if they believe the Issuer is liable for breaches in its own supply chains.

There is also a direct financial loss when, for example, counterfeit and/or illegally diverted products replace sales of genuine products in a market or genuine products are recalled following discovery of counterfeit products.

***Reliance on third-party goods and services***

The Issuer spends approximately U.S.$10 billion each year with trade suppliers. This expenditure supports the length of the Issuer's value chain from discovery to manufacture and commercialisation of its medicines.

Many of the Issuer's business-critical operations, including certain R&D processes, IT systems, human resources, finance, tax and accounting services have been outsourced to third-party providers. The Issuer is therefore heavily reliant on these third-parties not just to deliver timely and high quality services, but also to comply with applicable laws and regulations and adhere to its ethical business expectations of third-party providers.

The failure of outsource providers to deliver timely services, and to the required level of quality, or the failure of outsource providers to co-operate with each other, could materially adversely affect the Issuer's financial condition or results of operations. Moreover, the failure of these third-parties to operate in an ethical manner could adversely impact the Issuer's reputation both internally and externally or even result in non-compliance with applicable laws and regulations.

The Issuer's business and financial results could also be materially adversely affected by disruptions caused by its failure to successfully manage either the integration of outsourced services or the transition process of insourcing services from third-parties.

***Failure of information security, data protection and cybercrime***

The Issuer is dependent on effective IT systems. These systems support key business functions such as its R&D, manufacturing, supply chain and sales capabilities and are an important means of safeguarding and communicating data, including critical or sensitive information, the confidentiality and integrity of which the Issuer relies on. In addition, the Issuer must ensure that the personal data which it, or third-party vendors operating on its behalf, holds and processes is protected in a manner that complies with the EU Directive 95/46/EC (General Data Protection Regulation) ("**GDPR**") which was approved by the EU on 28 May 2016, and came into force on 25 May 2018.

Examples of sensitive information that the Issuer protects include clinical trial records (patient names and treatments), personal information (employee bank details, home address), IP related to manufacturing process and compliance, key research science techniques, the Issuer's property (theft) and privileged access (rights to perform IT tasks).

The size and complexity of the Issuer's IT systems, and those of its third-party vendors (including outsource providers) with whom it contracts, have significantly increased over the past decade and this makes such systems potentially vulnerable to service interruptions and security breaches from attacks by malicious third-parties, or from intentional or inadvertent actions by its employees or vendors.

Significant changes in the business footprint and the implementation of the IT strategy, including the creation and use of captive offshore global technology centres, could lead to temporary loss of capability.

The Issuer increasingly uses the internet, digital content, social media, mobile applications and other forms of new technology to communicate internally and externally. The accessibility and instantaneous nature of interactions with such media may facilitate or exacerbate the risk of unauthorised data loss from within the Issuer. It may also lead to false or misleading statements being made about the Issuer, which may damage its reputation. As existing social media platforms expand and evolve, and new social media platforms emerge, it

becomes increasingly challenging to identify new points of entry and to put structures in place to secure and protect sensitive information.

Any significant disruption to these IT systems, including breaches of data security or cyber security, failure to integrate new and existing IT systems or failure to prepare for emerging GDPR and other applicable laws, could harm the Issuer's reputation and materially adversely affect its financial condition or results of operations.

While the Issuer invests heavily in the protection of its data and IT, it may be unable to prevent breakdowns or breaches in its systems that could result in disclosure of confidential or other sensitive information, damage to its reputation, regulatory penalties, financial losses and/or other costs.

The inability to effectively back up and restore data could lead to permanent loss of data that could result in non-compliance with applicable laws and regulations, and otherwise harm the Issuer's business.

The Issuer and its vendors could be susceptible to third-party attacks on their information security systems. Such attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise, including criminal groups, 'hacktivists' and others. From time to time the Issuer experiences intrusions, including as a result of computer-related malware. The Issuer may be unable to ward off such attacks which could have an adverse effect on its business.

Inappropriate use of certain media vehicles could lead to the unauthorised or unintentional public disclosure of sensitive information (such as personally identifiable information on employees, healthcare professionals or patients, such as those enrolled in the Issuer's clinical trials), which may damage the Issuer's reputation, adversely affect its business or results of operations and expose it to legal risks and/or additional legal obligations. Similarly, the involuntary public disclosure of commercially sensitive information or an information loss could adversely affect the Issuer's business or results of operations. In addition, negative posts or comments about the Issuer (or, for example, the safety of any of the Issuer's products) on social media websites or other digital channels could harm the Issuer's reputation.

***Failure of critical processes***

Unexpected events and/or events beyond the Issuer's control could result in the failure of critical processes within the Issuer or at third-parties on whom the Issuer is reliant. The Issuer's business faces threats to business continuity from many directions. Examples of material threats include: (i) disruption to the Issuer's business if there is instability in a particular geographic region, including as a result of war, terrorism, riots, unstable governments, civil insurrection or social unrest; (ii) natural disasters in areas of the world prone to extreme weather events and earthquakes; and (iii) cyber threats similar to those detailed in the "*Failure of information security, data protection and cybercrime*" section above.

Failure of critical processes may result in an inability to research, manufacture or supply products to patients. The Issuer has developed a Business Resilience framework which is designed to mitigate such risks. However, there is no guarantee that these measures will be sufficient to prevent business interruption.

This may expose the Issuer to litigation and/or regulatory action which may result in fines, loss of revenue and adversely affect the Issuer's financial results.

***Any expected gains from productivity initiatives are uncertain***

The Issuer continues to implement various productivity initiatives and restructuring programmes with the aim of enhancing the long-term efficiency of the business. However, anticipated cost savings and other benefits from these programmes are based on estimates and the actual savings may vary significantly or may not be achieved at all. In particular, these cost-reduction measures are often based on current conditions and cannot always take into account any future changes to the pharmaceutical industry or the Issuer's operations, including new business developments or wage or price increases.

The Issuer's failure to successfully implement these planned cost-reduction measures, either through the successful implementation of employee relations processes (including consultation, engagement, talent management, recruitment and retention), or the possibility that these efforts do not generate the level of cost savings it anticipates, could materially adversely affect its business or results of operations.

***Failure to attract and retain key personnel, and engage successfully with its employees***

The Issuer relies heavily on recruiting and retaining talented employees with a diverse range of skills and capabilities to meet its strategic objectives.

The Issuer faces intense competition for qualified individuals, as the supply of people with specific skills and significant leadership potential or in specific geographic regions may be limited and in the UK the added uncertainty created by Brexit could impact the hiring and retention of staff in some business-critical areas.

The inability to attract and/or retain highly skilled personnel may weaken the Issuer's succession plans for critical positions in the medium term, may materially adversely affect the implementation of the Issuer's strategic objectives and could ultimately impact the Issuer's business or results of operations.

The successful delivery of the Issuer's business objectives is dependent on high levels of engagement, commitment and motivation of the workforce.

Failure to engage effectively with its employees could lead to business disruption in the Issuer's day-to-day operations, reduce levels of productivity and/or increase levels of voluntary turnover, all of which could ultimately materially adversely affect the Issuer's business or results of operations.

**Legal, Regulatory and Compliance Risks**

***Failure to adhere to applicable laws, rules and regulations***

The Issuer's business operations are subject to a wide range of laws, rules and regulations from governmental and non-governmental bodies around the world.

Any failure to comply with these applicable laws, rules and regulations may result in the Issuer being investigated by relevant agencies and authorities and/or in legal proceedings being filed against the Issuer. Such investigations or proceedings could result in the Issuer becoming subject to civil and/or criminal sanctions and/or being forced to pay fines or damages. Relevant authorities have wide-ranging administrative powers to deal with any failure to comply with continuing regulatory oversight and this could affect the Issuer, whether such failure is the Issuer's own or that of its contractors or external partners.

Material examples of statutes, rules and regulations impacting business operations include: (i) compliance with Good Manufacturing Practice; (ii) local, national and international environment or occupational health and safety laws; (iii) trade control laws governing the Issuer's imports and exports including nationally and internationally recognised trade agreements, embargoes, trade and economic sanctions and anti-boycott requirements; (iv) competition laws and regulations, including challenges from competition authorities and private damages actions; (v) rules and regulations established to promote ethical supply chain management; (vi) financial regulations including, but not limited to, external financial reporting, taxation and money laundering; (vii) employment practices; (viii) disclosure of payments to healthcare professionals under The Physician Payments Sunshine Act and European Federation of Pharmaceutical Industries and Associations ("**EFPIA**") legislation; and (ix) appropriate disclosure of community support, patient group support and product donations.

The Issuer has environmental and/or occupational health and safety-related liabilities at some current, formerly owned, leased and third-party sites. The Issuer's failure to comply with applicable laws, rules and regulations; manage its liabilities; or to adequately anticipate or proactively manage emerging policy and legal developments could materially adversely affect its licence to operate, or results of operations; adversely affect its reputation; cause harm to people or the environment; and/or lead to fines or other penalties. For example, once a product has been approved for marketing by the regulatory authorities, it is subject to continuing control and regulation, such as the manner of its manufacture, distribution, marketing and safety surveillance. If regulatory issues concerning compliance with environmental, current Good Manufacturing Practice or safety monitoring regulations for pharmaceutical products (often referred to as pharmacovigilance) arise, this could lead to loss of product approvals, product recalls and seizures, and interruption of production, which could create product shortages and delays in new product approvals, and negatively impact patient access.

***Safety and efficacy of marketed products may be questioned***

The Issuer's ability to accurately assess, prior to launch, the eventual efficacy or safety of a new product once in broader clinical use can only be based on data available at that time, which is inherently limited due to relatively short periods of product testing and relatively small clinical study patient samples.

Any unforeseen safety concerns or adverse events relating to its products or failure to comply with laws, rules and regulations relating to provision of appropriate warnings concerning the dangers and risks of its products that result in injuries could expose the Issuer to large product liability damages claims, settlements and awards, particularly in the U.S. Such claims could be costly, divert management attention or damage the Issuer's reputation and demand for its products.

Adverse publicity relating to the safety of a product or of other competing products may increase the risk of product liability claims. Serious safety concerns or adverse events relating to the Issuer's products could lead to product recalls, seizures, loss of product approvals and interruption of supply and could materially adversely impact patient access, the Issuer's reputation and financial revenues.

Unfavourable resolution of such current and similar future product liability claims could subject the Issuer to enhanced damages, require it to make significant provisions in its accounts relating to legal proceedings and could materially adversely affect the Issuer's financial condition or results of operations, particularly where such circumstances are not covered by insurance.

***Adverse outcome of litigation and/or governmental investigations***

The Issuer may be subject to various product liability, consumer, commercial, anti-trust, environmental, employment or tax litigation or other legal proceedings and governmental investigations. Litigation, particularly in the U.S., is inherently unpredictable and unexpectedly high awards for damages can result from an adverse verdict. In many cases, plaintiffs may claim enhanced damages in extremely high amounts. In particular, the marketing, promotional, clinical and pricing practices of pharmaceutical manufacturers, as well as the manner in which manufacturers interact with purchasers, prescribers and patients, are subject to extensive regulation, litigation and governmental investigation. Many companies, including the Issuer, have been subject to claims related to these practices asserted by federal and state governmental authorities and private payers and consumers, which have resulted in substantial expense and other significant consequences.

Governmental investigations, for example under the U.S. Foreign Corrupt Practices Act or federal or state False Claims Acts or other types of legal proceedings, regardless of their outcome, could be costly, divert management attention, or damage the Issuer's reputation and demand for its products. Unfavourable resolution of current and similar future proceedings against the Issuer could subject it to criminal liability, fines, penalties or other monetary or non-monetary remedies, including enhanced damages, require it to make significant provisions in the Issuer's accounts relating to legal proceedings and could materially adversely affect its business or results of operations.

***Failure to adhere to increasingly stringent anti-bribery and anti-corruption legislation***

There is an increasing global focus on the implementation and enforcement of anti-bribery and anti-corruption legislation.

Two relevant pieces of legislation include the UK Bribery Act and the U.S. Foreign Corrupt Practices Act, and many other countries where the Issuer operates are also enforcing their own laws more aggressively and/or adopting tougher new measures. There has also been an increase in co-operation and co-ordination between regulators across countries with respect to investigation and enforcement.

The Issuer has been the subject of anti-corruption investigations and there can be no assurance that it will not, from time to time, be subject to informal enquiries and formal investigations from governmental agencies. In the context of the Issuer's business, governmental officials interact with it in various roles that are important to its operations, such as in the capacity of a regulator, partner or healthcare payer, reimburser or prescriber, among others.

Despite the Issuer taking measures to prevent breaches of applicable anti-bribery and anti-corruption laws by its personnel and associated third-parties, breaches may still occur, potentially resulting in the imposition of significant penalties, such as fines, the requirement to comply with monitoring or self-reporting obligations, or

debarment or exclusion from government sales or reimbursement programmes, any of which could materially adversely affect the Issuer's reputation, business or results of operations.

**Economic and Financial Risks**

***Failure to achieve strategic plans or to meet targets and expectations***

From time to time, the Issuer communicates its business strategy or its targets or expectations regarding its future financial or other performance. All such statements are of a forward-looking nature and are based on assumptions and judgements the Issuer makes, all of which are subject to significant inherent risks and uncertainties, including those that it is unaware of and/or that are beyond its control.

There can be no guarantee that the Issuer's financial targets or expectations will materialise on the expected timeline or at all. Actual results may deviate materially and adversely from any such target or expectation, including if one or more of the assumptions or judgements underlying any such target or expectation proves to be incorrect in whole or in part.

Any failure to successfully implement the Issuer's business strategy, whether determined by internal or external risk factors, may frustrate the achievement of the Issuer's financial or other targets or expectations and, in turn, materially damage the Issuer's brand and materially adversely affect its business, financial position or results of operations.

***Unexpected deterioration in the Issuer's financial position***

A wide range of financial risks could result in a material deterioration of the Issuer's financial position.

As a global business, currency fluctuations can significantly affect the Issuer's results of operations, which are reported in U.S. dollars. Approximately 31 per cent. of the Issuer's global 2017 product sales were in the U.S., which is expected to remain its largest single market for the foreseeable future. Product sales in other countries are predominantly in currencies other than the U.S. dollar, including the euro, Japanese yen, Chinese renminbi and Australian dollar.

Movements in the exchange rates used to translate foreign currencies into U.S. dollars may materially adversely affect the Issuer's financial condition or results of operations. Some of the Issuer's subsidiaries import and export goods and services in currencies other than their own functional currency, and so the financial results of such subsidiaries could be affected by currency fluctuations arising between the transaction and settlement dates. In addition, there are foreign exchange differences arising on the translation of investments in subsidiaries.

The Issuer's consolidated balance sheet contains significant investments in intangible assets, including goodwill. The nature of the biopharmaceutical business is high risk and requires that the Issuer invests in a large number of projects in an effort to develop a successful portfolio of approved products. The Issuer's ability to realise value on these significant investments is often contingent upon, among other things, regulatory approvals, market acceptance, competition and legal developments. As such, in the course of the Issuer's many acquisitions and R&D activities, the Issuer expects that some of its intangible assets will become impaired and be written off at some time in the future. Impairment losses may materially adversely affect its financial condition or results of operations.

Inherent variability of biologics manufacturing increases the risk of write-offs of product batches of biologics medicines. Due to the value of the materials used, the carrying amount of biologic products is much higher than that of small molecule products. As the Issuer continues to grow its biologics business, it also increases the risk of potential impairment charges

The costs associated with product liability litigation have increased the cost of, and narrowed the coverage afforded by, pharmaceutical companies' product liability insurance. To contain insurance costs, as of February 2006, the Issuer adjusted its product liability coverage profile, accepting uninsured exposure above U.S.$100 million. In addition, where claims are made under insurance policies, insurers may reserve the right to deny coverage on various grounds. For example, product liability litigation cases relating to *Farxiga* and *Nexium* in the U.S. are not covered by third-party product liability insurance.

Financial liabilities arising due to product liability or other litigation, in respect of which the Issuer does not have insurance coverage, or if an insurer's denial of coverage is ultimately upheld, could require the Issuer to

make significant provisions relating to legal proceedings and could materially adversely affect the Issuer's financial condition or results of operations.

The Issuer's worldwide operations are taxed under laws in the jurisdictions in which they operate. International standards governing the global tax environment regularly change. The Organisation for Economic Co-operation and Development ("**OECD**") has proposed a number of changes under the Base Erosion and Profit Shifting ("**BEPS**") Action Plans which are now being progressively implemented by tax authorities around the world.

The resolution of tax disputes regarding the profits to be taxed in individual territories can result in a reallocation of profits between jurisdictions and an increase or decrease in related tax costs, and has the potential to affect the Issuer's cash flows, earnings per share and post-tax earnings. Claims, regardless of their merits or their outcome, are costly, divert management attention and may adversely affect the Issuer's reputation.

The integrated nature of the Issuer's worldwide operations can produce conflicting claims from revenue authorities as to the profits to be taxed in individual countries. The majority of the jurisdictions in which the Issuer operates have double tax treaties with other foreign jurisdictions, which provide a framework for mitigating the incidence of double taxation on the Issuer's revenues and capital gains.

If any double tax treaties should be withdrawn or amended, especially in a territory where a member of the Group is involved in a taxation dispute with a tax authority in relation to cross-border transactions, such withdrawal or amendment, could materially adversely affect the Issuer's financial condition or results of operations, as could a negative outcome of a tax dispute or a failure by tax authorities to agree through competent authority proceedings. Changes to the application of double tax treaties, as a result of the parent company of the Group no longer being an EU entity following Brexit, could also result in adverse consequences such as those described above.

Changes in tax regimes, such as the recently announced changes to the U.S. federal tax regime effective 1 January 2018, could result in a material impact on the Issuer's cash tax liabilities and tax charge, resulting in either an increase or a reduction in financial results depending upon the nature of the change. The Issuer represents views to the OECD, governments and tax authorities through public consultations to ensure international institutions and governments understand the business implications of proposed law changes. Specific OECD BEPS recommendations that the Issuer expects will impact it include changes to patent box regimes, restrictions of interest deductibility and revised transfer pricing guidelines.

The Issuer's defined benefit pension obligations are largely backed by assets invested across the broad investment market. The Issuer's most significant obligations relate to defined benefit pension funds in the UK, Sweden and the U.S. The largest obligation is in the UK.

Sustained falls in asset values could reduce pension fund solvency levels, which may result in requirements for additional cash, restricting the cash available for the Issuer's business. Changes to funding regulations for defined benefit pensions may also result in a requirement for additional cash contributions by the Issuer. If the present value of the liabilities increases due to a sustained low interest rate environment, an increase in expectations of future inflation, or an improvement in member longevity (above that already assumed), this could also reduce pension fund solvency ratios. The likely increase in the IAS 19 accounting deficit generated by any of these factors may cause the credit rating agencies to review the Issuer's credit rating, with the potential to negatively affect its ability to raise debt and the price of new debt issuances.

***Failure in financial control or the occurrence of fraud***

Effective internal controls are necessary for the Issuer to provide reliable financial reports and are designed to prevent and detect fraud. Lapses in controls and procedures could undermine the ability to prevent fraud or provide accurate disclosure of financial information on a timely basis. Testing of the Issuer's internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements or fraud.

Significant resources may be required to remediate any lapse or deficiency in internal controls.

Any such deficiency may also trigger investigations by a number of organisations, for example, the SEC, the DOJ or the UK Serious Fraud Office and may result in fines being levied against the Issuer or individual directors or officers.

Serious fraud may lead to potential prosecution or even imprisonment of senior management.

**RISK RELATING TO THE NOTES**

***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***Global economic conditions***

Holders of Notes should be aware that adverse changes in the global credit markets may adversely affect the borrowing capacity and the cost of borrowing of the Issuer. In addition, holders of Notes should be aware that, in view of the prevailing and widely reported global credit market conditions (which continue at the date hereof), the secondary market for Notes and instruments of this kind may be illiquid. The Issuer cannot predict when these circumstances will change.

***Interest rate risks***

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

***The Notes may be redeemed prior to maturity***

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, or lodged with a sub-custodian for CMU, investors will have to rely on their procedures for transfers, payments and communications with the Issuer***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or, as the case may be, common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or lodged with a sub-custodian for CMU. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. The relevant clearing system(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the clearing system(s).

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or, as the case may be, a common safekeeper for Euroclear and Clearstream or, as the case may be, a sub-custodian for CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream or, as the case may be, CMU to receive payments under the relevant Notes. The Issuer has no

responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system(s) to appoint appropriate proxies.

***Modification, waivers and substitution***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such.

***Notes with integral multiples***

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the Specified Denomination that are not integral multiples of the Specified Denomination. Noteholders who, as a result of trading such amounts, hold a principal amount of Notes other than a multiple of the minimum Specified Denomination will receive definitive Notes in respect of their holding (provided that the aggregate amount of Notes they hold is in excess of the minimum Specified Denomination), however, any such definitive Notes which are printed in denominations other than the minimum Specified Denomination may be illiquid and difficult to trade. Furthermore, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Credit ratings may not reflect all risks and may affect the trading price of the Notes***

Tranches of Notes that may be issued under the Programme may be rated or unrated. Where a Tranche of Notes issued under the Programme is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Programme, the Issuer or to Notes already issued. One or more independent credit rating agencies may also assign credit ratings to the Notes.

Such ratings may not reflect the potential impact of all risks discussed above, and other factors that may affect the value of any Tranche of Notes. In addition, any negative change in the credit ratings of the Issuer could adversely affect the trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

***Notes denominated in Renminbi are subject to additional risks***

Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**"):

***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes***

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and/or designated foreign exchange banks on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes***

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. The People's Bank of China ("**PBoC**") has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement, and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions. Nevertheless, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for trading of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

***Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes***

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearstream and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

***Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws***

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Noteholders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by non-PRC resident individual Noteholders from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Noteholders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise Noteholders and individual Noteholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC resident enterprise or individual Noteholders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

***Investment in the Renminbi Notes is subject to currency risk***

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than 10 Hong Kong Banking Days' nor more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be.

***Investment in the Renminbi Notes is subject to exchange rate risks***

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way the Renminbi's daily mid-point against the U.S. dollar is determined, by requesting market-makers to submit daily mid-point quotations by reference to the closing rate on the inter-banks market of the previous day. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of

Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

***Investment in the Renminbi Notes is subject to interest rate risks***

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

**Foreign Account Tax Compliance withholding**

The Issuer does not believe that payments under the Notes will be subject to withholding tax under sections 1471 through 1474 of the U.S. Internal Revenue Code, certain intergovernmental agreements relating thereto and laws implementing to the foregoing (collectively "**FATCA**"). FATCA imposes a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" made by certain non-U.S. financial institutions to certain other non-U.S. financial institutions that do not comply with this new reporting regime. The Issuer does not expect to be considered a financial institution, or for payments on the Notes to be considered from sources in the United States and accordingly, no payments under the Notes should be subject to withholding under FATCA. If, contrary to expectations, FATCA withholding were imposed on any payments under the Notes, no additional amounts or other compensation would be paid in respect of such withholding.

***The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such " benchmarks"***

Interest rates and indices which are deemed to be "benchmarks" (including LIBOR and EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including LIBOR and EURIBOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Instruments linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Instruments linked to or referencing a "benchmark".

***Future discontinuance of LIBOR or any other benchmarks may adversely affect the value of Floating Rate Notes which reference LIBOR or such other benchmarks***

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Conditions, this may (i), be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii), result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

The above-mentioned risks related to LIBOR may also impact other benchmarks in the future. Investors in Floating Rate Notes which reference such other benchmarks should be mindful of the applicable interest rate fall-back provisions applicable to such Notes and the adverse effect this may have on the value or liquidity of, and return on, any Floating Rate Notes which reference any such benchmark.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents (excluding all information incorporated by reference in any such documents either expressly or implicitly and excluding any information or statements included in any such documents either expressly or implicitly that is or might be considered to be forward looking) shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

- pages 47 to 60 of the unaudited "Q1 2018 Results" of the Issuer as at and for the 3 months ended 31 March 2018;

- pages 129 to 193 of the "Annual Report and Form 20-F Information 2017" of the Issuer (the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2017 together with the notes thereto and the independent auditor's report to the members of AstraZeneca PLC (Group));

- pages 134 to 196 of the "Annual Report and Form 20-F Information 2016" of the Issuer (the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2016 together with the notes thereto and the independent auditor's report to the members of AstraZeneca PLC (Group)); and

- the Terms and Conditions of the Notes as set out on pages 31-57 (inclusive) of the Base Prospectus dated 5 May 2016 relating to the Programme (the "**2016 Conditions**").

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Copies of the documents incorporated by reference in this Base Prospectus may be inspected, free of charge, at the specified office in London of the Principal Paying Agent and will be available to the public on the Issuer's website (www.astrazeneca.com/Investors).

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## FORMS OF NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will, on or around the issue date of the relevant Tranche of the Notes, be deposited with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") or lodged with a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority ("**CMU**", and together with Euroclear and Clearstream, the "**Clearing Systems**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will, on or around the issue date of the relevant Tranche of the Notes, be deposited with a common safekeeper for Euroclear and/or Clearstream.

On 13 June 2006, the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

**Temporary Global Note exchangeable for Permanent Global Note**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, from the 40th day after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent; and

(ii) receipt by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided**, **however**, **that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear, Clearstream or CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

For the avoidance of doubt, Notes will only be issued with a minimum Specified Denomination and in integral multiples of another smaller amount in excess thereof if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note" in accordance with paragraph (iii) above.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

**Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes from the 40th day after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes from the 40th day after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

For the avoidance of doubt, if Notes are to be issued with a minimum Specified Denomination and in integral multiples of another smaller amount in excess thereof as specified in the relevant Final Terms, the Notes cannot be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

**Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear, Clearstream or CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Trustee is then in existence or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

For the avoidance of doubt, Notes will only be issued with a minimum Specified Denomination and in integral multiples of another smaller amount in excess thereof if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note".

**Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

**Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear the following legend:

"*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

1. **Introduction**

(a) ***Programme***:

AstraZeneca PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$10,000,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) ***Final Terms***:

Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) ***Trust Deed***:

The Notes are constituted by, have the benefit of and are in all respects subject to a trust deed made on 10 September 2007 and amended and restated on 21 June 2018 (the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below).

(d) ***Agency Agreement***:

The Notes are the subject of an amended and restated issue and paying agency agreement dated 21 June 2018 (the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes).

(e) ***The Notes***:

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing during normal business hours and copies may be obtained from the Specified Office(s) of the Paying Agent(s), the initial Specified Office of Principal Paying Agent being set out at the end of these Conditions.

(f) ***Summaries***:

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Office(s) of the Paying Agent(s).

2. **Interpretation**

(a) ***Definitions***:

In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, **provided, however, that**:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Consolidated Net Tangible Assets**" means the aggregate amount of consolidated total assets of the Issuer, after deducting therefrom (a) all liabilities due within one year (other than (x) short-term borrowings and (y) long-term debt due within one year) and (b) all goodwill, trade names, trademarks, patents and other like intangibles, as shown on the audited consolidated balance sheet contained in the last annual report to shareholders of the Issuer;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)** " is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30";

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)}{360}$$

where:

"**$Y_1$**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**$Y_2$**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$M_1$**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**$M_2$**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**$D_1$**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case $D_1$ will be 30; and

"**$D_2$**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case $D_2$ will be 30,

**provided**, **however**, **that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Indebtedness**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**LIBOR**" means the interest rate benchmark known as the London interbank offered rate administered by the ICE Benchmark Administration (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate) on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters (details of historic LIBOR rates can be obtained from Reuters or the designated information service from time to time);

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"**Par Redemption Date**" has the meaning given in the relevant Final Terms;

"**Paying Agents**" means the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement and a "**Paying Agent**" means any of them;

"**Payment Business Day**" means:

(i) if the currency of payment is euro, any day which is:

(A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, any day which is:

(A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Security Interest**" means:

(i) any Security Interest over Relevant Assets and the shares of stock or Indebtedness of the Issuer and its Restricted Subsidiaries securing Indebtedness of the Issuer and its Restricted Subsidiaries the principal amount of which (when aggregated with the principal amount of any other Indebtedness which has the benefit of any Security Interest over Relevant Assets and the shares of stock or Indebtedness of the Issuer and its Restricted Subsidiaries) does not at the time exceed 15 per cent. of the Consolidated Net Tangible Assets;

(ii) any Security Interest on property, shares of stock or Indebtedness of any Person existing at the time such Person becomes a Restricted Subsidiary;

(iii) any Security Interest on property or shares of stock existing at the time of acquisition of that property or those shares of stock, or to secure the payment of all or any part of the purchase price of that property or those shares of stock, or to secure any debt incurred before, at the time of, or within twelve months after, in the case of shares of stock, the acquisition of such shares of stock and, in the case of property, the later of the acquisition, completion of construction (including any improvements on an existing property) or commencement of the commercial operation of the property, where the debt is incurred to finance all or any part of the purchase price thereof;

(iv) any Security Interest securing Indebtedness owed to the Issuer or to any of its Restricted Subsidiaries by the Issuer or any of its Restricted Subsidiaries;

(v) any Security Interest existing at the Issue Date of the Notes;

(vi) any Security Interest on a Relevant Asset to secure Indebtedness incurred to finance all or part of the cost of improving, constructing, altering or repairing any building, equipment or facilities or of any other improvements on all or any part of that Relevant Asset, if such Indebtedness is incurred before, during, or within twelve months after completing the improvement, construction, alteration or repair;

(vii) any Security Interest on property owned or held by any Person or on shares of stock or Indebtedness of any Person, where the Security Interest existed either at the time the corporation is merged, consolidated or amalgamated with either the Issuer or a Restricted Subsidiary or at the time of a sale, lease or other disposition of all or substantially all of the property of a Person to the Issuer or a Restricted Subsidiary;

(viii) any Security Interest arising by operation of law and not securing amounts more than 90 days overdue or otherwise being contested in good faith;

(ix) any Security Interest arising by operation of law over any credit balance or cash held in any account with a financial institution;

(x) any rights of financial institutions to offset credit balances in connection with the operation of cash management programs established for the benefit of the Issuer and/or the benefit of any Restricted Subsidiary;

(xi) any Security Interest incurred or deposits made in the ordinary course of business, including but not limited to:

(a) any mechanics', materialmen's, carriers', workmen's, vendors' or other similar Security Interests;

(b) any Security Interests securing amounts in connection with workers' compensation, unemployment insurance and other types of social security; or

(c) any easements, rights-of-way, restrictions and other similar charges;

(xii) any Security Interest incurred or deposit made securing the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance and return of money bonds and other obligations of a similar nature incurred in the ordinary course of business;

(xiii) any Security Interest securing taxes or assessments or other applicable governmental charges or levies;

(xiv) any extension, renewal or replacement or successive extensions, renewals or replacements, in whole or in part, of any Security Interest described in paragraphs (a) to (m) above or of any Indebtedness secured by a Security Interest described in paragraphs (a) to (m) above, so long as the principal amount of Indebtedness secured does not exceed the principal amount of Indebtedness secured at the time of the extension, renewal or replacement, and that the extension, renewal or replacement Security Interest is limited to all or any part of the same property or shares of stock that secured the Security Interest extended, renewed or replaced (including improvements on that property), or property received or shares of stock issued in substitution or exchange;

(xv) any Security Interest in favour of the Issuer or any of its Subsidiaries; and

(xvi) any Security Interest on property of the Issuer or a Restricted Subsidiary in favour of the United States or any State of the United States, or the United Kingdom, or any other country, or any political subdivision of, or any department, agency or instrumentality of, these countries or states, to secure partial, progress, advance or other payments under provisions of any contract or statute including, but not limited to, Security Interests to secure Indebtedness of pollution control or industrial revenue bond type, or to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of construction of the property subject to these Security Interests;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency, **provided**, **however**, **that**:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder pursuant to Condition 9(f) (*Redemption at the option of Noteholders*);

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer or an agent appointed at the time in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" has the meaning given in the relevant Final Terms;

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Asset**" means any manufacturing plant or facility or any research facility owned by the Issuer or any of its Restricted Subsidiaries which is located within the United States or the United Kingdom and having a gross book value (before deducting any depreciation

reserve), as of the date of determination, exceeding 2 per cent. of the Issuer's Consolidated Net Tangible Assets other than:

(i) any plant or facility or research facility which, in the opinion of the board of directors of the Issuer, is not materially important to the total business conducted by the Issuer and its subsidiaries considered as a whole; or

(ii) any portion of a property described above which, in the opinion of the board of directors of the Issuer, is not materially important to the use or operation of such property;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" means any proposal:

(i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;

(ii) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under Clause 7.3 of the Trust Deed);

(iii) to change the currency in which amounts due in respect of the Notes are payable;

(iv) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or

(v) to amend this definition;

"**Restricted Subsidiary**" means any Wholly-Owned Subsidiary of the Issuer other than a Wholly-Owned Subsidiary principally engaged in leasing or financing instalment receivables or principally engaged in financing the operations of the Issuer and its consolidated subsidiaries:

(i) with substantially all of its property located within the United Kingdom or the United States; and

(ii) which owns a Relevant Asset;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended;

"**Wholly-Owned Subsidiary**" means any Person in which the Issuer, and/or one or more of its Wholly-Owned Subsidiaries, controls, directly or indirectly, all of the stock with ordinary voting power to elect the board of directors of that Person; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) ***Interpretation***:

In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or

specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Trust Deed shall be construed as a reference to the Agency Agreement or the Trust Deed, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Restricted Subsidiaries will, create or permit to subsist any Security Interest other than a Permitted Security Interest over any Relevant Asset or any shares of stock or Indebtedness of any Restricted Subsidiary without at the same time or prior thereto securing the Notes equally and rateably therewith.

6. **Fixed Rate Note Provisions**

(a) ***Application***:

This Condition 6 is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***:

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment.

(c) ***Fixed Coupon Amount***:

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***:

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) ***Application***:

This Condition 7 is applicable to the Notes only if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***:

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment.

(c) ***Screen Rate Determination***:

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference

Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided**, **however**, **that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ***ISDA Determination***:

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) ***Maximum or Minimum Rate of Interest***

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Calculation of Interest Amount***:

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) ***Calculation of other amounts***:

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant

amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) ***Publication***:

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) ***Notifications etc.***:

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(j) ***Determination or Calculation by Trustee***:

If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Noteholders and the Couponholders.

8. **Zero Coupon Note Provisions**

(a) ***Application***:

This Condition 8 is applicable to the Notes only if the Zero Coupon Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Notes***:

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, or, as the case

may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

(a) ***Scheduled redemption***:

Unless previously redeemed, or purchased and cancelled in accordance with Condition 9(j) (*Cancellation*), the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).

(b) ***Redemption for tax reasons***:

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Note provisions are not specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the tax laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

**provided**, **however**, **that** no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) ***Redemption at the option of the Issuer***:

(i) If Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Noteholders and the Trustee (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(ii) If the Optional Redemption Amount specified in the relevant Final Terms is the "**Make-Whole Redemption Amount**", the amount payable on the relevant Optional Redemption Date will be the higher of:

(A) the principal amount of the Notes; and

(B) the price, expressed as a percentage of the principal amount of the Notes (rounded to four decimal places with 0.00005 being rounded upwards), at which the then current yield on the Notes on the Reference Date would be equal to the current yield (determined by reference to the middle market price) at the Reference Time on the Reference Date of the relevant Benchmark Security plus the Make-Whole Margin, as determined by the Calculation Agent,

**provided however that,** if the Optional Redemption Date occurs on or after the Par Redemption Date the amount payable on such Optional Redemption Date will be the principal amount of the Notes.

The "**Benchmark Security**", the "**Reference Time**" and the "**Make-Whole Margin**" will be specified in the relevant Final Terms, **provided however that,** if "Linear Interpolation" is specified as applicable in the relevant Final Terms, the current yield of the Benchmark Security shall be determined by linear interpolation (calculated to the nearest one twelfth of a year) of the yield of the two Benchmark Securities specified in the Final Terms.

The "**Reference Date**" means the date which is the third London Business Day prior to the date fixed for redemption.

(d) ***Partial redemption***:

If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Clean-up Call Option***

If Clean-Up Call is specified in the applicable Final Terms and 80 per cent. or more in nominal amount of the Notes originally issued (which shall for this purpose include any further Notes issued and which are consolidated and forming a single Series with one or more previous Tranch(es) of Notes) have been redeemed or purchased and cancelled, the Issuer may, having given: (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 18 (*Notices*); and (ii) not less than 15 days (or such shorter notice as such party shall accept) before the giving of the notice referred to in (i), notice to the Trustee, (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem or, at the

Issuer's option, purchase (or procure the purchase of) on any Interest Payment Date (if the relevant Note is a Floating Rate Note) or at any time (if the relevant Note is not a Floating Rate Note), all but not some only of the Notes then outstanding at the Clean-Up Redemption Amount specified in the applicable Final Terms together with interest accrued (if any) to (but excluding) the date fixed for redemption.

(f) ***Redemption at the option of Noteholders***:

If Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which such Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided**, **however**, **that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(g) ***No other redemption***:

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to 9(f) (*Redemption at the option of Noteholders*) above.

(h) ***Early redemption of Zero Coupon Notes***:

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) ***Purchase***:

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(j) ***Cancellation***:

All Notes so redeemed by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

Any Notes purchased by the Issuer or any of its Subsidiaries may be cancelled, reissued or resold.

10. **Payments**

(a) ***Principal***:

Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

(b) ***Interest***:

Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) ***Payments in New York City***:

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***:

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Deductions for unmatured Coupons***:

If the relevant Final Terms specifies that the Fixed Rate Note provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided**, **however**, **that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided**, **however**, **that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided**, **however**, **that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) ***Unmatured Coupons void***

If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(c)(*Redemption at the option of the Issuer*), Condition 9(e) (*Clean up Call*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***:

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***:

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) ***Partial payments***:

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***:

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(k) ***CMU Service:***

Notwithstanding the foregoing, all payments of principal and interest in respect of Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or

proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(l) ***Payment of US Dollar Equivalent:***

The following provisions apply to Notes denominated in Renminbi only. Notwithstanding the foregoing, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest in respect of Notes denominated in Renminbi when due in Renminbi in Hong Kong, the Issuer may, on giving not less than 10 Hong Kong Banking Days' or more than 30 calendar days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment in US Dollars on the due date at the US Dollar Equivalent of any such Renminbi denominated amount.

For the purposes of these Conditions:

"**CMU Service**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Renminbi Calculation Agent**" means Deutsche Bank AG, Hong Kong Branch;

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, Beijing and in New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Hong Kong Banking Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong for business and settlement of Renminbi.

"**Illiquidity**" means where the general Renminbi exchange market in Hong Kong becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after date of the relevant Final Terms and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong and outside the PRC or from an account outside Hong Kong and outside the PRC to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after date of the relevant Final Terms and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**PRC**" means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**Spot Rate**" means the spot CNY/US dollar exchange rate for the purchase of US dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Renminbi Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Renminbi Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

"**US Dollar Equivalent**" means the Renminbi amount converted into US Dollars using the Spot Rate for the relevant Determination Date; and

"**US Dollars**" means the lawful currency of the United States of America.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10(l) by the Renminbi Calculation Agent, will (in the absence of its gross negligence or wilful misconduct) be binding on the Issuer, the Agents and all Noteholders.

11. **Taxation**

(a) ***Gross up***:

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or

(iii) where such withholding or deduction is imposed pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (commonly referred to as "**FATCA**"), including the intergovernmental agreement between the United States and the United Kingdom and any laws and regulations enacted pursuant to such agreement.

(b) ***Taxing jurisdiction***:

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

12. **Events of Default**

If any of the following events occurs and is continuing:

(a) ***Non-payment***:

the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or any amount of interest in respect of the Notes within fourteen days of the due date for payment thereof; or

(b) ***Breach of other obligations***:

the Issuer does not comply in all material respects with any of its other obligations under or in respect of the Notes or the Trust Deed and (except in any case where, in the opinion of the Trustee, such failure is incapable of remedy in which case no continuation or notice as is hereinafter provided will be required) such failure to comply continues unremedied for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been delivered by the Trustee to the Issuer; or

(c) ***Security enforced***:

a secured party takes possession, or a receiver, manager or other similar officer is appointed, of all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Restricted Subsidiaries; or

(d) ***Insolvency etc.***:

(i) the Issuer or any of its Restricted Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Restricted Subsidiaries or all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Restricted Subsidiaries is appointed, (iii) the Issuer or any of its Restricted Subsidiaries or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or declares a moratorium in respect of any of its Indebtedness given by it or (iv) the Issuer or any of its Restricted Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(e) ***Winding up etc.***:

an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent on terms previously approved in writing by the Trustee or by an Extraordinary Resolution); or

(f) ***Failure to take action etc.***:

any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Coupons and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or

(g) ***Unlawfulness***:

it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or

then the Trustee may at its discretion and shall, if so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes, or if so directed by an Extraordinary Resolution (subject to the Trustee having been indemnified or provided with security to its satisfaction) by written notice addressed and delivered to the Issuer, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

13. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

14. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

15. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and/or any related entity thereof and to act as trustee for the holders of any other securities issued or guaranteed by or relating to the Issuer or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In the exercise of its powers and discretions under these Conditions and/or the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequences for individual holders of Notes, Coupons or Talons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents and the Calculation Agent (if any) act solely as agents of the Issuer or, following the occurrence of an Event of Default, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Principal Paying Agent and the CMU Lodging and Paying Agent and their initial Specified Office is set out below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time, with the prior written consent of the Trustee, to vary or terminate the appointment of any Paying Agent or Calculation Agent and to appoint a successor principal paying

agent, CMU lodging and paying agent or calculation agent and additional or successor paying agents; **provided**, **however**, **that**:

(a) the Issuer shall at all times maintain a Principal Paying Agent and a CMU Lodging and Paying Agent; and

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any appointment of, or change in, any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

16. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***:

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided**, **however**, **that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of at least 90 per cent. of the Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification and waiver***:

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification to or of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders, (ii) any modification of these Conditions and the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of these Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable in accordance with Condition 18 (*Notices*).

(c) ***Substitution***:

The Trust Deed contains provisions under which any Subsidiary of the Issuer may, without the consent of the Noteholders or Couponholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes **provided that** certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 11 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

17. **Enforcement**

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer as it thinks fit to enforce any obligation, condition or provision binding on the Issuer under these Conditions or under the Trust Deed in respect of the Notes, but shall not be bound to do so unless:

(a) it has been so directed by an Extraordinary Resolution or it has been so requested in writing by the holders of at least one quarter of the nominal amount of the Notes outstanding; and

(b) it has been indemnified and/or secured to its satisfaction.

No Noteholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee, having become bound to proceed as aforesaid, fails to do so within a reasonable time and such failure is continuing.

18. **Notices**

(a) ***Valid Notices***:

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, in the case of Renminbi Notes cleared through the CMU, published in Asia or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe or Asia (as the case may be). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

(b) ***Other Methods***:

Notwithstanding paragraph (a) above, the Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and **provided that** notice of that other method is given to the Noteholders in the manner required by the Trustee.

(c) ***Couponholders***:

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to

the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Governing Law and Jurisdiction**

(a) ***Governing Law***:

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

(b) ***Jurisdiction***:

The parties to the Trust Deed have (i) agreed that the courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with the Trust Deed or the Notes (including a dispute regarding the existence, validity or termination of the Trust Deed or the Notes and all non-contractual obligations arising out of or in connection with them) or the consequences of their nullity; and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary. Notwithstanding the above, the Trustee or any of the Noteholders may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

## FORM OF FINAL TERMS

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. No key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**Final Terms dated [•]**

**AstraZeneca PLC**
**Legal Entity Identifier (LEI): PY6ZZQWO2IZFZC3IOL08**
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**
**under the U.S.$10,000,000,000**
**Euro Medium Term Note Programme**

### PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 21 June 2018 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (as defined below). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental base prospectus] [is] [are] available for viewing [at the website of the London Stock Exchange (www.londonstockexchange.com)] [and] during normal business hours at [•] [and copies may be obtained from [•]].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 5 May 2016 and which are incorporated by reference in the Base Prospectus dated 21 June 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (as defined below) and must be read in conjunction with the Base Prospectus dated 21 June 2018 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, save in respect of the Conditions which are set forth in the base prospectus dated [5 May 2016] and are incorporated by reference in the Base Prospectus.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental base prospectus] [is] [are] available for viewing [at the website of the London Stock Exchange (www.londonstockexchange.com)] [and] during normal business hours at [•] [and copies may be obtained from [•]].]

In these Final Terms, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measures in the Relevant Member State.

| | | | |
|---|---|---|---|
| 1. | Issuer: | | AstraZeneca PLC |
| 2. | [(i)] | Series Number: | [•] |
| | [(ii) | Tranche Number: | [•]] |
| 3. | Specified Currency or Currencies: | | [•] |
| 4. | Aggregate Nominal Amount: | | |
| | [(i)] | Series: | [•] |
| | [(ii) | [Tranche: | [•]] |
| 5. | Issue Price: | | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]] |
| 6. | (i) | Specified Denominations: | [•] [and integral multiples of EUR [•] in excess thereof up to and including EUR [•]. Definitive Notes will not be issued in denominations in excess of EUR [•]. |
| | (ii) | Calculation Amount: | [•] |
| 7. | (i) | Issue Date: | [•] |
| | (ii) | Interest Commencement Date: | [•] / [Issue Date] / [Not Applicable] |
| 8. | Maturity Date: | | [•] |
| 9. | Interest Basis: | | [• per cent. Fixed Rate]<br><br>[[•] month EURIBOR/LIBOR] +/— [•] per cent. Floating Rate]<br><br>[Zero Coupon] |
| 10. | Redemption/Payment Basis: | | [Redemption at par] |
| 11. | Change of Interest or Redemption/Payment Basis: | | [[•]/Not Applicable] |
| 12. | Put/Call Options: | | [Investor Put]<br><br>[Issuer Call]<br><br>[Not Applicable] |
| 13. | (i) | Status of the Notes: | Senior |
| | [(ii)] | [Date [Board] approval for issuance of Notes obtained: | [•] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 14. | **Fixed Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Rate[(s)] of Interest: | [•] per cent. per annum payable in arrear on each Interest Payment Date |

| | | | |
|---|---|---|---|
| | (ii) | Interest Payment Date(s): | [•] in each year |
| | (iii) | Fixed Coupon Amount[(s)]: | [•] per Calculation Amount |
| | (iv) | Broken Amount(s): | [[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]] |
| | (v) | Day Count Fraction: | [30/360/Actual/Actual(ICMA)/Actual/Actual (ISDA)] |
| | [(vi) | Determination Dates: | [•] in each year [[•]] |
| 15. | **Floating Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Interest Period(s): | [•] |
| | [(ii) | Specified Period: | [[•]/[Not Applicable]] |
| | (iii) | Specified Interest Payment Dates: | [•] |
| | (iv) | First Interest Payment Date: | [•] |
| | (v) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment] |
| | (vi) | Additional Business Centre(s): | [Not Applicable/[•]] |
| | (vii) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (viii) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Principal Paying Agent/ CMU Lodging and Paying Agent]): | [[•]/[Not Applicable]] |
| | (ix) | Screen Rate Determination: | |
| | | • Reference Rate: | [[•] month EURIBOR/LIBOR] |
| | | • Interest Determination Date(s): | [•] |
| | | • Relevant Screen Page: | [•] |
| | | • Relevant Time: | [•] |
| | | • Relevant Financial Centre: | [•] |
| | (x) | ISDA Determination: | |
| | | • Floating Rate Option: | [•] |
| | | • Designated Maturity: | [•] |
| | | • Reset Date: | [•] |
| | (xi) | Margin(s): | [+/—][•] per cent. per annum |
| | (xii) | Minimum Rate of Interest: | [[•] per cent. per annum]/[Not Applicable] |

| | | | |
|---|---|---|---|
| | (xiii) | Maximum Rate of Interest: | [[•] per cent. per annum]/[Not Applicable] |
| | (xiv) | Day Count Fraction: | [Actual / Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)] |
| 16. | **Zero Coupon Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | [Amortisation/Accrual] Yield: | [•] per cent. per annum |
| | (ii) | Reference Price: | [•] |
| | (iii) | Any other formula/basis of determining amount payable: | [[•]] |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
|---|---|---|---|
| 17. | **Call Option** | | [Applicable/Not Applicable] |
| | (i) | Optional Redemption Date(s): | [•] |
| | (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [•] per Calculation Amount/Make-Whole Redemption Amount/[•] |
| | (iii) | If redeemable in part: | |
| | | (a) Minimum Redemption Amount: | [•] per Calculation Amount |
| | | (b) Maximum Redemption Amount: | [•] per Calculation Amount |
| | (iv) | Notice period: | [•] |
| | (v) | [Benchmark Security] [Benchmark Securities]: | [•] |
| | (vi) | Reference Time: | [•] |
| | (vii) | Make-Whole Margin: | [•] |
| | (viii) | Linear Interpolation: | [Applicable/Not Applicable] |
| | (ix) | Par Redemption Date: | [[•]/Not Applicable] |
| | (x) | Clean-up Call: | [Applicable/Not Applicable] |
| | (xi) | Clean-up Redemption Amount | [[•]/Not Applicable] |
| 18. | **Put Option** | | [Applicable/Not Applicable] |
| | (i) | Optional Redemption Date(s): | [•] |
| | (ii) | Notice period: | [•] |
| 19. | **Final Redemption Amount of each Note** | | [[•] per Calculation Amount] |
| 20. | **Early Termination Amount** | | |
| | Early Redemption Amount (Tax) and Early Termination Amount per Calculation Amount payable on redemption for taxation | | [•][Not Applicable] |

reasons or, as the case may be, on event of default:

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 21. | Form of Notes: | [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]<br><br>[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]<br><br>[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]. |
| 22. | New Global Note Form: | [Applicable/Not Applicable] |
| 23. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | [Not Applicable/[•]] |
| 24. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No.] |
| 25. | [Consolidation provisions: | [Not Applicable] |

Signed on behalf of the Issuer:

By: .....
Duly authorised

**PART B — OTHER INFORMATION**

1. **LISTING AND ADMISSION TO TRADING**

| | | |
|---|---|---|
| (i) | Admission to trading: | Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc with effect from [•]. |
| (ii) | Estimate of total expenses related to admission to trading: | [•] |

2. **RATINGS**

| | |
|---|---|
| Ratings: | The Notes to be issued [have been/are expected to be] rated:<br><br>[Standard & Poor's Credit Market Services Europe Limited: [•]]<br><br>[Moody's Investor Services Ltd.: [•]]<br><br>[Not Applicable]<br><br>[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended.]<br><br>[[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended, although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority].]<br><br>[[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended.]<br><br>[[•] is not established in the EEA but the rating it has given to the Notes is endorsed by [•], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended.]<br><br>[[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended.]<br><br>[[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.] |

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save as discussed in "*Subscription and Sale*" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]/[•]/[Not Applicable]

4. [***Fixed Rate Notes Only* —YIELD**

| | |
|---|---|
| Indication of yield: | [•] |

5. **OPERATIONAL INFORMATION**

| | |
|---|---|
| ISIN Code: | [•] |
| Common Code: | [•] |
| [FISN | [•]] |
| [CFI Code | [•]] |
| Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): | [Not Applicable / [•]] |
| New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | [Not Applicable]<br><br>[Yes. Note that the designation "**Yes**" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]<br><br>[No. Whilst the designation is specified as "**No**" at the date of this Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily means that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of additional paying agent(s) (if any): | [•] |
| Relevant Benchmark[s]: | [[*specify benchmark*] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmark Regulation]/[Not Applicable] |
| Prohibition of Sales to EEA Retail Investors: | [Applicable / Not Applicable] |

TEFRA: [Not Applicable/The [C/D] Rules are applicable]

6. **[THIRD PARTY INFORMATION]**

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

**Clearing System Accountholders**

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held (i) in the case of a Global Note not lodged with CMU, by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper, or (ii) in the case of a Global Note lodged with CMU, a sub-custodian for CMU.

Each of the persons shown in the records of Euroclear, Clearstream and/or CMU and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear, Clearstream and/or CMU and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of the relevant Clearing System(s) and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

**Exchange of Temporary Global Notes**

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

(a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or

(b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by the relevant Clearing System(s) and/or any other relevant clearing system and received by the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) Definitive Notes have not been delivered by 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or

(c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has

occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time or, as the case may be, Hong Kong time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder.

**Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been delivered by 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time or, in the case of Notes lodged with CMU, Hong Kong time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder.

**Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

***Payments**:*

All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream.

***Exercise of put option**:*

In order to exercise the option contained in Condition 9(f) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

***Payment Business Day***

In the case of a Global Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

***Partial exercise of call option**:*

In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of the relevant Clearing System(s) (to be reflected in the records of the relevant Clearing System(s) as either a pool factor or a reduction in principal amount, at their discretion).

***Notices**:*

Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or lodged with a sub-custodian for CMU and/or any other relevant clearing system or a common safekeeper (as the case may be), notices to Noteholders may be given by delivery of the relevant notice to Euroclear, Clearstream and/or CMU and/or any other relevant clearing system (as the case may be) and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear, Clearstream and/or CMU and/or any other relevant clearing system.

## USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for the general corporate purposes of the Issuer's business which may include the repayment of debt.

## DESCRIPTION OF THE ISSUER

### Introduction

AstraZeneca PLC (the "**Issuer**" or "**AstraZeneca**") was formed on 6 April 1999 from the merger of Astra AB of Sweden and Zeneca Group PLC of the United Kingdom. The Issuer's registered office is situated at 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge CB2 0AA, telephone number: +44 20 3749 5000, facsimile number: +44 1223 352858. The registered number of the Issuer is 2723534.

This business description set out in this section of this Base Prospectus is an overview of, is qualified in its entirety by, and should be read in conjunction with, the information incorporated by reference into this Base Prospectus (see "*Documents incorporated by reference*").

### Principal Activities

AstraZeneca is a global, science-led, prescription-based biopharmaceutical business involved in the discovery, development, manufacture and marketing of prescription pharmaceuticals primarily for the treatment of diseases in three main therapy areas: oncology, cardiovascular, renal and metabolism ("CVRM") and respiratory. AstraZeneca is also selectively active in the areas of autoimmunity, neuroscience and infection. As at 31 December 2017, AstraZeneca's range of medicines included six products each with annual sales of over U.S.$1,000 million. AstraZeneca has activities in over 100 countries worldwide, with major research and development centres in five countries, including Sweden, the United Kingdom and the United States, and operations sites in 18 countries. As at 31 December 2017, it employed approximately 61,100 people (approximately 28.4 per cent. in Europe, 43.1 per cent. in the emerging markets, 21.0 per cent. in the U.S. and 7.5 per cent. in the Established Rest of World).

### Key Products

Backed by its track record of pharmaceutical innovation over more than 70 years, AstraZeneca has a broad range of marketed medicines that continue to make a positive difference in healthcare. In addition to its pipeline of products in the discovery and development phases, AstraZeneca's pipeline includes life-cycle management initiatives for approved products to bring further benefit for patients and maximise their commercial potential.

#### *Oncology medicines*

AstraZeneca's oncology products include: Arimidex (anastrozole), an aromatase inhibitor for the treatment of breast cancer; Faslodex (fulvestrant), an injectable oestrogen receptor antagonist for the treatment of breast cancer; Casodex (bicalutamide), an anti-androgen therapy for the treatment of prostate cancer; Zoladex (goserelin acetate implant), for the treatment of prostate cancer, breast cancer and certain benign gynaecological disorders; Iressa (gefitinib), an epidermal growth factor receptor-tyrosine kinase inhibitor that acts to block signals for cancer cell growth and survival in non-small cell lung cancer ("**NSCLC**"); Nolvadex (tamoxifen citrate), a widely prescribed breast cancer treatment outside the U.S.; Lynparza (olaparib), an oral ADP-ribose polymerase (PARP) inhibitor approved in the European Union ("**EU**") for the treatment of adult patients with platinum-sensitive relapsed BRCA-mutated (germline and/or somatic) high-grade serious epithelial ovarian, fallopian tube or primary peritoneal cancer and approved in the U.S. for the treatment of patients with germline BRCA-mutated advanced ovarian cancer who have been treated with three or more prior lines of chemotherapy; Tagrisso (osimertinib), an epidermal growth factor receptor ("**EGFR**") tyrosine kinase inhibitor indicated for patients with metastatic EGFR T790M mutation-positive NSCLC; Imfinzi (durvalumab), approved by the U.S. Food and Drug Administration ("**FDA**") for the treatment of locally advanced or metastatic urothelial carcinoma who have disease progression during or following platinum-containing chemotherapy, or where the disease has progressed within 12 months of receiving platinum-containing chemotherapy before or after surgery and for the treatment of locally-advanced, unresectable NSCLC whose disease has not progressed following platinum-based chemoradiation therapy; and Calquence (acalabrutinib), granted accelerated approval by the FDA in October 2017, as a treatment for relapsed or refractory mantle cell lymphoma (MCL).

In February 2016, AstraZeneca completed its acquisition of a majority equity stake in Acerta Pharma, a privately-owned biopharmaceutical company based in the Netherlands and the U.S for an upfront payment of U.S.$2.5 billion with further unconditional payments due. The transaction provides AstraZeneca with a potential best-in-class irreversible oral Bruton's tyrosine kinase (BTK) inhibitor, acalabrutinib (ACP-196), for the treatment of certain blood cancers and multiple solid tumours. During the 2017 financial year, AstraZeneca

paid U.S.$1,450 million to the shareholders of Acerta Pharma, a contractual obligation triggered by the first regulatory approval for Calquence.

In July 2017, AstraZeneca and Merck & Co., Inc., ("**Merck**" known as "**MSD**" outside the U.S. and Canada) announced that they had entered into a global strategic oncology collaboration to co-develop and co-commercialise Lynparza for multiple cancer types. The companies will develop and commercialise Lynparza jointly, both as monotherapy and in combination with other potential medicines. Independently, the companies will develop and commercialise Lynparza in combination with their respective PD-L1 and PD-1 medicines, Imfinzi and pembrolizumab. The companies will also jointly develop and commercialise AstraZeneca's selumetinib, an oral, potent, selective inhibitor of MEK, part of the mitogen-activated protein kinase pathway, currently being developed for multiple indications, including thyroid cancer.

***Cardiovascular, renal and metabolism medicines***

AstraZeneca's cardiovascular products include: Crestor, for the treatment of dyslipidaemia and hypercholesterolemia; Atacand, for the treatment of hypertension and symptomatic heart failure; Tenormin, a cardioselective beta-blocker for hypertension, angina pectoris and other cardiovascular disorders; Zestril, an angiotensin converting enzyme ("**ACE**") inhibitor, which is used for the treatment of a wide range of cardiovascular diseases, including hypertension; Plendil, a calcium antagonist for the treatment of hypertension and angina; and Brilinta/Brilique, an oral antiplatelet for the treatment of acute coronary syndromes.

AstraZeneca's metabolic products include: Byetta, a twice-daily injectable medicine indicated to improve blood sugar (glucose) control, along with diet and exercise in adults with Type 2 diabetes mellitus; Bydureon, a once-weekly injectable medicine indicated to improve blood sugar (glucose), along with diet and exercise in adults with Type 2 diabetes mellitus; Bydureon BCise (exenatide extended-release) injectable suspension, a new formulation of Bydureon in an improved once-weekly, single-dose autoinjector device for adults with Type 2 diabetes whose blood sugar remains uncontrolled on one or more oral medicines in addition to diet and exercise, to improve glycaemic control; Bydureon Pen, which delivers exenatide via microsphere technology in a once-weekly dose requiring no titration; Farxiga/Forxiga, a selective inhibitor of human sodium-glucose co-transporter 2 (SGLT-2 inhibitor) to improve glycaemic control in adult patients with Type 2 diabetes mellitus; Kombiglyze XR, which combines saxagliptin (Onglyza) and metformin extended release (metformin XR) in a once-daily tablet for Type 2 diabetes mellitus; Komboglyze, which combines saxagliptin (Onglyza) and metformin immediate release (metformin IR) in a twice-daily tablet for Type 2 diabetes mellitus; Onglyza, an oral dipeptidyl peptidase 4 (DPP-4) inhibitor for Type 2 diabetes mellitus; Symlin, an injected amylin analogue for Type 1 and Type 2 diabetes mellitus in patients with inadequate glycaemic control on meal time insulin; Xigduo, which combines dapagliflozin (Farxiga/Forxiga), an SGLT-2 inhibitor, and metformin hydrochloride, in a twice-daily tablet to improve glycaemic control in adult patients with Type 2 diabetes mellitus who are inadequately controlled by metformin alone; Xigduo XR, which combines dapagliflozin (Farxiga/Forxiga), an SGLT-2 inhibitor, and metformin hydrochloride extended-release, in a once-daily tablet to improve glycaemic control in adult patients with Type 2 diabetes mellitus who are inadequately controlled by metformin alone; and Qtern, which combines saxagliptin and dapagliflozina in a daily tablet for Type 2 diabetes.

In December 2015, AstraZeneca completed its acquisition of ZS Pharma. This transaction provides access to the potassium-binding compound ZS-9 (Lokelma), a treatment for hyperkalaemia (high potassium levels in the bloodstream). On 22 March 2018, the European Commission granted marketing authorisation for Lokelma for the treatment of adults with hyperkalaemia. On 18 May 2018, the FDA approved Lokelma for the treatment of adults with hyperkalaemia.

***Respiratory Medicines***

AstraZeneca's respiratory products include: Symbicort pMDI (budesonide/formoterol in a pressurised metered-dose inhaler) and Symbicort Turbuhaler, (budesonide/formoterol in a dry powder inhaler) for the treatment of asthma and chronic obstructive pulmonary disease ("**COPD**"); Pulmicort Turbuhaler (budesonide in a dry powder inhaler), an inhaled corticosteroid used for maintenance treatment of asthma; Pulmicort Respules (budesonide inhalation suspension), is a corticosteroid administered via a nebuliser for the treatment of asthma in both children and adults; Bricanyl Turbuhaler (terbutaline in a dry powder inhaler), a short-action $beta_2$-agonist for the acute treatment of bronchial-obstructive symptoms in asthma and COPD; Oxis Turbuhaler (formoterol), a fast onset, long-acting $beta_2$-agonist for the treatment of bronchial-obstructive symptoms in asthma and COPD; Accolate (zafirlukast), an oral leukotriene receptor antagonist for the treatment of asthma; Duaklir Genuair (aclidinium/formoterol), a dual bronchodilator (LAMA/LABA) intended for maintenance symptom control in COPD patients; Eklira Genuair/Tudorza/Bretaris (aclidinium, a LAMA), a treatment for

symptomatic mild to moderate COPD patients in need of maintenance therapy; Bricanyl Respules (terbutaline), a short-acting beta$_2$-agonist administered via a nebuliser for acute treatment of asthma and COPD in both children and adults; Bevespi Aerosphere (glycopyrrolate and formoterol fumarate), for the long-term maintenance treatment of airflow obstruction in COPD patients, including chronic bronchitis and/or emphysema; Daliresp/Daxas (roflumilast), an oral PDE4 (phosphodiesterase-4) inhibitor for adults with severe COPD to decrease their number of exacerbations; and Fasenra (benralizumab), approved in November 2017 in the U.S., for patients with severe asthma with an eosinophilic phenotype and is a respiratory biologic with an eight-week maintenance dosing regimen.

***Infection medicines***

AstraZeneca's infection products include: Synagis (palivizumab), a humanised monoclonal antibody used for the prevention of serious lower respiratory tract disease; and FluMist Quadrivalent/Fluenz Tetra (influenza vaccine live, intra-nasal), an intra-nasal, live, attenuated, quadrivalent influenza vaccine.

***Neuroscience medicines***

AstraZeneca's neuroscience products include: Vimovo (naproxen/esomeprazole magnesium), a delayed release tablet generally approved for symptomatic relief in the treatment of rheumatoid arthritis, osteoarthritis and ankylosing spondylitis; and Movantik/Moventig (naloxegol), a once-daily, peripherally-acting mu-opioid receptor antagonist approved for the treatment of opioid-induced constipation (OIC) in adult patients.

In June 2017, AstraZeneca announced an agreement with Grünenthal GmbH for the global rights to Zomig (zolmitriptan) outside Japan, including the U.S., where the rights were previously licensed to Impax Pharmaceuticals. Zomig is indicated for the acute treatment of migraines and cluster headaches. In October 2017, AstraZeneca entered into an agreement with Sawai Pharmaceuticals Company Ltd for the rights to Zomig in Japan.

In September 2017, AstraZeneca announced an agreement with Aspen Global Incorporated ("**Aspen**"), under which Aspen acquired the residual rights to AstraZeneca's remaining anaesthetic medicines. This follows the agreement with Aspen in June 2016, under which they gained the exclusive commercialisation rights to the medicines in markets outside the U.S. The agreement covered seven established medicines – Diprivan (general anaesthesia), EMLA (topical anaesthetic) and five local anaesthetics (Xylocaine/Xylocard/Xyloproct, Marcaine, Naropin, Carbocaine and Citanest).

In May 2018, AstraZeneca announced an agreement with Luye Pharma Group, Ltd. ("**Luye Pharma**") for the sale and licence of the rights to Seroquel and Seroquel XR in the UK, China and other international markets, including Brazil, Australia, Saudi Arabia, Mexico, South Korea, Thailand, Argentina, Malaysia and South Africa. Luye Pharma will pay U.S.$538 million in consideration including U.S.$260 million immediately following closure of the transaction. In addition, a milestone is payable on the successful transition of certain activities to Luye Pharma.

***Gastrointestinal medicines***

AstraZeneca's gastrointestinal products include: Nexium (esomeprazole magnesium), the first proton pump inhibitor ("**PPI**") for the treatment of acid-related diseases to offer clinical improvements over other PPIs and other treatments; and Losec/Prilosec (omeprazole), used for the short-term and long-term treatment of acid-related diseases.

**Business Environment**

The October 2017 World Economic Outlook of the International Monetary Fund ("**IMF**") highlighted that the global cyclical upswing that had begun during 2016 was continuing to gather strength, with accelerating growth in Europe, Japan, China and the United States.

However, both political and economic uncertainty continues following the Brexit vote in the UK and the election of Donald Trump to president of the U.S. The IMF goes on to suggest that the global recovery might not be sustainable and is also vulnerable to serious risks.

Against this political and economic uncertainty, world pharmaceutical sales in 2017 totalled U.S.$996 billion: an increase of 2.9 per cent. (2016: U.S.$968 billion) (Source: IQVIA Solutions HQ Limited ("**IQVIA**"), IQVIA Midas Quantum Q3 2017 (including US data)).

Average revenue in established markets in 2017 declined by 2.7 per cent., while average revenue growth in emerging markets in 2017 was 7.7 per cent. The U.S., Japan, China, Germany and France are the world's top five pharmaceutical markets, with the U.S. representing 45.5 per cent. of global sales in 2017 (2016: 45.9 per cent.) (Source: IQVIA, IQVIA Midas Quantum Q3 2017 (including US data)).

***The growth drivers***

*Expanding patient populations*

The number of people accessing healthcare is increasing, as is healthcare spending, particularly by the elderly. For example, the World Health Organisation ("**WHO**") continues to estimate that, by 2050, the world's population aged 60 years and older is expected to total some two billion, up from 900 million in 2015 and that, by then, 80 per cent. of all older people will live in low- and middle-income countries.

*Unmet medical need*

The prevalence of non-communicable diseases ("**NCDs**"), such as cancer and cardiovascular, metabolic and respiratory diseases, is increasing worldwide. NCDs are often associated with ageing populations and lifestyle choices, including smoking, diet and lack of exercise. The WHO estimates that NCDs kill 40 million people each year and disproportionately affect low- and middle-income countries where nearly three quarters of these deaths occur.

*Advances in science and technology*

Scientific innovation is critical to addressing unmet medical need and the delivery of new medicines will rely on a more advanced understanding of disease and the use of new technology and approaches. These include precision medicines, genomics and digital healthcare. Scientific and technological breakthroughs in small molecules and in biologics are also helping accelerate innovation. Innovation might also be accelerated through the use of large volumes of biological data from disease biology and genomics. Such advances have resulted in increased numbers of FDA Priority Reviews and Breakthrough Designations.

***The Challenges***

*R&D productivity*

The cost of developing new medicines continues to rise with global research and development ("**R&D**") investment expected to reach more than U.S.$160 billion in 2017. Regulators and payers are demanding greater evidence of the comparative effectiveness of medicines. On the other hand, a greater emphasis on proof of concept is helping to improve productivity and reduce costs by showing the potential efficacy of drugs earlier in the development process. Against this background, the FDA approved 46 novel drugs in 2017 compared with 22 in 2016 and 45 in 2015. Nevertheless, the risk of any products failing at the development or launch stages, or not securing regulatory approvals continues.

*Regulatory requirements*

The public's expectation of safe, effective and high-quality medicines is reflected in a highly regulated biopharmaceutical industry. At the same time, AstraZeneca is seeing instances of government policy and regulation being introduced to stimulate innovation in drug development, and of regulatory health authorities implementing programmes intended to speed up patient access to transformative medicines. In the U.S., for example, the 21st Century Cures Act of 2016 and the FDA Reauthorization Act of 2017 focus on accelerating the discovery, development and delivery of innovative new treatments for patients, and modernising the U.S. regulatory environment.

In Japan, the Pharmaceuticals and Medical Devices Agency ("**PMDA**") has adopted a new conditional early approval system to speed patient access to medicines addressing unmet medical needs requiring the conduct of confirmatory clinical studies. In China, recent proposed changes in regulations focus on improving the ability of pharmaceutical companies to deliver innovative medicines to the marketplace in a timelier manner and providing treatments for diseases where there is an unmet medical need.

Furthermore, international harmonisation of regulatory requirements is being advanced in many areas through organisations such as the International Council for Harmonization, the Pharmaceutical Inspection Cooperation Scheme, the Pan American Network for Drug Regulatory Harmonization, and the International Conference of Drug Regulatory Authorities.

There are also uncertainties. In Europe, they include how the UK will work with the EU regulatory system following its exit from the EU, and the relocation of the European Medicines Agency ("**EMA**") from London to Amsterdam in the Netherlands (and the likely disruption this will cause to regulatory processes). The impact of the implementation of the EU Clinical Trials Regulation on UK-based clinical trials needs to be assessed in the context of Brexit outcomes. The EMA has just over a year to prepare for the move and take up operations in Amsterdam on 30 March 2019 at the latest.

In the area of biosimilar development, regulatory requirements for the registration of biosimilar products continue to evolve and become better defined. However, significant areas of regulatory policy are still evolving. Among these are transparency of data regarding level of evidence to support approval of claims for biosimilarity in labelling, standards for interchangeability and pharmaceutical substitution, and traceability of pharmacovigilance reports through naming conventions that permit differentiation of products.

Increased transparency of data used for regulatory decision-making continues to be an area of interest to regulatory authorities in the EU and the U.S. AstraZeneca believes that transparency enhances the scientific understanding of how its medicines work and is in the medical interest of its patients.

*Pricing of medicines*

Pricing and reimbursement remain challenging in many markets. AstraZeneca continues to see examples where healthcare services (including pharmaceuticals) are highly regulated by governments, insurers and other private payers through various controls on pricing and reimbursement. Implementation of cost containment reforms and shifting market dynamics are further constraining healthcare providers, while difficult economic conditions burden patients who have out-of-pocket expenses relating to their medicines. Pharmaceutical companies are now expending significant resources to demonstrate the economic as well as the therapeutic value of their medicines.

These efforts are all the more relevant given the shift in the industry over the last decade from primary care to a specialty care focus. Specialty drugs are used for the treatment of complex, chronic, or rare conditions such as cancers and hepatitis C. Pricing for these products reflects the higher value they bring to patients and payers, as well as the smaller patient numbers as a result of targeted treatment options. These higher drug costs have heightened the desire and need for payers to manage their expenditure and drug utilisation.

Pricing controls and transparency measures remain a priority in key markets such as China, where the National Reimbursement Drug List ("**NRDL**") was updated in 2017. In Europe, governments continue to implement and expand price control measures for medicines and, in other markets, there has been a trend towards rigorous and consistent application of pricing regulations, including reference pricing. For example, in Saudi Arabia prices are set according to the lowest of a basket of reference market prices.

AstraZeneca is also experiencing pressure on pricing in the U.S. from a number of quarters. For example, political leadership is considering drug pricing controls and transparency measures at the national and local levels. Changes to the Affordable Care Act ("**ACA**") and ongoing efforts to reform the healthcare system continue to create uncertainty in the market. While policymakers in the U.S. have advocated for repeal and replacement of the ACA, full repeal appears unlikely. Thus, the administration has taken steps to significantly change ACA regulations, including repealing the individual mandate provision of the ACA which requires citizens to have insurance or pay a penalty. Changes to ACA regulations may have downstream implications for coverage and access. With respect to healthcare reform more broadly, modifications to Medicare and other government programmes including changes aimed at reducing drug prices, such as importation schemes, are possible. Further, the healthcare industry may be used as a means to offset government spending. U.S. federal agencies continue to propose and implement policies and programmes with the goal of expanding access and coverage, reducing costs, increasing transparency, transforming the delivery system, and improving quality and patient outcomes.

*Loss of exclusivity and genericisation*

Patent protection for pharmaceutical products is finite and, after protection expires, payers, physicians and patients gain greater access to generic alternatives (both substitutable and analogue) in many important drug classes. These generic alternatives are primarily lower priced because generic manufacturers are largely spared the costs of R&D and market development. As a result, demand for generics is high. For prescriptions dispensed in the U.S. in 2017, generics constituted 84.9 per cent. of the market by volume (2016: 84.4 per cent.).

Generic competition can also result from patent disputes or challenges before patent expiry. Increasingly, generics companies are launching products 'at risk', for example, before resolution of the relevant patent litigation. This trend, which is likely to continue, creates significant market presence for the generic version while the litigation remains unresolved. Given the unpredictable nature of patent litigation, some companies have settled such challenges on terms acceptable to the innovator and generic manufacturer. While competition authorities generally accept such agreements as a legitimate way to settle these disputes, they have questioned some settlements as being anti-competitive.

Biologics typically retain exclusivity for longer than traditional small molecule pharmaceuticals, with less generic competition. With limited experience to date, the substitution of biosimilars for the original branded product has not followed the same pattern as generic substitution in small molecule products and, as a result, erosion of the original biologic's branded market share has not been as rapid. This is due to biologics' complex manufacturing processes and the inherent difficulties in producing a biosimilar, which could require additional clinical trials. However, with regulatory authorities in Europe and the U.S. continuing to implement abbreviated approval pathways for biosimilar versions, innovative biologics are likely to face increased competition. Similar to biologics, some small molecule pharmaceutical products are in complex formulations and/or require technically challenging manufacturing and thus may not follow the pattern of generic market erosion seen with traditional, tableted pharmaceuticals. For those products, the introduction of generic alternatives (both substitutable and analogue) can be slower.

*Trust*

The pharmaceutical industry faces challenges in building and maintaining its reputation and the trust of its stakeholders. This reflects past sales and marketing practices, pricing practices by some, as well as legal disputes between pharmaceutical companies and governmental and regulatory authorities. To address these challenges, companies are seeking to strengthen a culture of ethics and integrity, adopt higher governance standards and improve relationships with employees, shareholders and other stakeholders.

Numerous companies, including those in the pharmaceutical industry, have been investigated by the China Public Security Bureau following allegations of bribery, and criminal and financial penalties have been imposed. In the U.S., investigations by the U.S. Department of Justice and the Securities and Exchange Commission under the U.S. Foreign Corrupt Practices Act are continuing across the industry, as are investigations by the UK Serious Fraud Office under the UK Bribery Act. During 2017, there were also Congressional hearings in the U.S. related to pricing while, in the UK, the Competition and Markets Authority has been investigating allegations of excessive charging.

Sustainability programmes, particularly focused on access to healthcare, seek to build trust in pharmaceutical companies as providers of medicines for the long term.

More generally, if AstraZeneca wants to be trusted by its stakeholders, it needs to operate in a way that meets their expectations, thereby maintaining and building its reputation with them.

The reputation of the sector can be undermined by counterfeit medicines which can fail to provide effective treatment and sometimes cause direct harm to patients. They represent a global challenge and companies work with health authorities, industry bodies and law enforcement agencies to bring those involved to justice.

**Business Review**

*Organisation*

AstraZeneca's Innovative Medicines and Early Development ("**IMED**") Biotech Unit focuses on scientific advances in small molecules, oligonucleotides and emerging drug platforms, while MedImmune is responsible for global biologics R&D. Both IMED and MedImmune are responsible for delivery projects to AstraZeneca's Global Medicines Development ("**GMD**") unit for late-stage development.

AstraZeneca has three strategic R&D centres: Gaithersburg, MD, U.S., Gothenburg, Sweden and Cambridge, UK.

AstraZeneca's Global Product and Portfolio Strategy group ("**GPPS**") leads its therapy area activities for two of its three main therapy areas – Cardiovascular, Renal and Metabolism and Respiratory, as well as its portfolio of medicines in Other Disease Areas. GPPS also serves as the bridge between AstraZeneca's R&D and Commercial functions and works to provide strategic direction from early-stage research to commercialisation.

GPPS works closely with healthcare providers, regulatory authorities and those who pay for AstraZeneca's medicines, seeking to ensure those medicines help to fulfil unmet medical needs and provide economic as well as therapeutic benefits.

In addition to this Group-wide role, AstraZeneca's Oncology Business Unit, formed in April 2017, has direct responsibility for sales, marketing and medical affairs activities in the U.S. and in a number of European markets, including France, Germany, Italy, Spain and the UK. Responsibility for Oncology in other markets remains with the Commercial functions.

AstraZeneca groups its sales and marketing functions into regions: North America (U.S. and Canada); Europe; and International (China, Hong Kong, Asia Area, Australia & New Zealand, Russia & Eurasia, Middle East & Africa, Latin America and Brazil). Japan is categorised separately and is one of AstraZeneca's growth platforms.

AstraZeneca's Operations function plays a key role in development, manufacturing, testing and delivery of its medicines to its customers.

*Restructuring*

Since 2007, AstraZeneca has undertaken significant efforts to restructure and reshape its business to improve its long-term competitiveness. The first phases of this restructuring, involving the integration of MedImmune, efficiencies within the R&D function and a reduction in selling, general and administrative ("**SG&A**") costs, were completed in 2011. The targeted commercial restructuring announced in 2015 has also been successfully completed with a total cost of U.S.$151 million.

In 2016, AstraZeneca announced plans to advance its strategy through sharper focus by streamlining operations, primarily in Commercial and Manufacturing, to redeploy investment to key therapy areas, particularly Oncology. Restructuring costs associated with this programme were initially forecast to be U.S.$1.5 billion by the end of 2017 and generate net annualised benefits of U.S.$1.1 billion by 2018. The total cost estimate remains at U.S.$1.5 billion but this will be incurred by 2019, with benefits expected to be U.S.$1.3 billion in 2018 and U.S.$1.4 billion in 2019.

In addition to the 2016 plan, there are two further active programmes. The first is the continuation of the Phase 3 restructuring that was announced in 2012, superseded by Phase 4 in 2013 and subsequently expanded in 2014. This initiative consists of centralisation of AstraZeneca's global R&D footprint into three strategic centres, transformation of the IT organisation, closure of a number of manufacturing facilities and other activities to simplify and streamline the organisation. At the time of the announcement, the Phase 4 programme was estimated to incur U.S.$3.2 billion of costs and deliver U.S.$1.1 billion of annualised benefits by 2016. By the end of 2017, the Phase 4 programme had incurred costs of U.S.$3.5 billion, creating headroom for investment in AstraZeneca's pipeline and launch capability. The Phase 4 programme is now expected to complete in 2020 with total programme costs estimated to be U.S.$3.7 billion and annualised benefits of U.S.$1.2 billion.

The second step was initiated in 2016 and relates to multi-year transformation programmes within AstraZeneca's General &Administrative functions (principally Finance and HR) with anticipated costs by the end of 2018 of U.S.$270 million. AstraZeneca expects these transformation programmes to deliver annualised benefits of U.S.$100 million by 2018. By the end of 2017, these programmes had incurred costs of U.S.$225 million with total expected costs rising to U.S.$300 million.

The aggregate restructuring charge incurred in 2017 across all AstraZeneca's restructuring programmes was U.S.$807 million (2016: U.S.$1,107 million), including the ongoing integration of Bristol-Myers Squibb and other acquired assets. Final estimates for programme costs, benefits and headcount impact in all functions are subject to completion of the requisite consultation in the various areas.

AstraZeneca's priority as it undertakes these restructuring initiatives is to work with its affected employees on the proposed changes, acting in accordance with relevant local consultation requirements and employment law.

*Sustainability*

AstraZeneca wants to be valued and trusted by its stakeholders as a source of great medicines over the long term. That is why AstraZeneca is committed to operating in a way that recognises the interconnection between business growth, the needs of society and the limitations of the planet. This means delivering AstraZeneca's business strategy in a way that broadens access to its medicines, minimises the environmental footprint of its products and processes, and ensures that ethics and transparency underpin everything it does.

*Sustainability strategy*

AstraZeneca has three priority areas for sustainability aligned with its organisational purpose and business strategy that allows it to have the most impact on benefiting its patients, its business, broader society and the planet. AstraZeneca determined these priorities, along with a set of foundational areas, through a structured sustainability materiality assessment that engaged external and internal stakeholders. AstraZeneca measures its progress towards its objectives through annual and long-term targets.

1. Broadening access to healthcare

   Through collaboration and innovation AstraZeneca strives to expand access to its medicines by striving to: (i) promote awareness and prevention of NCDs to reduce their global burden and cost; (ii) build capacity to help improve the underlying healthcare infrastructure and remove barriers to accessing medical treatment; and (iii) make its medicines available and more affordable to people on a commercially and socially sustainable basis.

2. Furthering ethics and transparency

   AstraZeneca commits to maintaining integrity in everything it does, by: (i) working to consistent global standards of ethical sales and marketing practices in all of its markets; (ii) working only with suppliers who have standards consistent with its own standards; (iii) working on continued transparency with its data in clinical trials; (iv) applying sound bioethics to all of its work; and (v) maintaining a strong focus on patient safety.

3. Protecting the environment

   AstraZeneca seeks to 'follow the science' to protect the planet, by: (i) managing its impact on the environment, across all of its activities, with a particular focus on greenhouse gas emissions, waste and water use; and (ii) ensuring the environmental safety of its products.

AstraZeneca's focus on these three areas does not diminish its commitment to other areas of its sustainability agenda, for example: (i) ensuring that diversity in its broadest sense is reflected in its leadership and people strategies; (ii) embedding a consistent approach to human rights across its worldwide activities; (iii) promoting the safety, health and wellbeing of all its people worldwide; (iv) building a robust talent pipeline to support its future growth; and (v) investing in community growth.

*Safety, Health and Environment Strategy*

AstraZeneca 'follows the science' to protect the planet by managing its impact on the environment across all its operations. AstraZeneca's current Global Safety, Health and Environment ("**SHE**") Policy is the overarching document for its environmental management system. It applies to all functions and locations and is supported by global standards and procedures that establish mandatory requirements in key risk areas. AstraZeneca monitors and manages performance through comprehensive assurance programmes that include performance reporting, internal auditing and an annual management review. AstraZeneca is on track to deliver its 2016 to 2025 environment targets.

AstraZeneca's 2017 natural resource targets (against a 2015 baseline) included: (i) reducing operational greenhouse gas footprint as approved by the Science Based Target initiative; (ii) reducing energy consumption by 2 per cent. to 1,761,081 MWh; (iii) reducing waste generation by 4 per cent. to 29,328 tonnes; and (iv) reducing water use by 4 per cent to 4.16 million $m^3$.

To support the achievement of AstraZeneca's targets, a resource efficiency capital fund has been in place since 2015 to invest in projects at sites. In 2017, approximately U.S.$19 million (2016: U.S.$25 million) was

committed to resource efficiency projects at AstraZeneca's manufacturing and R&D sites, and a further U.S.$20 million has been committed for 2018.

**AstraZeneca's Strategy**

AstraZeneca announced its strategy for returning to growth in 2013. The first phase, which was focused on rebuilding, was completed in 2015. The second stage is crucial as AstraZeneca drives its growth platforms forward, continues to launch new medicines and make them available to patients. As the Issuer looks ahead to 2020 and beyond, it is intended that continued investment in the Issuer's pipeline will keep it on track to return to sustainable growth in line with its targets.

In 2017, AstraZeneca's strategic priorities were focused on the following three pillars: (1) Achieving Scientific Leadership; (2) Return to Growth; and (3) Be a Great Place to Work.

**1. Achieving scientific leadership**

AstraZeneca is focusing its science on three therapy areas and accelerating its pipeline. AstraZeneca is also transforming its way of working.

AstraZeneca is using its distinctive scientific capabilities, as well as investing in key programmes and focused business development, to deliver life-changing medicines.

During 2017, AstraZeneca was involved with:

- 19 approvals of new molecular entities ("**NMEs**") or major life-cycle management ("**LCM**") projects in major markets:
    - nine oncology approvals for Imfinzi, Calquence, Faslodex, Lynparza and Tagrisso
    - six CVRM approvals for Bydureon, Bydureon BCise, Forxiga and Qtern
    - one respiratory approval for Fasenra
    - three other approvals for Duzallo, Kyntheum/Siliq
- 18 NME or major LCM regulatory submissions in major markets
- 9 Phase III NME investment decisions
- 14 Phase II starts
- Accelerated reviews including:
    - three Breakthrough Therapy Designations
    - two Orphan Drug Designations
    - two accelerated approvals
    - six Priority Review Designations
- 10 projects discontinued

***Scientific leadership and collaboration***

AstraZeneca's organisational purpose is to push the boundaries of science to deliver life-changing medicines. As AstraZeneca seeks to achieve scientific leadership it cannot do so alone. AstraZeneca seeks to be inclusive, open and collaborative. AstraZeneca's biotech-style operating model gives it access to the best science, both internal and external, and it is open to exploring new and different kinds of collaborations.

One of the measures of AstraZeneca's success in achieving scientific leadership and demonstrating the quality of research conducted in its laboratories is the number of publications in high-quality and 'high-impact' journals. It is also critical for recruiting and retaining the best scientists from around the world. Scientists from IMED, MedImmune and Global Medicines Development ("**GMD**") have published 82 manuscripts (a record number) in 'high-impact' peer-reviewed journals, each with an impact factor exceeding 15 (Thomson Reuters 5yr IF score) and a score exceeding 1,054 in total. This represents a twelve-fold improvement since AstraZeneca's drive to publish in 'high-impact' journals began in 2010.

***Early science***

AstraZeneca wants to push the boundaries of science to strengthen its early-stage product portfolio. That means exploring novel biology and using more diverse drug platforms. For example, AstraZeneca's partnership with Moderna Therapeutics is exploring the use of modified ribonucleic acid for cardiac regeneration in patients undergoing coronary artery bypass graft surgery (AZD8601). With Ionis Therapeutics, AstraZeneca is

investigating an antisense oligonucleotide in immuno-oncology (AZD9150), in combination with Imfinzi. Also in 2017, AstraZeneca formed partnerships with APT Therapeutics to access their therapeutic protein platform; with Pieris to develop novel inhaled drugs; and with Bicycle Therapeutics, in support of both AstraZeneca's Respiratory and New CVRM growth platforms, to develop a new class of therapeutics based on its proprietary bicyclic peptide product platforms.

AstraZeneca also identifies collaborations that allow it to out-license its own technology platforms. For instance, AstraZeneca continued to expand the utilisation of its antibody-drug conjugates technology platform through an agreement with GamaMabs Pharma to produce an antibody-drug conjugate as a potential cancer therapy.

*Working collaboratively and fostering open innovation*

AstraZeneca's collaborative approach to science was exemplified in 2017 by its partnerships with Imperial College, Crick Institute, and the MRC Laboratory of Molecular Biology to further its understanding of the underlying biology of disease. Additionally, since the start of AstraZeneca's joint blue-skies programme with the MRC Laboratory of Molecular Biology in 2014, it has funded 22 research projects. AstraZeneca has also continued to pioneer new approaches to open innovation, enabling its scientists to share their ideas more freely and collaborate on projects with external scientists. The IMED Open Innovation portal allows external researchers to access the full range of open innovation programmes. By the end of 2017, AstraZeneca's teams had reviewed more than 500 proposals for new drug projects. Of these, 32 have progressed as far as clinical trials, while more than 294 are at pre-clinical trial stage.

During 2017, MedImmune continued to support its internal development efforts with collaborations. These included a research collaboration with Michigan Medicine to identify potential new therapies for the prevention and treatment of diabetes, obesity and related metabolic disorders. AstraZeneca also announced a collaboration with Washington University School of Medicine to advance next generation personalised cancer immunotherapy with neoantigen vaccines. AstraZeneca also renewed its collaboration with a subsidiary of the French National Institute of Health and Medical Research conducting research into translational biology and new disease mechanisms across a range of therapeutic areas.

*Precision medicine and genomics*

Precision medicine, AstraZeneca's new name for personalised healthcare, reflects the broad range of cutting-edge diagnostic technologies it uses, including molecular diagnostics, tissue diagnostics, next-generation sequencing and point-of-care diagnostics. Building on AstraZeneca's historical focus on Oncology, it now covers all three main therapy areas. Today, 90 per cent. of AstraZeneca's clinical pipeline follows a precision medicine approach – 10 percentage points more than in 2016. AstraZeneca is industry leading in this field with 19 diagnostic tests launched, linked to four of its medicines (Iressa, Lynparza, Tagrisso and Imfinzi) and one linked to a drug it has just externalised (Zurampic); joint first for the number of FDA approvals of precision medicines; and the highest number of biomarker-related publications in scientific journals since 2014.

In 2017, AstraZeneca delivered four diagnostic tests. These included one diagnostic to detect PD-L1 protein expression on both tumour and immune cells for Imfinzi (bladder cancer); one blood-based laboratory assay for BRCA genes for Lynparza (ovarian cancer); one point of care diagnostic for uric acid in blood that can be used for Zurampic (gout); and one tumour tissue next-generation sequencing diagnostic for Tagrisso (NSCLC). In Respiratory disease, AstraZeneca is now developing its first point-of-care test for eosinophilic respiratory disease with ChemBio Diagnostics. In total, AstraZeneca invested over U.S.$185 million in strategic partnerships with leading diagnostic companies in 2017, including Ventana (Roche Tissue Diagnostics), Illumina, Roche Molecular Systems and Myriad Genetics. AstraZeneca has an in-house Centre for Genomics Research which analyses genomes and enables it to identify more effectively novel genetic causes of diseases and integrate this knowledge across its entire drug discovery and development platform. AstraZeneca is also partnering with experts in genomics to enhance its expertise in this field.

***Late-stage development***

During 2017, GMD delivered clinical trial data and submissions that resulted in 19 approvals for new medicines in the U.S., EU, China and Japan. AstraZeneca's pipeline includes 144 projects, of which 132 are in the clinical phase of development, and it is making significant progress in advancing its late-stage programmes through regulatory approval with 18 NME or major LCM regulatory submissions during 2017.

At the end of the year, AstraZeneca had 11 NME projects in pivotal studies or under regulatory review (covering 19 indications), compared with 12 at the end of 2016.

Also in 2017, 12 NMEs progressed to their next phase of development and 10 projects were discontinued: six for poorer than anticipated safety and efficacy results; and four as a result of a strategic shift in the environment or portfolio prioritisation.

As is to be expected when AstraZeneca is investigating treatments for diseases that are hard to treat, it also had some setbacks during the year. These included disappointing Phase III data results. For example, the initial results of the MYSTIC trial showed that Imfinzi in combination with tremelimumab for 1st line NSCLC did not meet the primary endpoint of progression-free survival. Also, the Phase III programme for tralokinumab did not achieve the desired outcomes of significantly reducing exacerbation rates for patients with severe, uncontrolled asthma or in reducing the use of oral corticosteroids

*Accelerating the pipeline*

GMD is prioritising its investment in specific programmes in order to accelerate them, so that new treatments get to patients more quickly but still safely. As a result, AstraZeneca had numerous study read-outs in 2017, including key oncology trial outcomes for Tagrisso in 1st line EGFR-mutated NSCLC (FLAURA) and for Imfinzi in stage 3, locally-advanced unresectable NSCLC (PACIFIC), and it expects a continued flow of new data throughout 2018. AstraZeneca's teams have also been quick to turn positive clinical trial data into regulatory submissions. In 2017, AstraZeneca made submissions in the U.S., EU and Japan for both Imfinzi and Tagrisso for the indications noted above and, in the U.S., AstraZeneca made a submission and received approval for its first haematological cancer drug, Calquence, for relapsed/refractory mantle cell lymphoma. Furthermore, Lynparza was submitted in the U.S., EU and Japan for use by patients with platinum-sensitive recurrent ovarian cancer regardless of BRCA-mutation status, and has already received U.S. approval. AstraZeneca also received approval in the U.S. and EU for its first respiratory biologic treatment, Fasenra, for severe asthma, and in the EU for combination use of Forxiga and Bydureon for the treatment of Type 2 diabetes.

In 2017, AstraZeneca presented scientific rationale that resulted in nine regulatory designations for Breakthrough Therapy or Priority Review for new medicines which offer the potential to address unmet medical need in certain diseases, and it also secured Orphan Drug status for the development of three medicines to treat very rare diseases.

AstraZeneca also works in partnership to advance its clinical research – from strategic alliances with contract research organisations for the delivery of clinical trials, to academic collaborations.

**2. Return to growth**

AstraZeneca is focusing on its growth platforms which consist of emerging markets, Respiratory, New CVRM, Japan and New Oncology ("**Growth Platforms**"), and transforming the business through specialty care, devices and biologic medicines. Targeted business development reinforces AstraZeneca's efforts. AstraZeneca seeks to leverage its strong global commercial presence, particularly in emerging markets, to ensure the right medicines are available and that patients have access to them.

*AstraZeneca's plans for growth*

AstraZeneca's Commercial teams, which comprised around 34,600 employees at the end of 2017, are active in more than 100 countries. In most countries, AstraZeneca sells its medicines through wholly-owned local marketing companies. AstraZeneca also sells through distributors and local representative offices and markets its products largely to primary care and specialty care physicians.

Even as AstraZeneca continues to be impacted by the loss of exclusivity on some of its leading medicines, it has delivered increasing revenues from its growth brands and launches. This return to growth is being underpinned by the Growth Platforms. In 2017, continued declines in revenue, for example from the loss of exclusivity in 2016 of Crestor and Seroquel XR, were substantially offset by the strong performance of certain products from AstraZeneca's emerging markets, New CVRM and New Oncology growth platforms, including Farxiga, Brilinta and Tagrisso. As AstraZeneca's strategy has progressed, so its Growth Platforms have evolved. Respiratory was joined by New Oncology from January 2015 and, from January 2017, New CVRM replaced Diabetes and Brilinta/Brilique. AstraZeneca's two remaining Growth Platforms, emerging markets and Japan, reflect the importance of these markets to growing future revenues. Overall, AstraZeneca's Growth Platforms

grew by 5 per cent. at actual exchange rates (6 per cent. at constant exchange rates ("**CER**")) in 2017 and now represent 68 per cent. of all total revenue.

However, the pharmaceutical market is highly competitive. For example, AstraZeneca's diabetes franchise continues to see pricing pressure. In immuno-oncology, the large number of clinical trials that are being carried out highlight the competitive nature of this area and renders speed to market critical.

*Pricing and delivering value*

AstraZeneca's medicines help treat unmet medical need, improve health and create economic benefits. Effective treatments can lower healthcare costs by reducing the need for more expensive care, preventing more serious and costly diseases and increasing productivity. Nevertheless AstraZeneca is acutely aware of the economic challenges faced by payers and remain committed to delivering value. AstraZeneca is committed to a pricing policy for its medicines based on four principles: (i) AstraZeneca determines the price of its medicines while considering their full value for patients, payers and society and the agreement on price involves many national, regional and local stakeholders, reflecting factors such as clinical benefit, cost effectiveness, improvement to life expectancy and quality of life; (ii) AstraZeneca aims to ensure the sustainability of both the healthcare system and its research-led business model and it believes that it shares a collective responsibility with healthcare providers and other stakeholders to work together to enable an efficient healthcare system for patients today and support a pipeline of new medicines for patients tomorrow; (iii) AstraZeneca seeks to ensure appropriate patient access to its medicines and works closely with payers and providers to understand their priorities and requirements, and plays a leading role in projects to align better the requirements of regulatory and health technology assessment (HTA) agencies or other organisations that provide value assessment of medicines: for example, it has a leading role in the European IMI ADAPT-SMART programme for exploring adaptive licensing; and (iv) AstraZeneca pursues a flexible pricing approach that reflects the wide variation in global healthcare systems and it has developed patient access programmes that are aligned with the ability to pay of patients and healthcare systems and AstraZeneca is committed to the appropriate use of managed entry schemes and the development of real-world evidence and it is investigating innovative approaches to the pricing of medicines, such as payment for outcomes received by the patient and healthcare system.

*U.S.*

As the sixteenth largest prescription-based pharmaceutical company in the U.S., AstraZeneca has a 2.5 per cent. market share of U.S. pharmaceuticals by sales value. In 2017, product sales in the U.S. decreased by 16 per cent. to U.S.$6,169 million (2016: U.S.$7,365 million).

The U.S. healthcare system is complex with multiple payers and intermediaries exerting pressure on patient access to branded medicines through regulatory and voluntary rebates. Regulatory rebates are statutorily mandated chargebacks and discounts paid on government-funded programmes such as Medicaid, Department of Defence (including TRICARE) and Department of Veteran's Affairs. Voluntary rebates are paid to managed care organisations and pharmacy benefit managers for commercially insured patients, including Medicare Part D patients. In the Medicare Part D programme, in addition to voluntary negotiated rebates, branded pharmaceutical manufacturers are statutorily required to pay 50 per cent. of the patient's out-of-pocket costs during the 'coverage gap' portion of their benefit design. As part of the ACA, AstraZeneca also pays a portion of an overall industry Patient Protection and Affordable Care Act Branded Prescription Drug Fee.

In 2017, the overall measurable reduction in AstraZeneca's profit before tax for the year due to discounts on branded pharmaceuticals in the Medicare Part D Coverage Gap and an industry-wide HealthCare Reform Fee was U.S.$119 million (2016: U.S.$471 million; 2015: U.S.$786 million).

In the U.S., there is significant pricing pressure driven by payer consolidation, restrictive reimbursement policies and cost control tools, such as exclusionary formularies and price protection clauses. Many formularies, which specify particular medicines that are approved to be prescribed in a healthcare system, or under a health insurance policy, employ 'generic first' strategies and/or require physicians to obtain prior approval for the use of a branded medicine where a generic alternative exists. These mechanisms can be used by intermediaries to limit the use of branded products and put pressure on manufacturers to reduce net prices. In 2017, 84.9 per cent. of prescriptions dispensed in the U.S. were generic, compared with 84.4 per cent. in 2016. In addition, patients are seeing changes in the design of their health plan benefits and may experience variation, including increases, in both premiums and out-of-pocket payments for their branded medications. The patient out-of-pocket spend is generally in the form of a co-payment or co-insurance, but there is a growing trend towards

high deductible health plans which require patients to pay the full list price until they meet certain out-of-pocket thresholds.

Ongoing scrutiny of the U.S. pharmaceutical industry, focused largely on pricing, has been the basis of multiple policy proposals in the U.S. Proposed changes under consideration include varying approaches to price controls on medicines (including price transparency) as well as potential reforms to government regulated programmes (such as Medicare Part B, Medicare Part D, Medicaid or other provisions under the ACA). Repeal of the Medicare Part D non-interference clause that currently prohibits the government from negotiating directly with manufacturers on drug prices as well as allowing the importation of medicines into the U.S. from other countries have been considered as a mechanism to reduce drug costs. In addition, lawmakers at both the federal and state level have sought increased drug pricing transparency and have proposed and implemented policies that include measures relating to the submission of proprietary manufacturer data, establishment of price parameters that are indexed to certain federal programmes, and reporting of changes in pricing beyond certain thresholds.

Though widespread adoption of a broad national price control scheme in the near future is unlikely, AstraZeneca continues to comply with new state-level regulations in this area and it recognises the sustained potential for substantial changes to laws and regulations regarding drug pricing that could have a significant impact on the pharmaceutical industry.

AstraZeneca understands that its medicines will not benefit patients if they are unable to afford them and it offers a number of resources and programmes that can help increase patients' access to medication and reduce their out-of-pocket costs. AstraZeneca focuses its formulary access on affordability for patients through rebate payments as well as savings cards for eligible patients when the out-of-pocket costs are not affordable. AstraZeneca has one of the longest-standing patient assistance programmes in the industry, AZ&Me, which provides eligible patients with AstraZeneca's medicines at no cost. AstraZeneca has provided prescription savings to 4.5 million patients across the U.S. and Puerto Rico over the past 10 years.

*Europe*

The total European pharmaceutical market was worth U.S.$214 billion in 2017. AstraZeneca is the fourteenth largest prescription-based pharmaceutical company in Europe with a 2.2 per cent. market share of pharmaceutical sales by value.

In 2017, AstraZeneca's Product Sales in Europe decreased by 6 per cent. at actual rate of exchange (7 per cent. at CER) to U.S.$4,753 million (2016: U.S.$5,064 million). Key drivers of the decline, leaving aside the impact of divestments such as the anaesthetics portfolio, Seloken and Zomig, were continued competition from Symbicort analogues, ongoing volume erosion of Pulmicort, Seroquel XR and Nexium following loss of exclusivity, and the continued impact of early generic entry in certain markets for Crestor and Faslodex, which AstraZeneca expects to continue in 2018. The continued macroeconomic environment, pricing pressure from payers and parallel trade across markets also affected sales. Despite these conditions, AstraZeneca continued to launch innovative medicines across Europe and saw significant progress of certain products across its Growth Platforms, in particular with Forxiga, Xigduo, Brilinta, Lynparza and Tagrisso.

Following the presentation of the PACIFIC trial at the European Society for Medical Oncology (ESMO) in 2017, AstraZeneca has overseen a mobilisation of medical teams across Europe to be able to offer early access to Imfinzi for patients with unresectable stage 3 NSCLC.

The PACIFIC Early Access Programme went live in September 2017 with the first patient included in October 2017. The PACIFIC Early Access Programme is now open in 16 EU countries with additional countries planned to be active. This is a great example of AstraZeneca's ability to put the patient first and to offer life-changing medicine to patients in need.

*Established Rest of World ("**ROW**")*

Established ROW comprises of Australia, Canada, New Zealand and Japan.

In 2017, Product Sales in Japan increased by 1 per cent. at actual rate of exchange (increased 4 per cent. at CER) to U.S.$2,208 million (2016: U.S.$2,184 million), as a result of the strong growth from the brands in AstraZeneca's Growth Platforms and *Nexium*. Particularly strong performances from Tagrisso and the Diabetes franchise helped to drive this volume growth, offsetting generic competition. Crestor, for example, is now facing significant generic competition. In September 2017, a Crestor authorised generic entered the market and

in December 2017 AstraZeneca saw more than 20 generic companies enter the statin market with generic rosuvastatin. AstraZeneca now holds ninth position in the ranking of pharmaceutical companies by sales of medicines in Japan. Despite the mandated biennial government price cuts and increased intervention from the government to rapidly increase the volume share of generic products, Japan remains an attractive market for innovative pharmaceuticals. These price cuts are likely to continue as are experimental decisions by regulators based on cost effectiveness assessments.

Canada has a mixed public/private payer system for medicines that is funded by the provinces, insurers and individual patients. It has also now become common for public payers to negotiate lower non-transparent prices after they have gone through a review by the Canadian Agency for Drugs and Technology in Health, a health technology assessment body. Most private insurers pay full price, although there is increasing pressure to achieve lower pricing. Overall, the split for AstraZeneca's portfolio is 63 per cent. funded by private payers and 37 per cent. with public plans.

AstraZeneca's sales in Australia and New Zealand declined by 5 per cent. at actual rate of exchange (7 per cent. at CER) in 2017. This was primarily due to the continued erosion of Crestor, Nexium and Seroquel by generic medicines and price reductions on established brands. Sales declined less in 2017 than in 2016 as the pace of generic erosion has moderated while the sales growth from new products such as Brilinta, Lynparza and the Diabetes portfolio has continued. Brilinta, Lynparza and the Diabetes portfolio grew by 15 per cent. at actual rate of exchange (10 per cent. at CER), 100 per cent. (actual and CER) and 27 per cent. at actual rate of exchange (25 per cent. at CER) respectively.

*Emerging Markets*

Emerging markets comprise various countries with dynamic, growing economies. These countries represent a major growth opportunity for the pharmaceutical industry due to high unmet medical needs and sound economic fundamentals. Emerging markets are not immune, however, to economic downturn. Market volatility is higher than in established markets and various political and economic challenges exist. These include regulatory and government interventions. In selected markets, governments are encouraging local manufacturing by offering more favourable pricing legislation and pricing is increasingly controlled by governments with price referencing regulations.

Growth drivers for emerging markets include new medicines across AstraZeneca's Diabetes, Respiratory, Oncology and Cardiovascular portfolios. To educate physicians about AstraZeneca's broad portfolio, it is selectively investing in sales capabilities where opportunities from unmet medical needs exist. AstraZeneca is also expanding its reach through multi-channel marketing and external partnerships.

With revenues of U.S.$6,149 million, AstraZeneca was the sixth largest multinational pharmaceutical company, as measured by prescription sales, and the second fastest-growing top 10 multinational pharmaceutical company in emerging markets in 2017.

In China, AstraZeneca is the second largest pharmaceutical company by value in the hospital sector, as measured by sales. Sales in China in 2017 increased by 12 per cent. at actual rate of exchange (15 per cent. at CER) to U.S.$2,955 million (2016: U.S.$2,636 million). AstraZeneca delivered sales growth above the growth rate of the hospital market sector through strategic brand investment, systematic organisational capability improvements and long-term market expansion programmes in core therapy areas. In addition, five products including Brilinta, Onglyza and Faslodex were listed in the updated NRDL and AstraZeneca launched two key products (Tagrisso and Forxiga) during 2017. Pricing practices remain a priority for regulators and new national regulations, in addition to provincial and hospital tenders, continue to put increasing pricing pressures on pharmaceutical companies in China. The industry-wide growth rate is expected to be a moderate single digit percentage, following the recent update of the NRDL and expanding health insurance coverage. Nevertheless, the healthcare environment in China remains dynamic. Opportunities are arising from incremental healthcare investment, strong underlying demand for AstraZeneca's more established medicines and the emergence of innovative medicines.

*Access to healthcare*

AstraZeneca continues to make its medicines affordable to more people on a commercially and socially sustainable basis. As, on average, almost half of medicine funding in emerging countries is paid for by the patient or their families, AstraZeneca bases its approach in these markets on an understanding of their economic circumstances and the burden placed on them by health costs. AstraZeneca is aiming to enable its emerging

markets to deliver better and broader patient access through innovative and targeted equitable pricing strategies and practices.

AstraZeneca has a variety of access programmes around the world, each tailored to meet the needs of the local community, which include a patient's ability to pay. These include patient assistance programmes, such as Terapia Plus in Ukraine, Karte Zdorovia in Russia and FazBem in Brazil.

AstraZeneca also runs donation programmes, such as in Cambodia, where it celebrated the ninth year of its partnership with Americares in support of the Cambodia Breast Cancer Initiative. In 2017, it provided approximately 700 screenings, more than 8,000 education sessions, and diagnosed 59 cases of breast cancer.

**Operations**

AstraZeneca's manufacturing and supply function supports its return to growth, and its Operations 2020 plan provides a focus for its investments. These initiatives aim to ensure that AstraZeneca is able to respond to patient and market needs for its medicines. Operations 2020 was launched in 2015 to enhance supply capabilities in order to respond better to patient and market needs. It focuses on supporting the delivery of new product launches, strengthening AstraZeneca's science and technology capabilities across the globe, creating a more agile and flexible supply chain, and embedding lean principles throughout AstraZeneca's network. AstraZeneca's goal is to be recognised as a leader in the biopharmaceutical supply chain by 2020.

*Quality, regulation and compliance*

AstraZeneca is committed to high product quality, which underpins the safety and efficacy of its medicines. AstraZeneca maintains a comprehensive quality management system to assure compliance and quality. Similarly, AstraZeneca sets strict standards for safety, health and environment at each of its sites. Manufacturing facilities and processes are subject to rigorous and continuously evolving regulatory standards. They are subject to inspections by regulatory authorities, who are authorised to mandate improvements to facilities and processes, halt production and impose conditions for production to resume.

In 2017, AstraZeneca hosted 56 independent inspections from 21 regulatory authorities. AstraZeneca reviewed observations from these inspections together with the outcomes of internal audits and, where necessary, implemented improvement actions.

In March 2017, the FDA issued a second Complete Response Letter ("**CRL**"). The CRL related to an inspection by the FDA of the dedicated manufacturing facility in Texas, US and did not require the generation of new clinical data. Subsequently, AstraZeneca completed the manufacturing process validation and submitted a new drug application for ZS-9, with a decision expected in the first half of 2018. In the EU, AstraZeneca announced in February 2017 that the Committee for Medicinal Products for Human Use ("**CHMP**") of the EMA had issued a positive opinion recommending the approval of ZS-9 for the treatment of hyperkalaemia. After a pause in advancing the opinion, in light of the CRL, the CHMP re-adopted its positive opinion in January 2018 and the European Commission granted marketing authorisation for Lokelma, formerly ZS-9, for the treatment of adults with hyperkalaemia. In May 2018, the FDA approved Lokelma for the treatment of adults with hyperkalaemia.

AstraZeneca is committed to maintaining the highest ethical standards and compliance with internal policies, laws and regulations. AstraZeneca reviews and comments upon evolving national and international compliance regulations through its membership of industry associations, including IFPMA, EFPIA and PhRMA.

***Manufacturing capabilities***

AstraZeneca's principal tablet and capsule formulation sites are in the UK, Sweden, China, Puerto Rico and the U.S., with local/regional supply sites in Russia, Japan, Indonesia, Egypt, India, Germany, Mexico, Brazil, Argentina and Algeria. AstraZeneca also has major formulation sites for the global supply of parenteral and/or inhalation products in the U.S., Sweden, France, Australia and the UK. Most of the manufacture of API is delivered through the efficient use of external sourcing that is complemented by internal capability in Sweden.

For biologics, AstraZeneca's principal commercial manufacturing facilities are in the U.S. (Frederick, Maryland; Greater Philadelphia, Pennsylvania; Boulder and Longmont, Colorado), the UK (Speke), and the Netherlands (Nijmegen) with capabilities in process development, manufacturing and distribution of biologics, including global supply of mAbs and influenza vaccines.

In 2017, AstraZeneca launched its first two new biologics medicines, Imfinzi and Fasenra, using its large-scale drug substance manufacturing facility in Frederick. AstraZeneca continues to develop additional manufacturing capacity for both drug substance and drug product production. AstraZeneca's new small-scale/high-titre drug substance manufacturing facility, also in Frederick, began producing clinical supply material in 2017. AstraZeneca's recently acquired facility in Longmont has been integrated into its Colorado Biologics operations to provide cold chain logistics support to its Boulder drug substance manufacturing facility. In Sweden, AstraZeneca expects its new biologics drug product manufacturing facility to be available for clinical trial programmes by the end of 2018.

For small molecules AstraZeneca is constructing a new small-scale development and launch facility alongside its existing manufacturing facility in Wuxi, China. This investment will support the acceleration of delivery of AstraZeneca's new innovative medicines to patients in China. Completion of this high-potential facility, expected in 2018, will complete AstraZeneca's ability to execute in China across the whole life-cycle of a medicine from discovery to commercialisation.

At the end of 2017, approximately 12,600 people were employed at 31 Operations sites in 18 countries.

**Intellectual property**

The principal economic safeguard in the pharmaceutical industry is a well-functioning system of patent and related protection that recognises AstraZeneca's efforts and rewards innovation with appropriate protection – and allows time to generate the revenue AstraZeneca needs to reinvest in pharmaceutical innovation. Patent rights are limited by territory and duration.

A significant portion of a patent's duration can be spent during R&D, before it is possible to launch the protected product. Therefore, AstraZeneca commits significant resources to establishing and defending its patent and related IP protections for inventions.

*Patent process*

AstraZeneca files patent protection applications for its inventions to safeguard the large investment required to obtain marketing approvals for potential new drugs. As AstraZeneca further develops a product and its uses, these new developments may necessitate new patent filings. AstraZeneca applies for patents through government patent offices around the world. These assess whether AstraZeneca's inventions meet the strict legal requirements for a patent to be granted. AstraZeneca's competitors can challenge its patents in patent offices and/or courts. AstraZeneca may face challenges early in the patent application process and throughout a patent's life. The grounds for these challenges could be the validity of a patent and/or its effective scope and are based on ever-evolving legal precedents. AstraZeneca is experiencing increased challenges in the U.S. and elsewhere in the world (such as in Australia, Brazil, Canada, China, Europe and Japan) and there can be no guarantee of success for either party in patent proceedings

The basic term of a patent is typically 20 years from the filing of the patent application with the relevant patent office. However, a product protected by a pharmaceutical patent may not be marketed for several years after filing, due to the duration of clinical trials and regulatory approval processes. Patent Term Extensions ("**PTE**") are available in certain major markets, including the EU and the U.S., to compensate for these delays. The term of the PTE can vary from zero to five years, depending on the time taken to obtain any marketing approval. The maximum patent term, when including PTE, cannot exceed 15 years (EU) or 14 years (U.S.) from the first marketing authorisation.

*Other exclusivities*

Regulatory data protection ("**RDP**" or 'data exclusivity') is an important additional form of exclusivity which is separate from, but runs in parallel to, patent exclusivity. RDP arises in respect of data which is required to be submitted to regulatory authorities to obtain marketing approvals for AstraZeneca's medicines. Significant investment is required to generate such data (for example, through conducting global clinical trials) and this proprietary data is protected from use by third parties (such as generic manufacturers) for a number of years in a limited number of countries. The period of such protection, and the extent to which it is respected, differs significantly among countries and varies depending on whether an approved drug is a small or large molecule compound. RDP is an important protection for AstraZeneca's products, and it strives to enforce its rights to it, particularly as patent rights are increasingly being challenged.

The RDP period starts from the date of the first marketing approval from the relevant regulatory authority and runs parallel to any patent protection. For small molecule drugs, RDP generally expires prior to patent expiry in all major markets.

If a product takes an unusually long time to secure marketing approval, or if patent protection has not been secured, has expired or has been lost, then RDP may be the sole IP right protecting a product from being copied. AstraZeneca believes that generic manufacturers should not be allowed to rely on AstraZeneca's data to support the generic product's approval or marketing until the RDP right has expired. In the EU, the RDP period is eight years followed by two years' marketing exclusivity.

In the U.S., new chemical entities ("**NCEs**") are entitled to a period of five years' RDP under the Federal Food, Drug and Cosmetic Act. This period of RDP runs parallel to any pending or granted patent protection and starts at the approval of the new application. There are circumstances where RDP could be the sole layer of exclusivity protecting a product from being copied. Further, under the Biologics License Application process, the FDA will grant 12 years' data RDP for a new biologic to an innovator manufacturer.

Under Orphan Drug laws in the EU and U.S., market exclusivity is granted to an innovator who gains approval for a pharmaceutical product developed to treat a rare disease. What qualifies as a rare disease differs between the EU and U.S. Qualifying orphan drugs are granted 10 years' market exclusivity in the EU and seven years' market exclusivity in the U.S.

*Compulsory licensing*

Compulsory licensing (where a Patent Authority imposes a licence on the patentee) is on the increase in certain markets in which AstraZeneca operates. AstraZeneca recognises the right of developing countries to use the flexibilities in the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (including the Doha amendment) in certain circumstances, such as a public health emergency. AstraZeneca believes this should apply only when all other ways of meeting the emergency needs have been considered and where healthcare frameworks and safeguards exist to ensure the medicines reach those who need them.

**3. Be a great place to work**

AstraZeneca is evolving its culture and simplifying its business. AstraZeneca wants to attract and retain the best talent. Great people are central to AstraZeneca's success and being a great place to work is at the heart of its efforts to release the talents of its people. AstraZeneca promotes a culture, both for employees and those third parties with whom it works, that delivers sustainable good performance and long-term business success. AstraZeneca also wants to do business sustainably.

In order to achieve its goal of being a great place to work, and to further its ethical standards, in 2017 AstraZeneca: (i) encouraged improvements in scores in its employee survey (Pulse); (ii) focused on continued development of women and increasing the representation of women in senior roles; (iii) recognised that employee retention remains challenging in specific areas of the business; (iv) maintained listing in the Pharmaceuticals, Biotechnology and Life Sciences industry group of the Dow Jones Sustainability Index; (v) launched its Code of Ethics based on its Values; (vi) continued to make progress towards its target to source 100 per cent. of its power from renewable sources by 2025; and (vii) launched Healthy Lung Asia to raise the profile of respiratory disease and build health system capacity.

*People*

AstraZeneca values the talents and skills of its 61,100 employees in more than 100 countries. Its people strategy supports its strategic priority of being a great place to work.

To help deliver this strategic priority, AstraZeneca identifies and recruits emerging talent, as well as investing in internships and recruitment opportunities globally. AstraZeneca conducts a global programme to hire recent graduates for our pharmaceutical technical development, procurement, quality, engineering, IT, supply chain, and biometrics and information sciences functions. AstraZeneca also has a graduate programme for IMED, which complements our established IMED Post Doctorate Programme for researcher recruitment. Additionally, AstraZeneca offers a 12-week internship opportunity for business school students to contribute to key initiatives in our Oncology therapeutic area.

To foster innovation, AstraZeneca seeks to harness different perspectives, talents and ideas as well as ensure that employees reflect the diversity of the communities in which the Company operates. As part of this commitment to diversity and inclusion AstraZeneca implemented numerous initiatives across the globe, such as unconscious bias training, the formation of various employee resource groups (such as an LGBT network) and, in some parts of the business, the creation of a People Manager objective to ensure all recruitment includes diverse applicant slates and diverse interview panels.

In 2017, AstraZeneca extended our Women as Leaders experience to support the accelerated development of high-potential women in AstraZeneca. In addition, the Company has developed women's networks in most countries, held a women's summit in the UK, US and Sweden, and continued to support mentoring relationships, for example introducing mentoring by senior females for emerging talent in Operations.

*Code of Ethics and Policy Framework*

AstraZeneca is committed to employing high ethical standards when carrying out all aspects of its business globally. In 2017, AstraZeneca launched a Code of Ethics (the "**Code**") which replaced its Code of Conduct. The Code is based on AstraZeneca's company Values, expected behaviours and key policy principles. It empowers employees to make decisions in the best interests of the Group and the people AstraZeneca serves, now and in the long term, by outlining AstraZeneca's commitments in simple terms and focusing on why these commitments matter. The Code also guides employees on how to make the best day-to-day choices and how to act in a consistent, responsible way, worldwide. There are two mandatory training courses dedicated to the Code: one is for new starters; the second is the annual training for all employees, reminding them of the key commitments. In 2017, 100 per cent. of all active employees completed the annual training on the new Code of Ethics.

The new Code includes four high-level Global Policies covering Science, Interactions, Workplace and Sustainability. During 2018, these new, high-level Global Policies will continue to be complemented by underlying Standards and will replace the current suite of 12 existing global policies which are published on AstraZeneca's website, www.astrazeneca.com. AstraZeneca's policy framework also includes additional requirements at the global, local and business unit level to support employees in their daily work.

*Ethical sales and marketing*

AstraZeneca is committed to employing high ethical standards of sales and marketing practice worldwide, in line with its policy framework. AstraZeneca maintains a robust compliance programme in its efforts to ensure compliance with all applicable laws, regulations and adopted industry codes. AstraZeneca's compliance programme is delivered by dedicated compliance professionals who advise on and monitor adherence to its policy framework. These professionals also support AstraZeneca's line managers locally in ensuring that their staff meet its standards. A network of nominated signatories reviews AstraZeneca's promotional materials and activities against applicable requirements, and audit professionals in Internal Audit Services, in partnership with external audit experts, also conduct compliance audits on selected marketing companies. AstraZeneca's reporting in this area is assured by Bureau Veritas UK Limited (Bureau Veritas), an independent professional services company that specialises in quality, environmental, health, safety and social accountability. Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISA 9001:2008.

Approximately 34,600 employees are engaged in AstraZeneca's Commercial activities and, in 2017, AstraZeneca identified six confirmed breaches of external sales and marketing regulations or codes (2016: six). There were 1,431 instances, most of them minor, of non-compliance with the Code or supporting requirements in AstraZeneca's Commercial Regions, including instances by employees and third parties (2016: 1,729). AstraZeneca removed a total of 176 employees and third parties from their roles as a result of these breaches (a single breach may involve more than one person). AstraZeneca also formally warned 477 others and provided further guidance or coaching on its policies to 1,157 more. The most serious breaches were raised with the Audit Committee.

*Anti-bribery/anti-corruption*

Anti-bribery/anti-corruption is a key element of AstraZeneca's policy framework, with principles and requirements underpinning the Code commitment that it does not tolerate bribery or any other form of corruption. This commitment was conveyed in AstraZeneca's 2017 annual Code training and is reinforced

through anti-bribery/anti-corruption training materials made available to its employees and relevant third parties.

Bribery and corruption remains a business risk as AstraZeneca launches new medicines in markets across the globe and enters into partnerships and collaborations. When working with third parties, AstraZeneca is committed to working with only those who embrace high standards of ethical behaviour consistent with its own. Bribery and corruption risk is a focus of AstraZeneca's third-party risk management process, as well as its Business Development due diligence procedures. It is also a focus of its monitoring and audit programmes. Global Compliance monitors a range of Commercial activities associated with bribery and corruption risk, and the majority of marketing company audits include anti-bribery/anti-corruption work programmes.

*Transparency reporting*

AstraZeneca is committed to the highest standards of conduct in all its operations, including transparency in how it partners with physicians and medical institutions. In the U.S., Europe, Australia and Japan AstraZeneca's external transparency reporting meets the requirements of the Physician Payments Sunshine Act (Open Payments), EFPIA Disclosure Code, Medicines Australia Code of Practice, and the Japanese Pharmaceutical Manufacturers Association Disclosure Code, as well as applicable local and state transparency requirements.

*Bioethics and responsible research*

AstraZeneca's commitment to working in a transparent and ethical manner is essential to achieving scientific leadership and delivering life-changing medicines. 'Bioethics' refers to the range of ethical issues that arise from the study and practice of biological and medical science, and AstraZeneca's current Global Bioethics Policy sets out its global standards in key areas. These standards apply to all of AstraZeneca's research activity, whether conducted by it or by third parties acting on its behalf.

AstraZeneca's Bioethics Advisory Group ("**BAG**") is sponsored by the Chief Medical Officer, and exists to oversee the operation of the Bioethics Policy. It acts as a source of bioethical advice to the business, bringing together the subject matter leads for each of the key bioethical areas, supported by other experts and specialists. BAG receives reports on governance and practice from subject matter leads, including reports of non-compliance with the Bioethics Policy, and advises on whatever actions are necessary. BAG met five times in 2017 and, in this period, there were no cases of non-compliance with the Bioethics Policy. BAG also considers emerging trends and scientific advances that may have an impact, supporting the development of policy in relevant areas. Ethical discussions in 2017 included the potential impacts of advances in precision genome editing, consenting and privacy issues arising from the use of human biological samples, and the implications of research into human-animal chimaeras.

*Patient safety*

One of AstraZeneca's core values is to put patients first and, by detecting, assessing, understanding and preventing adverse effects or any other drug-related problems not identified during the development process, its pharmacovigilance processes and systems seek to minimise the risks and maximise the benefits of its medicines for patients.

*Research use of human biological samples*

The use of human biological samples, such as solid tissue, biofluids and their derivatives, plays a vital role in developing a deeper understanding of human diseases and their underlying mechanisms, which helps AstraZeneca develop effective, new and personalised medicines.

When AstraZeneca conducts this important research, it maintains policies and processes to ensure that it complies with the law, meets regulatory concerns and maintains ethical standards. AstraZeneca places an emphasis on informed consent that protects the rights and expectations of donors and families throughout the process of its acquisition, use, storage and disposal of the samples. Protecting the confidentiality of a donor's identity is of the utmost importance, and a key part of AstraZeneca's process includes the coding of biological samples and associated data (including genetic data).

In rare circumstances, AstraZeneca may use human foetal tissue ("**hFT**") or human embryonic stem cells ("**hESC**"). In these circumstances, an internal review of the scientific validity of the research proposal will be conducted and permission to use the tissue will be granted only when no other scientifically reasonable alternative is available. AstraZeneca also insists that its third party vendors adopt the highest ethical standards

and it rigorously assess the ability of tissue suppliers to meet its quality and ethical expectations. AstraZeneca is committed to minimising the use of foetal tissue by exploring technological alternatives.

In 2017, one research proposal that includes use of cells derived from hFT was approved, resulting in two projects being in progress as at 31 December. A further hFT project has been approved in 2018 bringing the total to three active projects. In addition, three projects using three different hESC lines or derived cells were approved, bringing the total to seven projects using five different cell sources.

*Animal research*

AstraZeneca is committed to helping the public understand the continuing need for animals in research, and its approach to replacing, reducing, and refining its use of animals.

*Supply chain management*

Every employee and contractor who sources goods and services on behalf of AstraZeneca is expected to follow responsible business processes, which are embedded into its newly updated Global Standard for the Procurement of Goods and Services. All of AstraZeneca's procurement professionals receive detailed training on responsible procurement. With most of AstraZeneca's active pharmaceutical ingredient ("**API**") manufacturing outsourced, it needs an uninterrupted supply of high-quality raw materials. AstraZeneca therefore places great importance on its global procurement policies and integrated risk management processes. AstraZeneca purchases materials from a wide range of suppliers and works to mitigate supply risks, such as natural or man-made disasters that disrupt supply chains or the unavailability of raw materials. Contingency plans include using dual or multiple suppliers where appropriate, maintaining adequate stock levels and working to mitigate the effect of pricing fluctuations in raw materials.

AstraZeneca also seeks to manage reputational risk. AstraZeneca's ethical standards are integral to its procurement and partnering activities and it continuously monitors compliance through assessments and improvement programmes. AstraZeneca works only with those suppliers whose standards of ethical behaviour are consistent with its own. AstraZeneca will not use suppliers who are unable to meet its standards.

To achieve this, AstraZeneca has an established process for third party risk management. This process assesses risk based upon defined criteria. These include risks related to bribery and corruption, data privacy, the environment and wages. Each step of the process provides an additional level of assessment, and AstraZeneca conducts more detailed assessments on those relationships identified as higher risk. Through this risk-mitigation process, AstraZeneca seeks to better understand the partner's risk approach and seek to ensure the partner understands and can meet AstraZeneca's standards. AstraZeneca conducted a total of 7,198 assessments in 2017, taking its total number of assessments to 25,493 since it established this process in May 2014. Of the 2017 assessments, 1,888 were in the Asia Pacific region, 2,227 in Europe and 2,038 in the Americas. The remaining 1,045 assessments relate to global suppliers and those based in the Middle East and Africa.

In 2017, AstraZeneca conducted 41 audits on high-risk suppliers, seeking to ensure that they employ appropriate practices and controls. Ten percent of these suppliers met AstraZeneca's expectations, with a further 90 per cent. implementing improvement plans to address minor instances of non-compliance. Through AstraZeneca's due diligence process, it rejected 12 suppliers because of reputational concerns.

*Safety, health and wellbeing*

AstraZeneca works to promote a safe, healthy and energising work environment for employees and partners. AstraZeneca's standards apply globally and are stated in its SHE strategy. As outlined in its SHE strategy, AstraZeneca has established a set of safety, health and wellbeing targets aimed at supporting its people and keeping it among the sector leaders in SHE performance. AstraZeneca's reporting in this area is assured by Bureau Veritas.

AstraZeneca made good progress against its strategic targets in 2017, achieving a 17 per cent. reduction in the reportable injury rate and a 28 per cent. reduction in vehicle collision rate from the 2015 baseline. Building on its previous success in establishing a culture of health and wellbeing, AstraZeneca is continuing to focus on active health promotion. AstraZeneca has programmes to address all four essential health activities – healthy eating and drinking, physical activity, tobacco cessation and mental wellbeing – at 67 per cent. of its sites. In 2017, AstraZeneca carried out several activities and initiatives focused on delivery of improvements in key risk areas, including driver safety (AstraZeneca's highest risk for significant injury and fatalities), behavioural

safety, ergonomics, fall prevention and industrial hygiene. AstraZeneca also increased focus on learning from incidents.

*Community investment*

Wherever AstraZeneca works in the world, it aims to make a positive impact on its communities. AstraZeneca's Community Investment Contributions Standard outlines its global areas of focus and provides guidance to ensure a consistent, transparent and ethical approach around the world, based on local need. AstraZeneca's global community investment activities are focused on healthcare in the community and supporting science education. They include financial and non-financial community sponsorships, partnerships and charitable donations. In 2017, AstraZeneca gave more than U.S.$25 million (2016: U.S.$39 million) through its community investment activities to more than 900 non-profit organisations in 61 countries, which includes more than U.S.$4 million (2016: $20 million) for product donations that were given in support of public health needs and disaster relief. In addition to these community investments, AstraZeneca also donated more than U.S.$401 million (2016: U.S.$468 million) of medicines in connection with patient assistance programmes around the world, the largest of which is its AZ&Me programme in the U.S.

AstraZeneca's global disaster relief partners are the British Red Cross, Americares, Direct Relief International and Health Partners International of Canada. In 2017, AstraZeneca funded the deployment of the British Red Cross Mass Sanitation Unit to Northern Uganda where it provided more than 13,000 refugees with access to a safe latrine and reached more than 19,000 refugees with hygiene promotion activities. AstraZeneca also responded to appeals for the South Asian Floods and support for the Atlantic Hurricane Season.

In 2017, AstraZeneca donated products across multiple therapeutic areas to 17 countries to respond to public health needs and disaster relief. This includes pre-positioning products in partner warehouses to allow for quick deployment which was a critical part of AstraZeneca's partner's response efforts during the Atlantic Hurricane Season.

Making a positive impact on AstraZeneca's communities is also about volunteering. AstraZeneca encourages its employees to volunteer and support their efforts with one day's leave for volunteering. In 2017, AstraZeneca's employees volunteered more than 29,000 hours on community projects in countries around the world.

*Young Health Programme*

AstraZeneca also promotes awareness and prevention of NCDs to reduce their burden and cost. To that end, AstraZeneca continues to develop its Young Health Programme ("**YHP**"), a global disease prevention programme with a focus on youth. Through YHP, AstraZeneca invests in on-the-ground programmes, advocacy, and research and evidence generation to address this global health issue. 2017 was the seventh year of AstraZeneca's commitment to YHP and, during the year, AstraZeneca reached nearly 427,000 young people with health information on NCDs and risk behaviours and trained more than 2,800 peer educators. AstraZeneca launched a new three-year programme in Brazil and renewed multi-year commitments in Germany and Portugal. AstraZeneca also worked collaboratively with its advocacy partners, NCD Child and Rise Up Together, to ensure youth health needs were represented at the World Health Assembly, the UN and in national advocacy efforts.

Understanding its impact was a primary focus of AstraZeneca's activities in 2017, with publication of its first Social Return on Investment analysis. AstraZeneca looked at four YHP markets and calculated a social return of between approximately U.S.$6 and U.S.$9 for every dollar invested.

**Legal and Arbitration Proceedings**

Save as disclosed in Note 28 to AstraZeneca's consolidated financial statements for the year ended 31 December 2017 on pages 182 to 188 (inclusive) of AstraZeneca's Annual Report and Form 20-F Information 2017 and in Note 5 to AstraZeneca's 2018 Q1 Results dated 18 May 2018, which have been incorporated by reference into this Base Prospectus there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which AstraZeneca is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of AstraZeneca and its Subsidiaries.

**Group Structure**

AstraZeneca is the ultimate holding company of the Group. The principal subsidiaries of AstraZeneca, being those subsidiaries which account for more than (i) 10 per cent. of the Group's operating income; or (ii) 10 per cent. of the Group's assets; or (iii) if the Group's total investment in the subsidiary exceeds 10 per cent. of the Group's assets as at 31 December 2017, are listed below.

| At 31 December 2017 | Country | Percentage of Voting Share Capital Held ( per cent.) | Principal Activity |
|---|---|---|---|
| **United Kingdom** | | | |
| AstraZeneca UK Limited | England | 100 | Research and development, manufacturing, marketing |
| AstraZeneca Treasury Limited | England | 100 | Treasury |
| KuDOS Pharmaceuticals Limited | England | 100 | Research & Development |
| **Continental Europe** | | | |
| AstraZeneca AB | Sweden | 100 | Manufacturing, sales, marketing or distribution, research and development |
| **The Americas** | | | |
| IPR Pharmaceuticals Inc. | Puerto Rico | 100 | Manufacturing, sales, marketing or distribution, research and development |
| ZS Pharma Inc. | United States | 100 | Research and development |
| AstraZeneca Pharmaceuticals LP | United States | 100 | Research and development, manufacturing, marketing or distribution, sales |
| MedImmune, LLC | United States | 100 | Research and development manufacturing, marketing or distribution, sales |

**Major Shareholdings**

As at 31 May 2018, the following had disclosed an interest in the issued ordinary share capital of AstraZeneca in accordance with the requirements of section 5.1.2 or 5.1.5 of the United Kingdom Listing Authority's Disclosure Rules and Transparency Rules:

| Shareholder | Number of shares | Date of disclosure to AstraZeneca | Percentage of issued share capital |
|---|---|---|---|
| BlackRock, Inc. ..... | 100,885,181 | 8 Dec 2009 | 7.97 per cent. |
| The Capital Group Companies, Inc. ..... | 63,029,311 | 14 Aug 2017 | 4.98 per cent. |
| Investor AB ..... | 51,587,810 | 2 Feb 2012 | 4.07 per cent. |

**Board of Directors**

The Directors and Secretary of AstraZeneca as at 18 June 2018, their functions in AstraZeneca and their principal outside activities (if any) of significance to AstraZeneca are as follows:

| Name | Function within AstraZeneca | Principal Outside Activity (if any) of Significance to AstraZeneca |
|---|---|---|
| Pascal Soriot..... | Executive Director and Chief Executive Officer | None. |
| Marc Dunoyer ..... | Executive Director and Chief Financial Officer | Director of Orchard Therapeutics |
| Leif Johansson..... | Non-Executive Chairman, Chairman of the Nomination and Governance Committee and Member of the Remuneration Committee | Member of the European Round Table of Industrialists<br>Board member of Ecolean AB and Autoliv, Inc. Memberof the Royal Swedish Academy of Engineering Sciences |
| Geneviève Berger..... | Non-Executive Director and Member of the Science Committee | Director of Air Liquide S.A. Chief Research Officer at Firmenich, SA, Geneva, Switzerland. Professor of Medicine at Université Pierre et Marie Curie, Paris |
| Philip Broadley..... | Non-Executive Director and Member of the Audit Committee | Fellow of the Institute of Chartered Accountants in England and Wales, Member of the Code Committee of the Takeover Panel<br>Chair of the Audit Committee of Legal & General Group plc. Member of the Oxford University Audit Committee<br>Treasurer of the London Library<br>Chairman of the Board of Governors of Eastbourne College<br>Director of Stallergenes Greer plc |
| Graham Chipchase ..... | Non-Executive Director, Chairman of the Remuneration Committee and Member of the Nomination and Governance Committee | Chief Executive Officer and Director of Brambles Limited |
| Deborah DiSanzo ..... | Non-Executive Director | Director of ReWalk Robotics, Inc. |
| Rudy Markham..... | Senior Independent Non-Executive Director, Chairman of the Audit Committee and Member of the Remuneration Committee and the Nomination and Governance Committee | Non-Executive member of the Board of United Parcel Services Inc. Vice Chairman of the Supervisory Board of Corbion NV, a Fellow of the Chartered Institute of Management Accountants and a Fellow of the Association of Corporate Treasurers |
| Sheri McCoy ..... | Non-Executive Director and Member of the Audit Committee | Member of the boards of Certara, Catalyst and Stonehill College, Easton, Massachusetts<br>Director of Stryker Corporation |

| Name | Function within AstraZeneca | Principal Outside Activity (if any) of Significance to AstraZeneca |
|---|---|---|
| | | Director of NovoCure |
| Nazneen Rahman..... | Non-Executive Director and Member of the Science Committee | Member of the scientific advisory board of Genomics plc and the advisory board of the Wellcome Open Research, Head of the Division of Genetics and Epidemiology at the Institute of Cancer Research (ICR), London. Head of the Cancer Genetics Unit at the Royal Marsden NHS Foundation Trust. Director of the TGL clinical gene testing laboratory at the ICR |
| Baroness Shriti Vadera..... | Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee | Chairman of Santander UK plc. Senior Independent Director of BHP Billiton |
| Marcus Wallenberg ..... | Non-Executive Director and Member of the Science Committee | Chairman of Skandinaviska Enskilda Banken AB, Saab AB, and Foundation Asset Management AB. Member of the boards of Investor AB, the Knut and Alice Wallenberg Foundation and Temasek Holdings Limited |
| Adrian Kemp..... | Company Secretary | None. |

The business address of each of the Directors and the Company Secretary referred to above is 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge CB2 0AA.

On 5 April 2018, the Issuer announced that Mr Markham intends to retire from the Board at the conclusion of the 2019 AGM and that Baroness Vadera will retire as a Director by 31 December 2018.

There are no potential conflicts of interest between the duties to the Issuer of its Directors and the Company Secretary and their private interests and other duties.

**Recent Developments**

The following paragraphs update the information in the Annual Report and Form 20-F Information 2017, which has been incorporated by reference.

***First quarter results***

On 18 May 2018, AstraZeneca announced its first quarter results, which included the following:

Revenue for the first quarter was U.S.$5,178 million, down 9 per cent. at CER compared to the first quarter of 2017.

Core earnings per share ("**EPS**") was U.S.$0.48, down 51 per cent. at CER compared to the first quarter of 2017.

Reported EPS was U.S.$0.27, down 29 per cent. at CER compared to the first quarter of 2017.

***Pipeline developments***

On 10 January 2018, AstraZeneca and its global biologics research and development arm, MedImmune, announced that the European Commission (EC) approved Fasenra (benralizumab) as an add-on maintenance treatment in adult patients with severe eosinophilic asthma inadequately controlled despite high-dose inhaled corticosteroids plus long-acting beta-agonists. The approval was based on the results from the WINDWARD

programme, including the pivotal Phase III exacerbation trials, SIROCCO and CALIMA, and the Phase III OCS-sparing trial, ZONDA.

On 12 January 2018, AstraZeneca and MSD announced that the FDA approved Lynparza (olaparib), for use in patients with deleterious or suspected deleterious germline BRCA-mutated (gBRCAm), human epidermal growth factor receptor 2 (HER2)-negative metastatic breast cancer who have been previously treated with chemotherapy in the neoadjuvant, adjuvant or metastatic setting. Patients with hormone receptor positive (HR+) breast cancer should have been treated with a prior endocrine therapy or be considered inappropriate for endocrine therapy. Patients are selected for therapy based on an FDA-approved companion diagnostic from Myriad Genetics.

On 19 January 2018, AstraZeneca and its global biologics research and development arm, MedImmune, announced that the Japanese Ministry of Health, Labour and Welfare approved Fasenra (benralizumab) as an add-on treatment for bronchial asthma in patients who continue to experience asthma exacerbations despite treatment with high-dose inhaled corticosteroid and other asthma controllers. The approval was based on the results from the WINDWARD programme, including the pivotal Phase III exacerbation trials, SIROCCO and CALIMA, and the Phase III oral corticosteroid (OCS)-sparing trial, ZONDA. Fasenra will be available as a fixed-dose subcutaneous injection in a prefilled syringe administered once every four weeks for the first three doses, and then once every eight weeks thereafter.

On 19 January 2018, AstraZeneca and MSD announced that the Japanese Ministry of Health, Labour and Welfare approved Lynparza (olaparib) tablets (300mg twice daily) for use as a maintenance therapy for patients with platinum-sensitive relapsed ovarian cancer, regardless of their *BRCA* mutation status, who responded to their last platinum-based chemotherapy. Lynparza is the first poly ADP-ribose polymerase (PARP) inhibitor to be approved in Japan.

On 26 January 2018, AstraZeneca announced top-line results from the Phase III KRONOS trial that showed PT010 (budesonide/glycopyrronium/formoterol fumarate 320/14.4/9.6µg, using Aerosphere Delivery Technology, in a pressurised metered-dose inhaler or pMDI) demonstrated a statistically significant improvement compared with dual combination therapies in six out of seven lung function primary endpoints based on forced expiratory volume in one second (FEV1) assessments in patients with moderate to very severe COPD.

On 15 February 2018, AstraZeneca and MSD announced that the FDA granted Orphan Drug Designation for selumetinib, a MEK 1/2 inhibitor, for the treatment of neurofibromatosis type 1 (NF1). NF1 is an incurable genetic condition that affects one in 3,000 births, with highly-variable symptoms, including cutaneous (skin), neurological (nervous system) and orthopaedic (skeletal) manifestations.

On 19 February 2018, AstraZeneca and MedImmune, its global biologics research and development arm, announced that the FDA approved Imfinzi for the treatment of patients with unresectable Stage 3 NSCLC whose disease has not progressed following concurrent platinum-based chemotherapy and radiation therapy.

On 23 February 2018, AstraZeneca announced that the CHMP of the EMA adopted a positive opinion, recommending a marketing authorisation of Lynparza (olaparib) tablets (300mg twice daily) for use as a maintenance therapy for patients with platinum-sensitive relapsed high grade, epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in complete response or partial response to platinum-based chemotherapy. Lynparza is recommended for treatment in this setting regardless of patients' BRCA mutation status.

On 12 March 2018, AstraZeneca and MedImmune, its global biologics research and development arm, announced an updated timeline for the final analysis of the Phase III MYSTIC trial of Imfinzi (durvalumab) as monotherapy and in combination with tremelimumab, versus platinum-based standard-of-care chemotherapy ("**SoC**") in previously-untreated patients with metastatic (Stage IV) 1st-line NSCLC. MYSTIC is an event-driven clinical trial and continues per protocol. Based on current predictions, the final analysis of overall survival is now expected in the second half of 2018 (previously anticipated in the first half).

On 22 March 2018, AstraZeneca announced that the European Commission granted marketing authorisation for Lokelma (formerly ZS-9, sodium zirconium cyclosilicate) for the treatment of adults with hyperkalaemia. Hyperkalaemia is a serious condition characterised by elevated potassium levels in the blood associated with cardiovascular, renal and metabolic diseases. Lokelma is a highly-selective, oral potassium-removing agent. The approval is supported by data from three double-blind, placebo-controlled trials and one open-label trial, where patients with hyperkalaemia were treated for up to 12 months. In these trials, for patients receiving

Lokelma the median time to achieving normal potassium levels in the blood was 2.2 hours, with 98 per cent. achieving normal levels within 48 hours from baseline. Lokelma also demonstrated sustained potassium control for up to one year. Lokelma is currently under separate regulatory review in the U.S., with a decision expected in the first half of 2018.

On 3 April 2018, AstraZeneca and MSD announced that the EMA validated for review the Marketing Authorisation Application (MAA) for Lynparza (olaparib) for use in patients with deleterious or suspected deleterious *BRCA*-mutated, human epidermal growth factor receptor 2 (HER2)-negative metastatic breast cancer who have been previously treated with chemotherapy in the neoadjuvant, adjuvant or metastatic setting. This was the first regulatory submission for a poly ADP-ribose polymerase (PARP) inhibitor in breast cancer in Europe. If approved, the identification of a patient's *BRCA* status could become a critical step in the management of their disease alongside current consideration of their hormone receptor and HER2 status.

On 3 April 2018, AstraZeneca and MedImmune, its global biologics research and development arm, announced that the FDA accepted the Biologics License Application (BLA) for moxetumomab pasudotox, an investigational anti-CD22 recombinant immunotoxin and a potential new medicine for the treatment of adult patients with hairy cell leukaemia (HCL) who have received at least two prior lines of therapy. The FDA has granted the moxetumomab pasudotox BLA Priority Review status with a Prescription Drug User Fee Act date set for the third quarter of 2018. The Phase III ('1053') moxetumomab pasudotox clinical trial met its primary endpoint of durable complete response in adult patients with relapsed or refractory HCL, for which there is currently no established standard of care and few treatments available. Results from the 1053 Phase III trial will be presented at a forthcoming medical meeting.

On 19 April 2018, AstraZeneca announced that the FDA approved Tagrisso (osimertinib) for the 1st-line treatment of patients with metastatic NSCLC whose tumours have EGFR mutations, (exon 19 deletions or exon 21 L858R mutations), as detected by an FDA-approved test. The approval was based on results from the Phase III FLAURA trial, which were presented at the European Society of Medical Oncology 2017 Congress and published in the New England Journal of Medicine.

On 24 April 2018, AstraZeneca and MedImmune, its global biologics research and development arm, announced high-level results from the Phase III ARCTIC trial in patients with locally-advanced or metastatic NSCLC who have received at least two prior treatments. This randomised, open-label, multi-centre trial assessed the efficacy and safety of the combination of Imfinzi (durvalumab) plus tremelimumab, as well as Imfinzi and tremelimumab monotherapies, versus SoC chemotherapy in patients with PDL1-low/negative NSCLC (sub-study B), and Imfinzi monotherapy versus SoC in patients with PDL1-high NSCLC (sub-study A). In sub-study B, the combination of Imfinzi plus tremelimumab in patients with PD-L1 low/negative NSCLC did not meet the primary endpoints of a statistically-significant and clinically-meaningful improvement in progression-free survival and overall survival compared to SoC. Activity and safety of monotherapy arms of sub-study B were consistent with prior published data. Sub-study A was not powered for statistical significance; however, Imfinzi monotherapy showed a clinically-meaningful reduction in the risk of death compared to chemotherapy.

On 27 April 2018, the CHMP of the EMA (osimertinib) to include the 1st-line treatment of adult patients with locally advanced or metastatic NSCLC with activating EGFR mutations. The recommendation was based on results from the Phase III FLAURA trial, which were presented at the European Society of Medical Oncology 2017 Congress and published in the New England Journal of Medicine.

On 8 May 2018, AstraZeneca and MSD announced that the EMA approved Lynparza (olaparib) tablets (300mg twice daily) for use as a maintenance therapy for patients with platinum-sensitive relapsed high-grade, epithelial ovarian, fallopian tube, or primary peritoneal cancer who are in complete response or partial response to platinum-based chemotherapy, regardless of BRCA status.

On 11 May 2018, AstraZeneca and MedImmune, its global biologics research and development arm, announced top-line results from the GALATHEA Phase III trial for Fasenra (benralizumab) in patients with moderate to very severe COPD. The trial did not meet the primary endpoint of a statistically-significant reduction of exacerbations in patients with COPD. The results of the GALATHEA trial do not impact the approved indication in severe eosinophilic asthma.

On 21 May 2018, AstraZeneca submitted a supplemental new drug application ("**sNDA**") to Japan's PMDA for the use of Forxiga (dapagliflozin), a selective sodium-glucose co-transporter 2 inhibitor, as an oral adjunct treatment to insulin in adults with type-1 diabetes. The Japan sNDA was based on Phase III data from the

DEPICT (Dapagliflozin Evaluation in Patients with Inadequately Controlled Type 1 Diabetes) clinical programme for Forxiga in type-1 diabetes and a dedicated trial in Japanese patients (trial D1695C00001). Forxiga is also under regulatory review in Europe for use as an oral adjunct treatment to insulin in adults with type-1 diabetes.

On 21 May 2018, AstraZeneca announced that the FDA approved Lokelma (sodium zirconium cyclosilicate), formerly ZS-9, for the treatment of adults with hyperkalaemia, a serious condition characterised by elevated potassium levels in the blood associated with cardiovascular, renal and metabolic diseases.

On 25 May 2018, AstraZeneca and MedImmune, its global biologics research and development arm, today announced positive overall survival results for the Phase III PACIFIC trial, a randomised, double-blinded, placebo-controlled, multi-centre trial of Imfinzi (durvalumab) in patients with unresectable Stage III NSCLC whose disease had not progressed following platinum-based chemotherapy concurrent with radiation therapy.

On 30 May 2018, AstraZeneca and MedImmune, its global biologics research and development arm, today announced top-line results from TERRANOVA, the second of two pivotal Phase III trials for Fasenra (benralizumab) in patients with moderate to very severe chronic obstructive pulmonary disease. The trial did not meet the primary endpoint of a statistically-significant reduction of exacerbations. This news follows the announcement earlier this month that the first pivotal Phase III trial, GALATHEA, did not meet its primary endpoint.

On 8 June 2018, AstraZeneca announced that the European Commission had granted marketing authorisation for *Tagrisso* (osimertinib) as monotherapy for the 1st-line treatment of adult patients with locally-advanced or metastatic non-small cell lung cancer (NSCLC) with activating epidermal growth factor receptor (EGFR) mutations.

On 12 June 2018, AstraZeneca and Eli Lilly and Company (Lilly) announced that the global Phase III clinical trials of lanabecestat, an oral beta secretase cleaving enzyme (BACE) inhibitor, for the treatment of Alzheimer's disease, would be discontinued. The decision is based on recommendations by an independent data monitoring committee (IDMC), which concluded that both the AMARANTH trial, in early Alzheimer's disease, and the DAYBREAK-ALZ trial, in mild Alzheimer's disease dementia, were not likely to meet their primary endpoints upon completion and therefore should be stopped for futility. As a result of this decision, the related AMARANTH extension trial will also be discontinued.

***Commercial Developments***

On 28 February 2018, AstraZeneca announced that its global biologics research and development arm, MedImmune, was spinning out six molecules from its early-stage inflammation and autoimmunity programmes into an independent biotech company, Viela Bio. The new company will focus on developing medicines for severe autoimmune diseases by targeting the underlying causes of each disease.

On 8 May 2018, AstraZeneca announced that it entered into an agreement with Luye Pharma for the sale and licence of the rights to Seroquel and Seroquel XR in the UK, China and other international markets, including Brazil, Australia, Saudi Arabia, Mexico, South Korea, Thailand, Argentina, Malaysia and South Africa. Luye Pharma will pay U.S.$538 million in consideration including U.S.$260 million immediately following closure of the transaction. In addition, a milestone is payable on the successful transition of certain activities to Luye Pharma. AstraZeneca partnered the rights to Seroquel and Seroquel XR in Japan and Venezuela under prior agreements.

## TAXATION

### United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

***Withholding Tax on UK Source Interest***

*UK Notes listed on a recognised stock exchange*

The Notes issued by the Issuer which carry a right to interest ("UK Notes") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "Act")) or admitted to trading on a "multilateral trading facility" (within the meaning of section 987 of the Act). Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

In all cases falling outside the exemption described above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief or exemption as may be available. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

***Other Rules relating to Withholding in respect of United Kingdom Tax***

1. Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

3. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4. The references to "interest" in this *United Kingdom Taxation* section mean "interest" as understood in United Kingdom tax law. The statements in this *United Kingdom Taxation* section do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any

payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

5. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer (pursuant to Condition 16(c) of the Notes or otherwise) and does not consider the tax consequences of any such substitution.

***The Proposed Financial Transactions Tax ("FTT")***

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a directive for a common financial transactions tax (the "FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States") . However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International and Morgan Stanley & Co. International plc (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 21 June 2018 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America**

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, delivered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

**Prohibition of Sales to EEA Retail Investors**

Unless the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the

Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) *Fewer than 150 offerees:* at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) *Other exempt offers:* at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State.

**Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that:

(a) ***No deposit-taking in relation to any Notes having a maturity of less than one year***:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion***:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance***:

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949, as amended)) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

**Hong Kong**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**Prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

**People's Republic of China**

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus, the Notes and any material or information contained or incorporated by reference herein in relation to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. Neither this Base Prospectus nor any material or information contained or incorporated by reference herein constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Notes may only be sold to and invested by PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, the CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or outbound investment regulations.

**General**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes

are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

### Authorisation

The establishment and most recent update of the Programme was authorised by the Board of Directors of the Issuer on 24 July 2007 and 17 May 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Legal and Arbitration Proceedings

Save as disclosed in Note 28 to the Issuer's consolidated financial statements for the year ended 31 December 2017 on pages 182 to 188 (inclusive) of the Issuer's Annual Report and Form 20-F Information 2017, in Note 5 on pages 55 to 56 (inclusive) of the Issuer's Q1 Results dated 18 May 2018, which have been incorporated by reference into this Base Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

### Significant/Material Change

Since 31 December 2017 there has been no material adverse change in the prospects of the Issuer and since 31 March 2018 there has been no significant change in the financial or trading position of the Group.

### Auditors

The consolidated financial statements of the Issuer as at and for the year ended 31 December 2017 were audited without qualification by PricewaterhouseCoopers LLP, independent registered accounting firm and the consolidated financial statements of the Issuer as at and for the year ended 31 December 2016, were audited without qualification by KPMG LLP, independent registered public accounting firm.

### Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Principal Paying Agent in London for 12 months from the date of this Base Prospectus:

(a) the Memorandum and Articles of Association of the Issuer;

(b) the unaudited interim financial statements of the Issuer for the 3 months ended 31 March 2018;

(c) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 31 December 2017;

(d) the Agency Agreement;

(e) the Trust Deed;

(f) the Programme Manual (which contains the forms of the Notes in global and definitive form); and

(g) the Issuer-ICSDs Agreement.

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream and, in the case of Renminbi Notes cleared through the CMU, the CMU. The appropriate common code and the International Securities Identification Number (ISIN), the Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) in relation to the Notes of each Tranche will be specified in the relevant Final Terms.

### Yield

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

**LEI**

The Legal Entity Identifier code of the Issuer is PY6ZZQWO2IZFZC3IOL08.

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**DEALERS**

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**Goldman Sachs International**
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**HSBC Bank plc**
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**J.P. Morgan Securities plc**
25 Bank Street
Canary Wharf
London E14 5JP

**Merrill Lynch International**
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**Morgan Stanley & Co. International plc**
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**TRUSTEE**

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London EC2N 2DB

**PRINCIPAL PAYING AGENT**

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**CMU LODGING AND PAYING AGENT**

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*To the Trustee as to English law:*

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