BASE PROSPECTUS

AstraZeneca PLC
(incorporated with limited liability in England)

U.S.$5,000,000,000
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.$5,000,000,000.

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 amended and/or supplemented by a document setting out the final terms of such Tranche (the "**Final Terms**") or 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 amended and restated on 29 June 2012 (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 29 June 2012 (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 Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom 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 FSA 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 2004/39/EC on markets in financial instruments. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes which are to be admitted to trading on a market which is a regulated market for the purposes of Directive 2004/39/EC (each a "**Regulated Market**") or offered to the public in any Member State of the European Economic Area 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

BOFA MERRILL LYNCH

CITIGROUP

DEUTSCHE BANK

GOLDMAN SACHS INTERNATIONAL

HSBC

J.P. MORGAN CAZENOVE

MORGAN STANLEY

The date of this Base Prospectus is 29 June 2012

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.$5,000,000,000 (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 France SAS ("**Moody's**"), as more fully set out in "*Description of the Programme*" below, which are established in the European Union 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 European Union and registered (or which has applied for registration and not been refused) under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the European Union but will be endorsed by a credit rating agency which is

established in the European Union and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the European Union 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 European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union 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.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, 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 (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.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable

Final Terms 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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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 be ended 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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.

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 Ltd., 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 supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be 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 FSA and to trading on the Regulated Market of the London Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg or CMU, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to U.S.$5,000,000,000 (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 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, Luxembourg 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, Luxembourg. 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 and either on a fully or partly paid basis, 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. 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 (the "**FSMA**") by the Issuer.
Redemption:	Notes may be redeemable at par or at such other redemption amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner 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 10(b) (*Redemption and Purchase — Redemption for tax reasons*).
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 or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	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, **provided that** Notes which are to be admitted to trading on a Regulated Market or offered to the public in any Member State will only be issued in minimum denominations of at least EUR 100,000 (or its equivalent in another currency). Notes may be issued under the Programme in minimum Specified Denominations and integral multiples in excess thereof of another smaller amount.
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 12 (*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 European Union and registered under the CRA Regulation: Standard & Poor's Credit Market Services Europe Limited: AA- Moody's France SAS: A1 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.

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 European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union 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 European Economic Area, the United Kingdom, Japan and Hong Kong see "*Subscription and Sale*" below.

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, and may be influenced by factors beyond the Issuer's control and/or 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 Risks; Commercialisation and Business Execution Risks; Supply Chain and Delivery 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 Risks

Failure to meet development targets

The development of any pharmaceutical product candidate is a complex, risky and lengthy process involving significant financial, research and development ("**R&D**") and other resources, which may fail at any stage of the process due to a number of factors. These include: failure to obtain the required regulatory or marketing approvals for the product candidate or its manufacturing facilities; unfavourable clinical efficacy data; safety concerns; failure of R&D to develop new product candidates; and failure to demonstrate adequate cost effective benefits to regulators and the emergence of competing products.

Production and release schedules for biologics may be more significantly impacted by regulatory processes than other products. This is due to more complex and stringent regulation on the manufacturing of biologics and their supply chain.

A succession of negative drug project results and a failure to reduce development timelines effectively or produce new products that achieve commercial success could adversely affect the reputation of the Issuer's R&D capabilities and is likely to materially adversely affect its financial condition and results of operations.

Difficulties of obtaining and maintaining regulatory approvals for new products

The Issuer is subject to strict controls on the commercialisation processes for its pharmaceutical products, including in their development, manufacture, distribution and marketing. The requirements to obtain regulatory approval based on a product's safety, efficacy and quality before it can be marketed in a particular country, as well as to maintain and comply with licences and other regulations relating to its manufacture and marketing, are particularly important. The submission of an application to regulatory authorities (which vary, with different requirements, in each region or country) may or may not lead to the grant of marketing approval. Regulators can refuse to grant approval or may require additional data before approval is given, even though the medicine may already be launched in other countries. The approval of a product is required by the relevant regulatory authority in each country, although a single pan-EU market authorisation application can be obtained through a centralised procedure.

In recent years, companies sponsoring new drug applications and regulatory authorities have been under increased public pressure to apply more conservative benefit/risk criteria. In some instances, regulatory authorities require a company to develop plans to ensure safe use of a marketed product before a pharmaceutical product is approved, or after approval, if a new and significant safety issue is established. In addition, third party interpretation of publicly available data on the Issuer's marketed products has the potential to influence the approval status or labelling of a currently approved and marketed product.

The predictability of the outcome and timing of review processes remains challenging, particularly in the U.S., due to competing regulatory priorities and a continuing sentiment of risk aversion on the part of regulatory reviewers and management.

Delays in regulatory reviews and approvals could impact the timing of a new product launch. In addition, the drive for public transparency of the review processes through the more extensive use of public advisory committees increases the unpredictability of the process. For example, in the U.S., the approval date for Brilinta was delayed in December 2010 by the issuance of a Complete Response Letter by the U.S. Food and Drug Administration ("**FDA**") requesting further data and analysis, which led to the product ultimately receiving U.S. approval in the third quarter of 2011.

Failure to obtain and enforce effective IP protection

The Issuer's ability to obtain and enforce patents and other intellectual property ("**IP**") rights in relation to its products is an important element of its ability to protect its investment in R&D and create long-term value for the business. A number of the countries in which it operates are still developing their IP laws or may even be limiting the applicability of these laws to pharmaceutical inventions. Adverse political perspectives on the desirability of strong IP protection for pharmaceuticals in certain emerging and even developed markets may limit the scope for the Issuer to obtain effective IP protection for its products. As a result, certain countries may seek to limit or deny effective IP protection for pharmaceuticals.

Limitations on the availability of patent protection or the use of compulsory licensing in certain countries in which the Issuer operates could have a material adverse effect on the pricing and sales of its products and, consequently, could materially adversely affect its revenues from those products.

Delay to new product launches

The Issuer's continued success depends on the development and successful launch of innovative new drugs. The anticipated launch dates of major new products have a significant impact on a number of areas of its 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. These launch dates are primarily driven by the development programmes that the Issuer runs and the demands of the regulatory authorities in the approvals process, as well as pricing negotiations. Delays to anticipated launch dates can result from a number of factors including adverse findings in preclinical or clinical studies, regulatory demands, competitor activity and technology transfer.

Significant delays to anticipated launch dates of new products could have a material adverse effect on the Issuer's financial condition and 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. In addition, a delay in the launch may lead to increased costs if, for example, marketing and sales efforts need to be rescheduled or protracted for longer than expected.

Strategic alliances and acquisitions may be unsuccessful

The Issuer seeks technology licensing arrangements and strategic collaborations to expand its product portfolio and geographical presence as part of the Issuer's 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 IP it acquires and the resources, efforts and skills of its partners. Also, under many of the Issuer's strategic alliances, it makes milestone payments well in advance of the commercialisation of the products, with no assurance that it will recoup these payments.

Furthermore, the Issuer experiences strong competition from other pharmaceutical companies in respect of licensing arrangements and strategic collaborations, and therefore may be unsuccessful in establishing some of its intended projects.

The Issuer may also seek to acquire complementary businesses as part of its business strategy. 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.

If it fails to complete these types of collaborative projects in a timely manner, on a cost effective basis, or at all, this may limit the Issuer's ability to access a greater portfolio of products, IP, technology and shared expertise. Additionally, disputes or difficulties in the Issuer's relationship with its collaborators or partners may arise, often due to conflicting priorities or conflicts of interest between parties, which may erode or eliminate the benefits of these alliances. The incurrence of significant debt or liabilities as a result of integration of an acquired business could cause deterioration in the Issuer's credit rating and result in increased borrowing costs and interest expense.

Further, if, following an acquisition, liabilities are uncovered in the acquired business, the Issuer and its subsidiaries (collectively the "**Group**") may suffer losses and may not have remedies against the seller or third parties. The integration process 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.

Commercialisation and Business Execution Risks

Challenges to achieving commercial success of new products

The successful launch of a new pharmaceutical product involves substantial investment in sales and marketing activities, launch stocks and other items. The commercial success of the Issuer's new medicines is of particular importance to it in order to replace lost sales following patent expiry. The Issuer may ultimately be unable to achieve commercial success for any number of reasons. These include difficulties in manufacturing sufficient quantities of the product candidate for development or commercialisation in a timely manner, erosion of IP rights including infringement by third parties and failure to show a differentiated product profile.

As a result, the Issuer cannot be certain that compounds currently under development will achieve success, and its 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 small clinical study patient samples.

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 is unable to fully recoup the costs incurred in launching it, which could materially adversely affect its financial condition and results of operations.

Additionally, the commercialisation of biologics is often more complex than for traditional 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 products such as Synagis and FluMist/Fluenz.

Illegal trade in the Issuer's products

Illegal trade covers the theft, illegal diversion and counterfeiting of the Issuer's products. Illegal trade in pharmaceutical products is estimated to exceed US$75 billion per year and is generally considered by the industry, non-governmental organisations and governmental authorities to be increasing. The Issuer suffers a commensurate financial exposure to illegal trade, but in many cases, due to the nature of its portfolio, this exposure has a greater impact on public health. Regulators and the public expect the Issuer

to secure the integrity of its supply chain and to actively cooperate in the reduction of illegal trade in genuine AstraZeneca products, whether illegally diverted or stolen, and in counterfeited products.

Public loss of confidence in the integrity of pharmaceutical products as a result of counterfeiting could materially adversely affect the Issuer's reputation and financial performance. In addition, undue or misplaced concern about the issue may induce some patients to stop taking their medicines, with consequential risks to their health. There is also a direct financial loss where counterfeit medicines replace sales of genuine products and where genuine products are recalled following discovery of counterfeit, stolen and/or illegally traded products in an effort to regain control of the integrity of the supply chain. In many countries, particularly developing markets, a robust programme to tackle illegal trade is seen as part of the licence to operate.

Developing the Issuer's business in emerging markets

The development of the Issuer's business in emerging markets is a critical factor in determining its future ability to sustain or increase its global product revenues. This poses various challenges including: more volatile economic conditions; competition from companies with existing market presence; the need to identify correctly and to leverage appropriate opportunities for sales and marketing; poor IP protection; inadequate protection against crime (including counterfeiting, corruption and fraud); the need to impose developed market compliance standards; inadvertent breaches of local and international law; not being able to recruit appropriately skilled and experienced personnel; identification of the most effective sales channels and route to market; and interventions by national governments or regulators restricting access to market and/or introducing adverse price controls.

The failure to exploit potential opportunities appropriately in emerging markets may materially adversely affect the Issuer's reputation, financial condition and results of operations.

Expiry or loss of, or limitations on, IP rights

Pharmaceutical products are only protected from being copied during the limited period of protection under patent rights and/or related IP rights such as regulatory data protection or orphan drug status. Expiry or loss of these rights typically leads to the immediate launch of generic copies of the product in the country where the rights have expired or been lost.

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

Products under patent protection or within the period of regulatory data protection typically generate significantly higher revenues than those not protected by such rights. The Issuer's revenues, financial condition and results of operations may be materially adversely affected upon expiry or early loss of its IP rights, due to generic entrants into the market for the applicable product. Additionally, the loss of patent rights covering major products of other pharmaceutical companies, such as Lipitor™ (in November 2011), may adversely affect sales of the Issuer's still-patented products in the same product class (i.e., Crestor) in that market.

Pressures resulting from generic competition

The Issuer's products compete not only with other products approved for the same condition, marketed by research-based pharmaceutical companies but also with generic drugs marketed by generic pharmaceutical manufacturers. These competitors may invest more of their resources into the marketing of their products than the Issuer does depending on the relative priority of these competitor products within their company's portfolio. Generic versions of products 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. All of the Issuer's patented products, including Nexium, Crestor and Seroquel are subject to price pressures as a result of competition from generic copies of these products and from generic forms of other drugs in the same product class.

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 in the

U.S. from numerous generic drug manufacturers regarding its patents for Seroquel XR, Nexium and Crestor, three of its best selling products. Generic manufacturers may also take advantage of the failure of certain countries to properly enforce regulatory data protection and may launch generic alternatives during this protected period. This is a particular risk in some emerging markets where appropriate patent protection may be difficult to obtain or enforce.

If challenges to the Issuer's patents by generic drug manufacturers succeed and generic products are launched, or generic products are launched 'at risk' on the expectation that challenges to its IP will be successful, this may materially adversely affect the Issuer's financial condition and results of operations. In 2011, U.S. sales for Seroquel XR, Nexium and Crestor were US$779 million, US$2,397 million, and US$3,074 million respectively. Furthermore, if limitations on the availability, scope or enforceability of patent protection are implemented in jurisdictions in which the Issuer operates, generic manufacturers in these countries may be increasingly able to introduce competing products to the market earlier than they would have been able to, had more robust patent or regulatory data protection been available.

Effects of patent litigation in respect of IP rights

Any of the IP rights protecting the Issuer's products may be asserted or challenged in IP litigation initiated against or by alleged infringers. Such IP rights may be affected by validity challenges in patent offices. Regardless, 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 may not succeed in protecting its patents from such litigation or other challenges. If the Issuer is not successful in maintaining exclusive rights to market one or more of its major products, particularly in the U.S. where it achieves its highest revenue, its revenue and margins could be materially adversely affected.

The Issuer also bears the risk that it may be found to infringe patents owned or licensed exclusively by third parties, including research-based and generic pharmaceutical companies and individuals. Infringement accusations may implicate, for example, the Issuer's manufacturing processes, product intermediates or use of research tools.

Managing or litigating infringement disputes over so-called 'freedom to operate' can be costly. The Issuer may be subject to injunctions against its products or processes and be liable for damages or royalties. The Issuer may need to obtain costly licences. These risks may be greater in respect of biologics and vaccines, where patent infringement claims may relate to research tools, methods and biological materials. While the Issuer seeks to manage such risks by, for example, acquiring licences, foregoing certain activities or uses, or modifying processes to avoid infringement claims and permit commercialisation of its products, such steps entail significant cost and there is no guarantee that they will be successful.

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. For example, in the U.S., cost control tools such as requiring a physician to obtain prior approval before prescribing a branded medication, stringent formularies which encourage generic utilization, and increased out-of-pocket costs for patients obtaining branded medicines, have caused significant pricing pressure for branded drug manufacturers.

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 as well as the cost effectiveness of products in a particular health system. This comes as payers and policy makers 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, enable it to earn an adequate return on its product investment. These pressures, including the increasingly restrictive reimbursement policies to which the Issuer is subject and the potential adoption of new legislation expanding the scope of permitted commercial importation of medicines into the U.S., could materially adversely affect its financial condition and results of operations.

The Issuer expects that these pressures on pricing will continue, and there can be no assurance that they will not increase.

Economic, regulatory and political pressures

The Issuer faces continued economic, regulatory and political pressures to limit or reduce the cost of its products.

In 2010, the U.S. passed the Affordable Care Act, a comprehensive health reform package. The law expands insurance coverage, establishes new national entities focused on health system reforms and calls on the pharmaceutical industry and other healthcare industries to offset spending increases through 'pay-fors'. In terms of specific provisions impacting the Issuer's industry, the law mandates higher rebates and discounts on branded drugs for certain Medicare and Medicaid patients as well as an industry-wide excise tax. The law also includes several health system delivery reforms, including the establishment of a new comparative effectiveness research organisation, the Patient-Centered Outcomes Research Institute (PCORI) and an Independent Payment Advisory Board (IPAB) with broad authority to cut Medicare expenditures.

The health reform legislation expands the patient population eligible for Medicaid and provides new insurance coverage for individuals through health insurance exchanges. Large employers have typically offered generous health insurance benefits, but many are struggling with increasing health insurance premiums and may therefore opt to shift employee coverage into the health insurance exchanges, which are scheduled to be operational by 2014. The pharmaceutical industry could be adversely impacted by such shifts if the health insurance exchanges do not offer a prescription drug benefit that is as robust as benefits historically provided by large employers. Additionally, there is uncertainty about whether the insurance expansions specifically and the health reform law more generally will be implemented as planned due to a pending Supreme Court decision on the constitutionality of the individual mandate (a provision which requires uninsured individuals to purchase insurance or face penalties) and other issues in the law.

It is not possible to accurately estimate the financial impact of the potential consequences resulting from the Affordable Care Act or related legislative changes when taken together with the number of other market and industry related factors that can also result in similar impacts. While the overall reduction in the Issuer's profit before tax for the year due to higher minimum Medicaid rebates on prescription drugs, discounts on branded pharmaceutical sales to Medicare Part D beneficiaries and an industry-wide excise fee was US$750 million, this reflects only the limited number of known, quantifiable and isolatable effects of these legislative developments. Other potential indirect or associated consequences of these legislative developments, which continue to evolve and which cannot be estimated could have similar impacts. These include broader changes in access to, or eligibility for, coverage under Medicare, Medicaid or similar governmental programmes, such as the recent proposals to limit Medicare benefits, which could indirectly impact the Issuer's pricing or sales of prescription products within the private sector.

In the EU, efforts by the European Commission to reduce inconsistencies and to improve standards in the disparate national regulatory systems have met with little immediate success. The industry continues to be exposed in Europe to a range of disparate pricing systems, ad hoc cost-containment measures and reference pricing mechanisms, which impact prices.

These continued disparities in pricing systems could lead to marked price differentials between markets, which increase 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. In particular, Germany, Spain, Portugal and Greece have all introduced a number of short-term measures to lower healthcare spending, including price cuts or increased mandatory rebates, which could have a material adverse effect on the Issuer's financial condition and results of operations.

Biosimilars

Various regulatory authorities are implementing or considering abbreviated approval processes for biosimilars (similar versions of existing biologics, also referred to as 'similar biological medicinal products', 'follow-on biologics' and 'follow-on protein products') that would compete with patented biologics.

For example, in 2010, the U.S. enacted the Biologics Price Competition and Innovation Act within the Affordable Care Act, which contains general directives for biosimilar applications. The FDA sought stakeholder input on specific issues and challenges in implementing an abbreviated biosimilar approval pathway and further guidance is expected to be issued in 2012. In addition, the FDA and the industry have reached agreement on biosimilar user fees. In Europe, the European Medicines Agency published a draft guideline on similar biological medicinal products containing monoclonal antibodies (MAbs). This draft guideline will likely be finalised in 2012 and is expected to include more clarification around the definition of biosimilars.

While it is uncertain when any such abbreviated approval processes may be fully adopted, particularly for more complex protein molecules such as MAbs, any such processes could materially adversely affect the future commercial prospects for patented biologics, such as the ones that the Issuer produces.

Increasing implementation and enforcement of more stringent anti-bribery and anti-corruption legislation

There is an increasing focus globally on the implementation and enforcement of anti-bribery and anti-corruption legislation. For example, the UK Bribery Act came into force in July 2011. This act has extensive extra-territorial application, implements significant changes to existing UK anti-bribery legislation and broadens the scope of statutory offences and the potential applicable penalties, including, organisational liability for any bribe paid by persons or entities associated with an organisation where the organisation failed to have adequate preventative procedures in place at the time of the offence. There is also an increase in the maximum applicable penalties for bribery, including up to 10 years' imprisonment and unlimited fines. There have also been increased enforcement efforts in the UK by the Serious Fraud Office and, in the U.S., there has been significant enforcement activity in respect of the Foreign Corrupt Practices Act by the U.S. Securities and Exchange Commission and U.S. Department of Justice against U.S. companies and non-U.S. companies listed in the U.S..

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

The Issuer devotes significant resources to the considerable challenge of compliance with this legislation, including in emerging and developing markets, at considerable cost. Investigations from governmental agencies require additional resources. Despite taking significant measures to prevent breaches of applicable anti-bribery and anti-corruption laws by its personnel, breaches may result 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 financial condition and results of operations and reputation.

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. In particular, these cost reduction measures are based on current conditions and do not take into account any future changes to the pharmaceutical industry or the Issuer's operations, including new business developments, wage or price increases.

If inappropriately managed, the expected value of these initiatives could be lost through low employee engagement and reduced productivity, increased absence and attrition levels, and industrial action.

The Issuer's failure to successfully implement these planned cost reduction measures, either through the successful conclusion 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 results of operations and financial condition.

Failure of information technology

The Issuer is dependent on effective IT systems. These systems support key business functions such as its R&D, manufacturing and sales capabilities, and are an important means of internal and external communication. Any significant disruption of these IT systems or failure to integrate new and existing IT systems could materially adversely affect its financial condition and results of operations.

Failure of outsourcing

The Issuer has outsourced a number of business critical operations to third party providers. This includes certain R&D processes, information services, IT systems, human resources, finance and accounting services.

In 2011, the Issuer terminated its existing outsource relationship for IT infrastructure services and transitioned to a new multi-sourced operating model. This includes bringing critical strategic and control activities back into the Issuer.

Failure of the outsource provider to deliver timely services and to the required level of quality could materially adversely affect the Issuer's financial condition and results of operations and adversely impact its ability to meet business targets and maintain a good reputation within the industry and with stakeholders. It may also result in non-compliance with applicable laws and regulations.

A failure to successfully manage and effect the transfer of the provision of the IT infrastructure services in-house and to the new outsourcing providers could create disruption which could materially adversely affect the Issuer's financial condition and results of operations.

Supply Chain and Delivery Risks

Manufacturing biologics

Manufacturing biologics, especially in large quantities, is complex and may require the use of innovative technologies to handle living micro-organisms and facilities specifically designed and validated for this purpose, with sophisticated quality assurance and control procedures. Slight deviations in any part of the manufacturing process may result in lot failure, product recalls or spoilage, for example due to contamination.

Reliance on third parties for goods

The Issuer increasingly relies on third parties for the timely supply of goods, such as specified raw materials (for example, the active pharmaceutical ingredient in some of its medicines), equipment, formulated drugs and packaging, all of which are key to its operations.

Third party supply failure could materially adversely affect the Issuer's financial condition and results of operations. This may lead to significant delays and/or difficulties in obtaining goods and services on commercially acceptable terms.

Unexpected events and/or events beyond the Issuer's control could result in the failure of the supply of goods. For example, suppliers of key goods it relies on may cease to trade. In addition, the Issuer may have limited supply of biological materials, such as cells, animal products or by-products. Furthermore, government regulations in multiple jurisdictions could result in restricted access to, use or transport of, such materials.

Loss of access to sufficient sources of such materials may interrupt or prevent the Issuer's research activities as planned and/or increase the Issuer's costs.

Legal, Regulatory and Compliance Risks

Adverse outcome of litigation and/or governmental investigations

The Issuer may be subject to 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 compensatory, punitive and statutory 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. Investigations or 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; require it to make significant provisions in the Issuer's accounts relating to legal proceedings; and could materially adversely affect its financial condition and results of operations.

Substantial product liability claims

Pharmaceutical companies have, historically, been subject to large product liability damages claims, settlements and awards for injuries allegedly caused by the use of their products. Adverse publicity relating to the safety of a product or of other competing products may increase the risk of product liability claims.

Substantial product liability claims that result in court decisions against the Issuer or in the settlement of proceedings could materially adversely affect its financial condition and results of operations, particularly where such circumstances are not covered by insurance.

Failure to adhere to applicable laws, rules and regulations

Any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings being filed against the Issuer, or in it becoming subject to regulatory sanctions. Regulatory 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 its own or that of its third party contractors).

This could materially adversely affect the conduct of the Issuer's business. For example, once a product has been approved for marketing by regulatory authorities, it is subject to continuing control and regulation, such as the manner of its manufacture, distribution, marketing and safety surveillance. In addition, any amendments that are made to the manufacturing, distribution, marketing and safety surveillance processes of the Issuer's products may require additional regulatory approvals, which could result in significant additional costs and/or disruption to these processes. Such amendments may be imposed on the Issuer as a result of the continuing inspections to which the Issuer is subject or may be made at its discretion. It is possible, for example, that regulatory issues concerning compliance with current good manufacturing practice or safety monitoring regulations for pharmaceutical products (often referred to as pharmacovigilance) could arise and lead to loss of product licences, product recalls and seizures, interruption of production leading to product shortages and delays in new product approvals pending resolution of the issues.

Environmental/occupational health and safety liabilities

The Issuer has environmental and/or occupational health and safety related liabilities at some currently or formerly owned, leased and third party sites. While the Issuer carefully manages these liabilities, if a significant non-compliance issue, environmental, occupational health or safety incident for which it is responsible were to arise, this could result in it being liable to pay compensation, fines or remediation costs. In some circumstances, such liability could materially adversely affect the Issuer's financial condition and results of operations. In addition, its financial provisions for any obligations that it may have relating to environmental or occupational health and safety liabilities may be insufficient if the assumptions underlying the provisions, including its assumptions regarding the portion of waste at a site for which it is responsible, prove incorrect or if the Issuer is held responsible for additional contamination or occupational health and safety related claims.

Economic and Financial Risks

Adverse impact of a sustained economic downturn

A variety of significant risks may arise from a sustained global economic downturn. Additional pressure from governments and other healthcare payers on medicine prices and volumes of sales in response to recessionary pressures on budgets may cause a slowdown or a decline in growth in some markets. In some cases, 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 value of the debt. In addition, the Issuer's customers may cease to trade, which may result in losses from writing off debts.

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 the Issuer 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 Issuer's cash investments are managed centrally and more than 95% of deposits are invested directly in short-term, liquid U.S. dollar funds and U.S. Treasury Bills. Therefore, its major credit exposures are U.S. sovereign default risk and bank default risk.

While the Issuer has adopted cash management and treasury policies to manage this risk, it cannot be certain that these will be completely effective in particular in the event of a global liquidity crisis. In addition, open positions where the Issuer is owed money and deposits with financial institutions 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 Group on its debt obligations, which may materially adversely affect the Issuer's ability to secure debt funding in the future or generally on its financial condition.

Risks relating to the Euro-zone crisis

Recent developments in the Eurozone have exacerbated the global economic crisis. Financial markets and the supply of credit are likely to continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain), the possibility of further credit rating downgrades of or defaults on sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union (the "**Euro-zone debt crisis**"). Governments and regulators have implemented austerity programmes and other remedial measures to respond to the Euro-zone debt crisis and stabilise the financial system but the actual impact of such programmes and measures are difficult to predict.

If the Eurozone debt crisis is not resolved, it may be the case that one or more countries may default and/or leave the European Monetary Union and re-establish their own national currency or that the European Monetary Union collapses. In such an event, there could be significant, extended and generalised market dislocation with unpredictable and materially adverse effects on the Issuer's business, results of operations and financial condition. In addition, the departure of one or more countries from the European Monetary Union may result in the imposition of, inter alia, exchange control and mandatory payment laws. Any one or more of the factors outlined above could result in investors of Notes denominated in Euro receiving less interest or principal than expected and could also adversely affect the price of Notes on the secondary market.

The exact nature of the risks that the Issuer faces is difficult to predict and guard against in light of (i) the inter-related nature of the risks involved, (ii) difficulties in predicting the outcomes of austerity programmes and other remedial measures in Europe, (iii) the extent to which the Eurozone debt crisis, slowdown in growth or recession in Europe and elsewhere and loss of consumer confidence will impact on the global economy and (iv) the fact that the risks are outside of the Issuer's control.

Impact of fluctuations in exchange rates

As a global business, currency fluctuations can significantly affect the Issuer's results of operations, which are reported in U.S.$. Approximately 40% of the Issuer's global 2011 sales were in the U.S., which is expected to remain its largest single market for the foreseeable future. Sales in other countries are predominantly in currencies other than the U.S.$, including the euro, Japanese yen, Australian dollar and Canadian dollar. The Issuer has a growing exposure to emerging market currencies, where some have exchange controls in place, but for others the exchange rates are also linked to the U.S.$. Major components of its cost base are located in the UK and Sweden, where an aggregate of approximately 27.5% of its employees are based.

Movements in the exchange rates used to translate foreign currencies into U.S.$ may materially adversely affect the Issuer's financial condition and results of operations. Additionally, some of its subsidiaries import and export goods and services in currencies other than their own functional currency and so the results of such subsidiaries could be affected by currency fluctuations arising between the transaction dates and the settlement dates for these transactions.

Limited third party insurance coverage

Recent insurance loss experience in the Issuer's industry, including product liability exposures, has increased the cost of, and narrowed the coverage afforded by, pharmaceutical companies' product liability insurance. To contain insurance costs in recent years, the Issuer has continued to adjust its coverage profile, accepting a greater degree of uninsured exposure. The Group has not held material limits for product liability insurance since February 2006. In addition, where claims are made under insurance policies, insurers may reserve the right to deny coverage on various grounds. If such denial of coverage is ultimately upheld, this could result in material additional charges to the Issuer's earnings.

Taxation

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 territories. The resolution of these disputes 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 and earnings per share. Claims, regardless of their merits or their outcome, are costly, divert management attention and may adversely affect the Issuer's reputation.

The majority of the jurisdictions in which the Issuer operates have double tax treaties with other foreign jurisdictions, which enable it to ensure that its revenues and capital gains do not incur a double tax charge. If any of these 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 and results of operations, as could a negative outcome of a tax dispute or a failure by the tax authorities to agree through competent authority proceedings.

Pensions

The Issuer's pension obligations are backed by assets invested across the broad investment market. Its most significant obligations relate to the UK pension fund.

Sustained falls in these asset values will put a strain on funding which may result in requirements for additional cash, restricting cash available for strategic business growth. Similarly, if the liabilities rise as a result of a sustained low interest rate environment, there will be a strain on funding from the business. The likely increase in the IAS 19 accounting deficit generated by any of these factors may cause the ratings agencies to review the Issuer's credit rating, with the potential to negatively affect its ability to raise debt.

RISK RELATING TO THE NOTES

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest

payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(a) the market price of such Notes may be volatile;

(b) they may receive no interest;

(c) payment of principal or interest may occur at a different time or in a different currency than expected;

(d) they may lose all or a substantial portion of their principal;

(e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

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 FSA 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.

Loss of Investment

If, in the case of any particular Tranche of Notes, the relevant Final Terms specify that the Notes are Index or Credit Linked, there is a risk that any investor may lose the value of their entire investment or part of it.

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, Luxembourg, 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 and Clearstream, Luxembourg 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 safe-keeper for Euroclear and Clearstream, Luxembourg 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, Luxembourg 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.

Credit ratings

Notes issued under the Programme may be rated or unrated. A credit rating is not a recommendation to buy, hold or sell securities and may be subject to suspension, or withdrawal at any time. A reduction in any of the credit ratings of the Issuer may reduce the market value and liquidity of the Notes.

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 is not freely convertible and may adversely affect the liquidity of the Notes

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover all provinces and cities in the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide. New PRC regulations were promulgated in October 2011, liberalising the control over the remittance of Renminbi into the PRC for settlement of certain capital account items. However, restrictions still apply to the remittance of offshore Renminbi into the PRC in certain circumstances.

As a result of restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC may be limited. Since February 2004, in accordance with arrangements between the PRC government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi -denominated banking services to Hong Kong residents and specified business customers. The People's Bank of China (the "**PBOC**") has also established a Renminbi clearing and settlement system for participating banks in Hong Kong pursuant to a Settlement Agreement relating to the clearing of Renminbi business between PBOC and Bank of China (Hong Kong) Limited (the "**RMB Clearing Bank**"). Participating banks are required by the Hong Kong Monetary Authority to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to Renminbi 20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions. Although it is expected that the offshore Renminbi market will continue to grow in depth and size, the current size of Renminbi and Renminbi -denominated financial assets outside the PRC is limited, and its growth is subject to many constraints which are directly affected by PRC laws and regulations on foreign exchange, and may adversely affect the liquidity of the Notes.

Renminbi currency risk

Except in limited circumstances, all payments of Renminbi under the Notes will be made solely by transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and regulations for such transfer and in accordance with the terms and conditions of the Notes. The Issuer cannot be required to make payment by any other means (including by transfer to a bank account in the PRC or anywhere else outside Hong Kong). Noteholders may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in

Hong Kong. Renminbi is not freely convertible at present, and conversion of Renminbi into other currencies through banks in Hong Kong is subject to restrictions.

In addition, there can be no assurance that access to Renminbi for the purposes of making payments under the Notes by the Issuer or generally will remain, that the PRC government will continue to gradually liberalise the control over cross border Renminbi remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated which have the effect of restricting availability or eliminating the remittance of Renminbi outside of the PRC. To the extent the Issuer is required to source Renminbi outside the PRC to service payments of Renminbi under the Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If it becomes impossible to convert Renminbi from/to another freely convertible currency, or transfer Renminbi between accounts in Hong Kong, or the general Renminbi exchange market in Hong Kong becomes illiquid, or any Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended, the Issuer may make payment in U.S. dollars using the prevailing spot rate of exchange determined by the Calculation Agent.

Renminbi exchange rate risk

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The Issuer will make all Renminbi payments under the Notes in Renminbi unless otherwise specified. As a result, the value of such payments in Renminbi (in U.S. dollars or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a Noteholder's investment in U.S. dollars or other applicable foreign currency terms will decline.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent, unless during that transitional period they elect to provide information in accordance with the Directive. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

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 in, and to form part of, this Base Prospectus:

- the "Annual Report and Form 20-F Information 2011" of the Issuer (including the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2011 together with the notes thereto and the independent auditor's report to the members of Astra Zeneca PLC (Group));

- the "Annual Report and Form 20-F Information 2010" of the Issuer (including the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2010 together with the notes thereto and the independent auditor's report to the members of Astra Zeneca PLC (Group)).

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.

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 endeavoured to include 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, supplement 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 supplemented, amended and/or replaced 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.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

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, société anonyme ("**Clearstream, Luxembourg**") 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, Luxembourg, 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, Luxembourg.

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, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg 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 Û1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation Û1.163-5(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, Luxembourg 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 13 (*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.

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, Luxembourg 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 13 (*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.

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 supplement, amend and/or replace 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 supplemented, amended and/or replaced 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.$5,000,000,000 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 a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced 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 dated 10 September 2007 amended and restated on 29 June 2012 (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 29 June 2012 (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:

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

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

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

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

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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:

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

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

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

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

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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;

"**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;

"**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;

"**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:

(a) 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;

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

(c) 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;

(d) 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;

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

(f) 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;

(g) 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;

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

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

(j) 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;

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

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

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

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

(l) 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;

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

(n) 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;

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

(p) 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 10(e) (*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 Calculation Agent 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:

(a) 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;

(b) 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);

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

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

(e) 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:

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

(b) 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 12 (*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 12 (*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 11 (*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 and Index-Linked Interest Note Provisions**

(a) ***Application***:

This Condition 7 is applicable to the Notes only if the Floating Rate Note provisions or the Index-Linked Interest 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 11 (*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) ***Index-Linked Interest***:

If the Index-Linked Interest Note provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) ***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.

(g) ***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.

(h) ***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.

(i) ***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.

(j) ***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.

(k) ***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. **Dual Currency Note Provisions**

(a) ***Application***:

This Condition 9 is applicable to the Notes only if the Dual Currency Note provisions are specified in the relevant Final Terms as being applicable.

(b) ***Rate of Interest***:

If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. **Redemption and Purchase**

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

Unless previously redeemed, or purchased and cancelled in accordance with Condition 10(i) (*Cancellation*), the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*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 neither the Floating Rate Note provisions or the Index-Linked Interest Note provisions are specified in the relevant Final Terms as being applicable); or

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

on giving not less than 30 nor more than 60 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 12 (*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 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

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

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 30 nor more than 60 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).

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

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(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 10(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) ***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 10(e), 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 10(e), 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 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(f) ***No other redemption***:

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a)) (*Scheduled redemption*) to 10(e) (*Redemption at the option of Noteholders*) above.

(g) ***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 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) ***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.

(i) ***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.

11. **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 12 (*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 11(f) is applicable or that the Floating Rate Note provisions or the Index-Linked Interest 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 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c)(*Redemption at the option of the Issuer*) or Condition 13 (*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 14 (*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 11(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

12. **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) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent (if any) in a Member State of the EU; or

(iv) 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.

(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.

13. **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.

14. **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.

15. **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.

16. **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) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and

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

(d) 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.

17. **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 19 (*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 12 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

18. **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.

19. **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.

20. **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.

21. **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.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [*date*]

AstraZeneca PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$5,000,000,000
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 29 June 2012 [and the supplemental Base Prospectus dated [*date*]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). 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 such Base Prospectus [as so supplemented]. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State) and includes any relevant implementing measures in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU).

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 [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

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 [original date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 29 June 2012 [and the supplemental Base Prospectus dated [*date*]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"), save in respect of the Conditions which are extracted from the base prospectus dated [*original date*] and are attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State) and includes any relevant implementing measures in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU).

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*original date*] and [*current date*] [and the supplemental Base Prospectus dated [*date*]]. The Base Prospectuses [and the supplemental Base Prospectus] are available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

[*When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive*].

1.	Issuer:		AstraZeneca PLC
2.	[(i)]	Series Number:	[•]
	[(ii)	Tranche Number:	[•]
		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	
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 [*insert date*] (*in the case of fungible issues only, if applicable*)]
6.	(i)	Specified Denominations:	[•] [*Notes which are to be admitted to trading on a Regulated Market or offered to the public in any Member State must be issued in minimum denominations of at least EUR 100,000 (or its equivalent in another currency)*.] [*If Notes are to be issued with a minimum Specified Denomination and integral multiples in excess thereof, the following sample wording should be used*: EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000. Definitive Notes will not be issued in denominations in excess of EUR 199,000.]
	(ii)	Calculation Amount:	[•]
7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*] [*If the Maturity Date is less than one year from the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" (or another applicable exemption from section 19 of the FSMA must be available)*.]
9.	Interest Basis:		[• per cent. Fixed Rate]

			[*[specify reference rate]* +/— • per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(i)	Status of the Notes:	[Senior/[Dated/Perpetual]/Subordinated]
	[(ii)]	[Date [Board] approval for issuance of Notes obtained:	[•] [and [•], respectively]] *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*]
14.	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with [*specify Business Day Convention*]/not adjusted]
	(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/ISDA)/other]
	[(vi)	Determination Dates:	[•] in each year [*Insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate	[Not Applicable/give details]

Notes:

16.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*.)
	[(i)	Interest Period(s) — see endnote]	
	(ii)	Specified Period:	[•] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
	(iii)	Specified Interest Payment Dates:	[•] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
	(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/other (*give details*)]
	(vi)	Additional Business Centre(s):	[Not Applicable/*give details*]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(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]):	[[*Name*] shall be the Calculation Agent (*no need to specify if the [Principal Paying Agent/ CMU Lodging and Paying Agent] is to perform this function*)]
	(ix)	Screen Rate Determination:	
		• Reference Rate:	[*For example, LIBOR or EURIBOR*]
		• Interest Determination Date(s)	[•]
		• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]

		• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
		• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)*]
	(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
	(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction:	[•]
	(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
	(iii)	Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(g)(Early redemption of Zero Coupon Notes)*]
18.	**Index-Linked Interest Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Index/Formula:	[*Give or annex details*]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent/ CMU Lodging and Paying	[•]

		Agent]):	
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•]
	(iv)	Specified Period:	[•] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*.)
	(v)	Specified Interest Payment Dates:	[•] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*.)
	(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vii)	Additional Business Centre(s):	[•]
	(viii)	Minimum Rate of Interest:	[•] per cent. per annum
	(ix)	Maximum Rate of Interest:	[•] per cent. per annum
	(x)	Day Count Fraction:	[•]
19.	**Dual Currency Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*Give details*]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent/ CMU Lodging and Paying Agent]):	[•]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or	[•]

impracticable:

(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]

PROVISIONS RELATING TO REDEMPTION

20.	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(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
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period:	[•]
21.	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
22.	**Final Redemption Amount of each Note**		[[•] per Calculation Amount/other/see Appendix]
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		[*give or annex details*]
	(i)	Index/Formula/variable:	
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	

(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	
(iv)	Determination Date(s):	
(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	
(vi)	Payment Date:	
(vii)	Minimum Final Redemption Amount:	[•] per Calculation Amount
(viii)	Maximum Final Redemption Amount:	[•] per Calculation Amount

23. **Early Termination Amount**

Early Redemption Amount (Tax) and Early Termination Amount per Calculation Amount payable on redemption for taxation reasons or, as the case may be, on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable (*if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/ specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	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.] [*If Notes are to be issued with a minimum Specified Denomination and integral multiples in excess thereof "in the limited circumstances specified in the Permanent Global Note" must be specified*] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.] [*This option cannot apply to Notes which are to be issued with a minimum Specified Denomination and integral multiples in excess thereof*] [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

		[*If Notes are to be issued with a minimum Specified Denomination and integral multiples in excess thereof "in the limited circumstances specified in the Permanent Global Note" must be specified*]
25.	New Global Note Form:	[Applicable/Not Applicable]
26.	Additional Financial Centre(s) or other special provisions relating to Payment Dates	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate*]
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30.	[Consolidation provisions:	[Not Applicable/The provisions [annexed to this Final Terms] apply]]
31.	Other terms or special conditions:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive*.)

DISTRIBUTION

32.	(i)	If syndicated, names and addresses and underwriting commitments of Managers:	[Not Applicable/give names] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers*.)
	(ii)	Date of [Subscription Agreement]	[•]
	(iii)	Stabilising Manager (if any):	[Not Applicable/*give name*]

33.	If non-syndicated, name and address of Dealer	[Not Applicable/*give name and address*]
34.	TEFRA:	[Not Applicable/The [C/D] Rules are applicable
35.	Total commission and concession:	[•] per cent. of the Aggregate nominal amount
36.	Additional selling restrictions	[Not Applicable/*give details*]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the Notes described herein to be admitted to trading on the [Regulated Market of the London Stock Exchange] pursuant to the U.S.$5,000,000,000 Euro Medium Term Note Programme of AstraZeneca PLC.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms [[*relevant third party information*] has been extracted from [*specify source*]. 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 [*source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.].

Signed on behalf of the Issuer:

By: .....
Duly authorised

PART B — OTHER INFORMATION

1. **LISTING**

(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/[other (*specify*)] with effect from [•].]/[Not Applicable.] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)
(ii)	Estimate of total expenses related to admission to trading:	[•]

2. **RATINGS**

Ratings:	The Notes to be issued have been rated: [S&P*: [•]] [Moody's*: [•]] [[Other]*: [•]] *(* The exact legal name of the rating agency entity providing the rating should be specified-for example "Standard & Poor's Credit Market Services Europe Limited", rather than just Standard and Poor's.)* *(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)* *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)* [*Insert legal name of particular credit rating agency entity providing rating*] is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] [*Insert legal name of particular credit rating agency entity providing rating*] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority.] [*Insert legal name of particular credit rating agency entity providing rating*] is established in the European Union and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended

(the "**CRA Regulation**").]

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the European Union but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[*Insert legal name of particular credit rating agency entity providing rating*] 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.]

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 European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation.

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"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."

[*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive*.]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer [•]

(*See ["Use of Proceeds"] wording in Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons*

here.)]

[(ii)]	Estimated net proceeds:	[•] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding*.)
[(iii)]	Estimated total expenses:	[•] [*If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)]

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

Indication of yield: [•]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [***Floating Rate Notes Only* — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. [***Index-Linked Or Other Variable-Linked Notes Only* — PERFORMANCE OF INDEX/ FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*]

[*Include a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s)*.]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]]/[does not intend to provide post-issuance information].]

8. [***Dual Currency Notes Only* — PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

[*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive*.]

9. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	[Not Applicable/Yes/No] Note that the designation "**Yes**" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg 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 satisfaction of the Eurosystem eligibility criteria.][*Include this text if "Yes" selected in which case the Notes must be issued in NGN form*]
Any clearing system(s) other than [Euroclear Bank SA/NV and Clearstream Banking, société anonyme/Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority] and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional paying agent(s) (if any):	[•]

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, Luxembourg 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, Luxembourg 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, Luxembourg 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, Luxembourg.

Exercise of put option:

In order to exercise the option contained in Condition 10(e) (*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.

Partial exercise of call option:

In connection with an exercise of the option contained in Condition 10(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 19 (*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, Luxembourg 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, Luxembourg 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 19 (*Notices*) on the date of delivery to Euroclear, Clearstream, Luxembourg 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 2 Kingdom Street, Paddington, London W2 6BD, telephone number: +44 20 7604 8000, facsimile number: +44 20 7604 8151. The registered number of the Issuer is 2723534.

This business description set out on pages 73 to 90 (inclusive) of this Base Prospectus is an overview of, and 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**" on page 23 of this Base Prospectus).

Principal Activities

The Issuer is a global, innovation-driven, prescription-based biopharmaceutical business involved in the discovery, development, manufacture and marketing of prescription pharmaceuticals for important areas of healthcare: cardiovascular, gastrointestinal, infection, neuroscience, oncology, respiratory and inflammation. As at 31 December 2011 the Issuer's range of medicines included seven products, each with annual sales of over U.S.$1 billion. The Issuer has activities in over 100 countries worldwide, with major research and development centres in eight countries, including Sweden, the United Kingdom and the United States, and manufacturing facilities in 16 countries. It employs approximately 57,200 people (approximately 46 per cent. in Europe, the Middle East and Africa ("**EMEA**"), 31 per cent. in the Americas and 23 per cent. in Asia-Pacific) and has a growing presence in important emerging markets, including China.

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, the Issuer's pipeline includes life-cycle management initiatives for approved products to bring further benefit for patients and maximise their commercial potential.

Cardiovascular (CV) Medicines

AstraZeneca's cardiovascular products include: Crestor, for the treatment of dyslipidaemia and hypercholesterolemia; Atacand, for the treatment of hypertension and symptomatic heart failure; Seloken/Toprol-XL, a once-daily tablet for 24 hour control of hypertension and for use in heart failure and angina; 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; Brilinta/Brilique, an oral antiplatelet for the treatment of acute coronary syndromes; and Axanum, a fixed dose combination indicated for prevention of cardiovascular events in high risk cardiovascular patients in need of daily low-dose acetylsalicylic treatments and who are at risk of gastric ulcers.

AstraZeneca continues its strong worldwide collaboration with Bristol-Myers Squibb Company ("**BMS**") to develop and commercialise two compounds discovered by BMS (Onglyza™ (saxagliptin) and dapagliflozin) for the treatment of Type 2 diabetes. Products also include Komboglyze™ (a fixed dose combination of Onglyza™ and metformin immediate release tablets) and Kombiglyze XR™, a fixed dose combination of Onglyza™ plus metformin hydrochloride extended-release tablets.

Gastrointestinal (GI) Medicines

AstraZeneca's gastrointestinal products include: Nexium (esomeprazole), the first proton pump inhibitor ("**PPI**") for the treatment of acid-related diseases to offer clinical improvements over other PPIs and other treatments; Losec/Prilosec (omeprazole), which was the first PPI and is used for the short-term and long-term treatment of acid-related diseases; and Entocort (budesonide) is a locally acting corticosteroid for the treatment of inflammatory bowel disease ("**IBD**").

Infection Medicines

AstraZeneca's infection products include: Synagis (palivizumab), a humanised monoclonal antibody used for the prevention of serious lower respiratory tract disease; Merrem/Meronem (meropenem) is an intravenous carabapenem anti-bacterial for the treatment of serious infections in hospitalised patients; Cubicin, a cyclic lipopeptide anti-bacterial for the treatment of serious infections in hospitalised patients; and FluMist/Fluenz (influenza virus vaccine live, intranasal), is an intranasal live, attenuated, trivalent influenza vaccine.

Neuroscience Medicines

AstraZeneca's neuroscience products include: Seroquel IR (quetiapine fumarate), an atypical anti-psychotic drug approved for the treatment of adult schizophrenia and bipolar disorder (mania, depression and maintenance). Seroquel XR (an extended release formulation of quetiapine fumarate) is generally approved for the treatment of schizophrenia, bipolar disorder, major depression disorder and in some territories for generalised anxiety disorder; Zomig (zolmitriptan), for the treatment of migraine with or without aura and Zomig Nasal Spray is indicated for the acute treatment of cluster headache in some territories; and Vimovo (naproxen/esomeprazole magnesium), a fixed dose combination of enteric-coated naproxen (an NSAID), and immediate release esomeprazole, a proton pump inhibitor (PPI) AstraZeneca also has a portfolio of marketed products for general and local anaesthesia, including Diprivan (propofol), Naropin (ropivaricaine), Xylocaine (lidocaine), and EMLA (lidocaine and prilocaine).

Oncology Medicine

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; Nolvadex (tamoxifen citrate), a widely prescribed breast cancer treatment outside the U.S.; and Caprelsa (vandetanib), a kinase inhibitor indicated for the treatment of symptomatic or progressive medullary thyroid cancer in patients with unresectable (non-operable) locally advanced or metastatic disease.

Respiratory and Inflammation Medicines

AstraZeneca's respiratory and inflammation ("**R&I**") 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 obstruction pulmonary disease ("**COPD**"); Pulmicort Turbuhaler (budesonide in a dry powder inhaler), a corticosteroid anti-inflammatory inhalation drug that helps prevent symptoms and improves the control of asthma and COPD; Pulmicort Respules (budesonide inhalation suspension), a nebulised corticosteroid for children as young as 12 months; Oxis Turbuhaler (formoterol), a fast onset, long-acting beta-agonist for asthma and COPD, Rhinocort (budesonide), a nasal steroid treatment for allergic rhinitis, perennial rhinitis and nasal polyps; and Accolate (zafirlukast), an oral leukotriene receptor antagonist for the treatment of asthma.

Business Environment

Although demand for medicines and world pharmaceutical markets continued to grow in 2011, research-based pharmaceutical companies faced a challenging marketplace. Industry returns are under pressure from declining research and development productivity and intensifying pricing pressures, particularly in mature and established markets facing rising healthcare costs. AstraZeneca also faces increased competition from generic medicines as some of the world's most successful drugs come off patent. In addition, greater regulatory constraints are being placed on the pharmaceutical industry by governments and those who pay for medicines.

The industry remains highly competitive. Competitors are other large research-based pharmaceutical companies that develop and sell innovative, patent-protected prescription medicines and vaccines, as well as smaller biotechnology and vaccine companies, and companies that produce generic medicines. While many of AstraZeneca's peers are confronting similar challenges, strategically these challenges are being met in different ways. For example, some companies have chosen to diversify by acquiring or building

branded generics businesses or consumer portfolios, arguing that this enables them to better meet changing customer needs and smooth risk for shareholders.

World Markets

The world pharmaceutical market in 2011 was valued at U.S.$839 billion – an increase of 4.5 per cent. (at constant exchange rates) (2010: 5.5 per cent.) (Source: IMS Health).

Average revenue growth in established markets in 2011 was 2.8 per cent., while average revenue growth in emerging markets in 2011 was over four times higher at 12 per cent. The top five pharmaceutical markets in the world remained the U.S., Japan, Germany, France and China, with the U.S. representing 38.1 per cent. of global prescription pharmaceutical sales (2010: 38.5 per cent.).

The Growth Drivers

- Increasing and ageing populations in established markets.
- Emergence of expanded patient populations in new markets.
- Continued unmet medical need.
- Continued scientific and technological advance.

Expanding Patient Populations

The world population is estimated to have passed seven billion in 2011, increasing from six billion in 1998, and is expected to reach nine billion by 2050.

In addition, the number of people who can access healthcare continues to increase, particularly among the elderly. Globally, it is estimated that the number of people over 65 will be almost one billion by 2030, double what it was in 2005. In addition, the faster-developing economies, such as China, India and Brazil, continue to offer new opportunities for the industry to gain access to an expanding number of patients who can benefit from innovative medicines.

Unmet Medical Need

In most established markets, ageing populations, and certain lifestyle choices such as smoking, a poor diet and lack of exercise drive an increased incidence of chronic disease such as cancer, cardiovascular/metabolic and respiratory diseases which require long-term management. The prevalence of chronic disease is increasing in middle income countries and is also beginning to have an impact in low income countries. For example, there are 36 million deaths every year from non-communicable diseases and, of those, 80 per cent. are in lower and middle income countries. It is estimated that nearly 33 per cent. of the world's diabetes patients will come from India and China by 2030, by which date its prevalence in Brazil is expected to have increased by two-thirds.

AstraZeneca focuses on six therapy areas: Cardiovascular, Gastrointestinal, Infection, Neuroscience, Oncology, and Respiratory and Inflammation, which together represent a significant proportion of the worldwide burden of disease.

Advances in Science and Technology

The demand for healthcare will be met not only by existing therapies, but also by innovation resulting from advances in both the understanding of disease and the application of new technologies. Small molecule research and development remains a significant aspect of the pharmaceutical business, although the importance of large molecules or biologics is increasing. Advances in science are paying back in increased understanding of the key processes involved in the initiation and progression of disease. Together with advances in the technologies for the design and testing of novel compounds, this is enabling new opportunities for the delivery of innovative small molecules as therapeutic agents.

It has been predicted that within the world's top 100 pharmaceutical products, 45 per cent. of sales will come from products produced using biologics, based on forecasts for 2016 (Source: IMS Health). This compares to only 33 per cent. in 2010 and 15 per cent. in 2002. The rate of growth for biologics has been

faster than the small molecule segment in recent years and this trend is forecast to continue in the immediate future.

Biotechnology techniques are used to modify an organism's genetic material at the cellular or molecular level to produce biotechnology-derived products, which include monoclonal antibodies and vaccines, and are often referred to as large molecules in comparison to chemical compounds that are referenced as small molecules. Biologics are often more complex to manufacture than small molecule therapies because they are made by generating biological material from cells. The regulatory regimes for 'biosimilars' (similar versions of existing biological products or vaccines) are less well established than those for generic pharmaceuticals, although regulatory authorities in Europe and the U.S. are currently reviewing approval processes. Difficulties producing an identical copy of a biological drug mean that, for biologics, generic competition has been less prevalent. These factors can help to deliver longer product life-cycles for biologics compared to traditional pharmaceuticals.

The Challenges

- Continued pressure on the price of medicines.
- Higher regulatory hurdles for new medicines and new indications.
- Research and development productivity.
- Patent expiries and genericisation.
- Building trust.

Pricing Pressure

Most of AstraZeneca's sales are generated in highly regulated markets where governments and private payers, such as insurance companies, exert various levels of control on pricing and reimbursement. Cost-containment, including pharmaceutical spending, therefore continues to be a fundamental consideration. The current global economic downturn is likely to further constrain healthcare providers and those patients who pay directly for their medicines, and additional challenges may arise if suppliers and distributors face credit-related difficulties. The challenge for the research-based pharmaceutical industry is to manage the associated downward pressure on the price of its products, whilst continuing to invest in the discovery, development, manufacturing and marketing of new medicines.

Pricing pressures have arisen in the pharmaceutical industry in a number of ways in recent years, particularly through the implementation of a variety of regulatory drug price control mechanisms and other reforms, as well as the introduction of fixed hospital tariffs, which can act as a method of controlling drug costs by incentivising hospitals to choose cheaper generic alternatives, and increasing use in markets such as Canada and the UK of risk sharing agreements, the most common forms of which allow health bodies and payers to seek a refund if a drug fails to meet certain expectations. In addition, in markets such as France, Mexico and South Korea, price/volume negotiations are becoming prevalent. In the U.S., the Affordable Health Care Act has already had a direct input on healthcare activities, such as an increase industry rebates and discounts, despite the fact that many of its healthcare coverage expansion provisions do not take effect until 2014.

Payers also increasingly require demonstration of the economic as well as therapeutic value of medicines. Meeting these needs across a diverse range of national and local reimbursement systems requires significant additional resources.

Regulatory Requirements

The pharmaceutical industry continues to be one of the most heavily regulated. This reflects public interest in ensuring access to safe, effective and high quality medicines that are responsibly promoted. Given the nature and geographic scope of its business, AstraZeneca maintains important relationships with health authorities worldwide, including the FDA in the U.S., the European Medicines Agency in the EU, the Japan Pharmaceuticals and Medical Device Agency and the State Food and Drug Administration in China. Efforts to harmonise regulations globally are ongoing, yet the number of regulations and their impact continue to multiply. This is particularly evident in the conduct of clinical trials. In order to support the registration of AstraZeneca’s products in a given regulatory jurisdiction, programmes

providing foreign clinical trial data must meet each individual health authority's requirements to ensure relevance to their population. Regulators also continue to redefine their patient safety assessment processes. This includes the management of known and emerging risks, both before and after product approval. In certain markets, additional safety initiatives are developing locally which operate independently of already established international standards, further increasing the complexity and disharmony of drug safety monitoring and reporting. In addition, the growing complexity and globalisation, of both clinical studies and the manufacturing supply chain, has led to an increase in cross-regional health authority collaborations and inspections in these areas. Public demand for access to data, especially clinical data, to understand how health authorities arrive at their regulatory decisions, has resulted in numerous transparency proposals worldwide. In some instances, policies have been implemented without guidelines that define personal, private and proprietary information. Thus there can be no assurance that the data will be safeguarded against public disclosure. There is mounting pressure from both health technology assessors and payers to assess not only the safety of AstraZeneca's products but also their relative effectiveness and value. Consequently there is a heightened interest by health authorities in both the comparative clinical effectiveness and the ongoing benefit/risk assessment of pharmaceuticals after approval. The regulatory landscape is evolving with an increased focus on incorporating validated health outcome quality measures into clinical trials and developing clinical comparative evidence.

Research and Development Productivity

Improving research and development productivity is a critical challenge for the pharmaceutical industry. Global investment in pharmaceutical research and development by the top 500 pharmaceutical and biotech companies reached an estimated U.S.$133 billion in 2011, a 93 per cent. increase from U.S.$69 billion in 2002. Over the same period, the number of new drug launches per year in the U.S. stayed broadly the same, with an annual average of 25. Increasing investment has not yet resulted in a sustained increase in output, although the FDA approved 30 new drugs in 2011. At the same time, there appears to be a shift away from regulatory submissions for broad primary care medicines to more specialist drugs treating, for example, more complex diseases, together with orphan drugs for rare medical conditions. To ensure it delivers a sustainable return on its research and development investment, the pharmaceuticals industry is working to increase its probability of success in developing commercially viable new drugs and moving to a lower, more flexible cost base. It does so at a time when regulators and payers are demanding more and better evidence of comparative effectiveness of compounds, which lengthens development times and increases development costs. Using the full range of innovative technologies, the industry is focused on two critical milestones: "**Proof of Concept**", which delivers candidate drugs with supporting data demonstrating that the drug results in a clinical change with an acceptable endpoint or surrogate in patients with the disease, and, secondly, product approval. Organisationally, companies are addressing productivity challenges in a variety of ways, including: focusing on a defined set of therapeutic areas, and exiting those where success has been poor; restructuring research and development organisations to create clearer accountabilities and smaller, more entrepreneurial units; revamping decision making and governance, so that unsuccessful compounds are identified early, before significant costs have been incurred; reducing costs and improving process efficiency, using business improvement tools aimed at enhancing value for customers with fewer resources such as "**Six Sigma**" (a rigorous and disciplined methodology that uses data and statistical analysis to measure and improve a company's operational performance by identifying and eliminating defects) and outsourcing; a collaboration-centric business model that includes academic collaborations and co-development agreements that provide for the sharing of development risks and costs with third parties; and looking externally for high quality science, technologies, targets, drug candidates, and/or entire drug pipelines.

Patent expiries and genericisation

Over the next few years some of the biggest selling drugs the pharmaceutical industry has ever produced face patent expiry. As a consequence, payers, physicians and patients in established markets will have low price, generic alternatives in many important classes of primary care drugs. For example, in the U.S., generic alternatives constitute 80 per cent. of the market by volume today and are expected to be the single largest driver of value growth up to 2015. Patents only protect pharmaceutical products for a finite period and the expiry or early loss of patents may lead to the availability of generic alternatives. Generic versions of drugs are very competitive with significantly lower pricing than the innovator equivalents. This is partly due to lower investment by generic manufacturers in research and development and market development which generic manufacturers do not need to recover. While generic competition has traditionally occurred when patents expire, it can also occur where the validity of patents is disputed or

successfully challenged before expiry. Such early challenges by generic alternatives have increased with generic companies increasingly willing to launch products "**at risk**", for example, prior to resolution of the relevant patent litigation. This trend is likely to continue, resulting in significant market presence for the generic version during the period in which litigation remains unresolved, even thought the courts may subsequently rule that the innovative product is properly protected by a valid patent. The unpredictable nature of patent litigation has led innovators to seek to settle such challenges on terms acceptable to both innovator and generic manufacturer. However, some competition authorities have sought to challenge the scope or even availability of this type of settlement agreement. Biologics have, to date, sustained longer life cycles than traditional pharmaceuticals and have faced less competition from generic alternatives. This is due to a more complex manufacturing process for biologics compared with small molecule medicines and the inherent difficulties in producing a copy of a biologic, or "**biosimilar**", which is sufficiently similar to the innovator to meet regulatory requirements. However, with regulatory authorities in Europe and the U.S. continuing to implement abbreviated approvals processes for "**biosimilar**" versions, biologics are becoming subject to competition from biosimilars and other follow-on biologics.

Building trust

The pharmaceutical industry faces a challenge in building and maintaining trust, particularly with governments and regulators. The last 10 years have seen a significant increase in the number of settlements between innovator companies and governmental and regulatory authorities for violations of a variety of laws. These include breaches of sales and marketing practices, inducements of physicians to administer a company's products and breaches of anti-trust legislation. For some audiences, there is a perception that pharmaceutical companies place their commercial goals above the interests of patients, physicians and payers. Companies are taking steps to change this perception, by embedding a culture of ethics and integrity, adopting higher standards of governance and improving relationships with employees, shareholders and other stakeholders.

Strategy

The Issuer's strategy is to be a focused, integrated, innovation-driven, global, prescription-based biopharmaceutical business. AstraZeneca's priorities are to drive:

- World class productivity in R&D
- Increased external collaboration
- AstraZeneca's global orientation, reflecting the growth in emerging markets
- Stronger customer orientation, particularly towards payers
- Operational efficiency with a flexible cost base

The strategy centres on four strategic pillars:

- *Pipeline*. The discovery and development of innovative, differentiated and commercially attractive medicines.
- *Deliver the business*. Sales and marketing activities undertaken in the right way and focused on the needs of AstraZeneca's customers: patients, physicians and payers.
- *Business shape*. A reliable supply and manufacturing operation, and organisational infrastructure that is aimed at enhancing value for customers with fewer resources so as to ensure that AstraZeneca's medicines are where they need to be when they are needed.
- *People*. A talented and diverse workforce with the right capabilities operating in a high performance culture.

Strategic priorities

AstraZeneca's goal is to create sustainable value for shareholders by being one of the best-performing biopharmaceutical companies. To achieve that goal, the pace of change across AstraZeneca needs to accelerate and it needs to deliver on the following medium-term strategic priorities:

Pipeline

AstraZeneca is transforming its R&D organisation. It has streamlined and refocused its product portfolio, introduced a new operating model, and simplified its site footprint. AstraZeneca continues to focus on improving the quantity and quality of R&D output, by building industry-leading capabilities in critical areas and a more outward-looking organisation, which accesses the best science, regardless of origin. While AstraZeneca is confident that long-term growth in demand for innovative biopharmaceuticals will remain strong, it is clear that substantial improvement in R&D productivity is needed if AstraZeneca is to sustain acceptable returns to shareholders. AstraZeneca is therefore accelerating its R&D strategy. It is pioneering innovative ways of conducting research. Neuroscience is a challenging field of medical science with high unmet need, and one that a number of AstraZeneca's competitors have chosen to exit. To reinvigorate its efforts in this therapeutic area, AstraZeneca plans to create a virtual innovative medicines unit "**(iMed**") in which a small group of scientists discover and develop a full pipeline of medicines, working with external partners and collaborators. They would replace AstraZeneca's current scientific and laboratory resources. Alongside this, AstraZeneca plans to create a simpler, leaner, more flexible organisation through a variety of steps, which better support a more focused portfolio.

Deliver the business

At a time when many companies are exiting primary care, AstraZeneca is distinctive for combining a broad portfolio of primary and specialty care products with a global reach. AstraZeneca intends to continue to build on its leading positions in established markets and to introduce innovative ways of serving its customers, using digital and telephone channels, service teams, and desk-based medical support. It intends to invest in growth opportunities, including brands such as Crestor and Brilinta/Brilique and markets such as Japan and China. AstraZeneca intends to drive sales of its leading products which no longer benefit from patent protection where it retains brand equity and can command prices which reflect the quality and value of its brand. In addition, it intends to pursue further growth in emerging markets by expanding the population it serves, supplementing its patented innovative products with branded generic products sourced externally and marketed under the AstraZeneca brand. To further strengthen revenues, AstraZeneca intends to accelerate its efforts to secure late-stage/on-market product licensing, acquisition, and peer collaboration opportunities. Across the Group, AstraZeneca is investing in its ability to meet the needs of those who pay for its medicines. In R&D, AstraZeneca's new payer evidence group is ensuring that, as AstraZeneca develops its medicines, it gathers not only the clinical data required for regulatory approval, but also the health economics, cost/benefit information and 'value-in-use' data required by payers. AstraZeneca's HealthCore and IMS collaborations intend to gather real world evidence about the comparative effectiveness of its products. This capability helps AstraZeneca to gain global reimbursement, broad market access and optimal pricing for its medicines.

Business shape

Given the pressures in the external environment, AstraZeneca intends to continue to simplify the business. Simplification means not only cost reduction, but also streamlining processes and shifting to a more flexible cost base. In AstraZeneca's Commercial organisation, it is simplifying its operating model. AstraZeneca is consolidating the business into three regions: the Americas, EMEA, and Asia-Pacific, running the global and regional organisations from three sites (Wilmington, U.S., London, UK, and Shanghai, China), and changing its established markets footprint in line with declining sales. Following the success of its Nordic and Central American clusters, AstraZeneca is creating further country clusters, to share resources and expertise more effectively. Across its Supply and Manufacturing function, AstraZeneca continues to drive efficiencies through its business improvement programmes, and to use outsourcing and partnering to increase flexibility. AstraZeneca is also consolidating many of its support services into shared services, driving lean process improvements, investing in automation and new global systems. AstraZeneca is outsourcing selected activities to specialist third party providers in low cost locations.

People

Talented, motivated and capable people are critical to the successful achievement of AstraZeneca's strategic ambitions. AstraZeneca is focused on four key people priorities, as it leads through significant change in the business:

- acquiring and retaining key capabilities and talent
- further developing leadership and management capabilities
- improving the strength and diversity of the talent pipeline
- improving employee engagement.

Responsible business

AstraZeneca reviewed and reshaped its corporate responsibility priority action plan during the year, taking into account its strategy, insights gained from dialogue with stakeholders, and its internal risk assessment. AstraZeneca's new Responsible Business Plan, launched in April 2011, reflects its commitment to enhancing the sustainability of its business by operating responsibly. It underpins AstraZeneca's work and provides the framework for applying integrity and high ethical standards across all its activities.

The Responsible Business Plan's objectives are closely aligned to AstraZeneca's business strategy. AstraZeneca has given the highest priority to those areas most impacted by its strategic priorities, including sales and marketing practices, access to healthcare, research ethics (including animal welfare), human rights, and supplier management. At the same time AstraZeneca has not lost sight of other significant aspects of its corporate responsibility, such as patient safety and the environment. The Responsible Business Plan is overseen by a Responsible Business Council of senior leaders from within AstraZeneca's organisation.

Restructuring

Since 2007, AstraZeneca has undertaken significant efforts to restructure and reshape its business to improve long-term competitiveness. The first phase is complete. It comprised total restructuring costs of U.S.$2.5 billion and delivered U.S.$2.4 billion in annual benefits by the end of 2010, with a gross headcount reduction of 12,600. The second phase, which featured a significant change programme in R&D, began in 2010 and was largely completed during 2011. The cost phase of this programme totalled U.S.$2.1 billion and is expected to deliver total annual benefits of U.S.$1.9 billion by the end of 2014, of which U.S.$1 billion had been achieved by the end of 2011. Gross headcount reductions associated with this second phase are expected to be around 9,000. Both restructuring programmes delivered their targeted benefits to date. AstraZeneca has invested some of the savings to drive future growth and value, such as in its emerging markets commercial infrastructure and an expansion of its research capabilities in biologics. At the same time, AstraZeneca has also improved Core pre-R&D and operating margins over the period. When completed, the next phase of restructuring, announced in February 2012, is expected to deliver a further U.S.$1.6 billion in annual benefits by the end of 2014. Total programme costs are estimated to be U.S.$2.1 billion (approximately U.S.$1.7 billion in cash costs), of which U.S.$261 million were charged in 2011, and the total number of positions expected to be impacted for this phase is estimated to be approximately 7,300. Final estimates for programme costs, benefits and headcount impact in all functions are subject to completion of the requisite consultation processes in accordance with relevant local requirements and labour laws.

Non-core businesses

AstraZeneca has actively considered potential shareholder value creation from its non-core businesses and, in November 2010, formally initiated a review of strategic options for Astra Tech, a global leader in dental and healthcare (urological and surgical) products, services and support. AstraZeneca's review concluded with the sale of the Astra Tech business to DENTSPLY International Inc. for approximately U.S.$1.8 billion in cash in a transaction that closed on 31 August 2011. Proceeds from the sale are being returned to shareholders through share repurchases. As of 31 January 2012, AstraZeneca had signed binding agreements with four of the five hospital-based outpatient cancer centres managed by Aptium Oncology, Inc. (Aptium Oncology). Under the terms of these agreements, each hospital has acquired

Aptium Oncology's interest in the assets used in connection with the operation of the cancer centres. Transactions with three of the five hospitals had closed by 31 December 2011, a fourth closed in January 2012. AstraZeneca expects the final transaction to be signed during the first quarter and close during the second quarter of 2012. IT transitional services support will be provided to each cancer centre during 2012.

Measuring AstraZeneca's Performance

Each business function is subject to an annual budget and target-setting process that includes developing financial and business forecasts, conducting sensitivity and risk analyses, and setting relevant objectives. In setting its objectives AstraZeneca ensures that they are aligned with its medium-term planning assumptions and strategic priorities. Regular reviews are undertaken in order to monitor and assess progress against business and budget targets. During the year, AstraZeneca also seeks to manage the business appropriately, both to optimise its opportunities and to assess key risks and mitigating actions. Quarterly reports provide the Senior Executive Team (SET) and the Board with insight into progress against current year objectives and milestones for longer-term strategic goals. AstraZeneca assesses performance using quantitative, comparative market, operational and financial measures, and qualitative analysis. AstraZeneca has developed key performance indicators by which it measures its success in delivering its strategy.

Resources, Skills and Capabilities

AstraZeneca's continued success depends on focused delivery of its strategy, responding effectively to the challenges of AstraZeneca's rapidly changing business environment and successfully identifying and harnessing opportunities to strengthen the value of AstraZeneca's contribution to healthcare and society.

This section describes the resources, skills and capabilities that AstraZeneca has in place to drive delivery of its strategic goals and keep AstraZeneca at the forefront of positive change within the industry.

Underpinning all of AstraZeneca's activity is AstraZeneca's commitment to innovative collaboration, focused on a common goal: better health. This means engaging and working with AstraZeneca's stakeholders to gain the insights AstraZeneca needs to maintain a flow of new, targeted and valued medicines. It means working in effective teams internally and in external partnerships that complement and strengthen AstraZeneca's own capabilities. It also means active participation in the debate on issues that impact AstraZeneca's business and shape AstraZeneca's operating environment.

Research and Development

AstraZeneca is committed to deploying the best science and technology to invent and acquire, produce and distribute innovative medicines that make a meaningful difference to people's health around the world. This commitment is at the core of its R&D strategy and continues to drive its focus to create valuable medicines for patients that recognise the needs of healthcare practitioners, governments, payers and external stakeholders throughout the healthcare system. AstraZeneca's R&D organisation continues to evolve to meet the challenges facing its industry by investing in high quality science and harnessing the innovation of its people. AstraZeneca is continuously improving its understanding of mechanisms and targets that will become the foundation for developing and delivering tomorrow's new medicines. These efforts are undertaken with the highest ethical standards, as it is committed to delivering innovative medicines responsibly.

Focused R&D portfolio

AstraZeneca continues to prioritise its resources and focus discovery activities on those diseases within its existing therapy areas where it believes there is the greatest potential to meet patient need through the application of novel science. This continual process of prioritisation is designed to ensure that the projects it has in its pipeline constitute the programmes which it believes are most likely to deliver technical and commercial success. In 2011, AstraZeneca continued its core research focus on six therapy areas: Cardiovascular, Gastrointestinal, Neuroscience, Infection, Oncology and Respiratory & Inflammation. AstraZeneca's R&D efforts are supported by nine innovative medicine units (iMeds) across small molecule and biologics projects. Eight iMeds focus on defined disease areas, with a ninth targeting new opportunities. AstraZeneca's iMeds are responsible for discovery and development up to and including Phase II testing and delivery of molecules to its Global Medicines Development (GMD) organisation for

Phase III and registration activities. AstraZeneca's GMD organisation provides a single, global platform dedicated to conducting trials for small molecules and biologics and is accountable for delivering the regulatory packages to support launches of new medicines that are commercially attractive and reimbursable. In addition to its defined disease areas, AstraZeneca continuously assesses opportunities to acquire, through purchase or partnership, development and commercialisation rights to compounds, targets and technologies outside its core therapeutic expertise.

Development projects

As of December 31, 2011, AstraZeneca's pipeline included 86 projects, of which 79 projects were in the clinical phase of development. AstraZeneca now has a total of 29 projects in Phase I, 24 projects in Phase II, 10 projects in late stage development, either in Phase III or under regulatory review, and was also running 23 significant life-cycle management projects. During 2011, across the clinical portfolio, 25 projects successfully progressed to their next phase (including five projects entering first human testing) and 21 projects were withdrawn.

Portfolio quality

In 2011, AstraZeneca undertook a thorough assessment of its early portfolio projects, resulting in the termination of a number of early projects. Going forward, AstraZeneca's focus will be on identifying key candidate medicines that have the highest potential to deliver technical and commercial success. By continuing to apply a rigorous quality approach to its candidate selection process, AstraZeneca expects to increase the likelihood that its most promising medicines progress into Phase III development. AstraZeneca's Portfolio Investment Board (PIB) plays an important role in maintaining portfolio quality through its continued evaluation of AstraZeneca's projects, designed to ensure that AstraZeneca is maximising the value of its R&D investments.

Pipeline delivery

Several milestones for products currently in development were passed in 2011. Of the 21 projects withdrawn in 2011, two were withdrawn following failure to obtain the required regulatory or marketing approvals for the product candidate or the facilities in which it is manufactured and 15 were withdrawn following poorer than anticipated safety or efficacy results. The remaining projects were withdrawn following assessment of the projects against other product pipeline risk factors.

Integrated R&D approach

AstraZeneca's R&D activities span the entire life-cycle of a medicine. AstraZeneca's approach brings together drug discoverers and developers within each iMed to focus and collaborate in specific disease areas, while continuing to leverage its expertise in late stage development, product registration and life-cycle management. This new model is designed to increase accountability and enhance scientific knowledge-sharing within therapeutic areas. In addition, AstraZeneca's single R&D strategy enables more effective and efficient delivery of its research objectives across the therapeutic portfolio, regardless of geography, disease area or stage of development.

AstraZeneca's collaboration efforts have resulted in a combination of internally and externally sourced compounds throughout its portfolio, with various development partnerships with biotechnology firms, research institutions and other pharmaceutical companies. AstraZeneca previously announced its intention to source up to 40% of its pipeline from outside its laboratories by 2014 and is on track to deliver that commitment. Collaborating externally enables AstraZeneca to build the value of its internally-sourced products and identify external sources of cutting-edge science that will enhance and amend its own portfolio of compounds.

Investing in capabilities

A core component of AstraZeneca's R&D strategy is strengthening four core capabilities. In 2010, AstraZeneca announced an investment of more than U.S.$200 million over five years to develop capabilities in the areas of payer partnering, personalised healthcare, predictive science and clinical design. AstraZeneca is making steady progress in building these skills both internally and through external collaborations.

AstraZeneca's resources

At the end of 2011, AstraZeneca's R&D organisation comprised approximately 11,300 people at 14 principal centres in eight countries. AstraZeneca's strategic expansion in emerging markets continues and includes the growth of its 'Innovation Centre China' research facility in Shanghai, China as well as its research facility in Bangalore, India. In 2011, there was Core R&D expenditure of U.S.$5.0 billion in its R&D organisation (2010: U.S.$4.2 billion; 2009: U.S.$4.3 billion). In addition, U.S.$189 million was spent on acquiring product rights (such as in-licensing) (2010: U.S.$1,017 million; 2009: U.S.$764 million) and AstraZeneca invested approximately U.S.$468 million on the implementation of its R&D restructuring strategy.

Sales and Marketing

AstraZeneca's global sales and marketing organisation is active in over 100 countries and, at the end of 2011, comprised approximately 32,300 employees. As well as building on its leading positions in the U.S. and other established markets, it continues to increase its strength in emerging markets including China, Brazil, Mexico and Russia. AstraZeneca works to ensure success in individual markets by having highly accountable local leaders who understand their markets and have a strong focus on profitable business growth. This extensive network is supported by a single commercial organisation that develops global product strategies and drives commercial excellence, ensuring a strong customer focus and commercial direction in the management of its pipeline and marketed products. All of AstraZeneca's efforts are underpinned by a commitment to conducting its sales and marketing activity in accordance with its values and driving commercial success responsibly.

Driving commercial success

Delivering commercial success requires AstraZeneca to maximise the value of its portfolio across the whole life-cycle of a medicine. It does so by connecting its science with its customers' needs. From an early stage in the medicine discovery process AstraZeneca embeds customer insights into its R&D strategy based on AstraZeneca's interactions with healthcare providers, patients, regulators and payers. AstraZeneca builds on this with its local market expertise and knowledge. This approach helps AstraZeneca to prioritise resources and optimise its portfolio, thereby delivering medicines which customers value and which meet their needs. Activities in 2011 focused on ensuring continued commercial excellence of key products, such as Crestor, Seroquel XR and Symbicort, driving growth in new markets and accelerating the commercialisation of recently launched products. Recently launched products include Onglyza™, Brilinta/Brilique, Vimovo and Caprelsa. As at 31 December 2011 Brilinta/Brilique had been approved in 64 countries and, while launches had occurred in 37 markets, due to the time needed to secure reimbursement, formulary approval and protocol adoption, full patient access at the end of 2011 was limited to an estimated 12% of the acute coronary syndromes market.

Creating new commercial sales models

In most countries, AstraZeneca's sales are made through wholly-owned local marketing companies. In other countries, it sells through distributors or local representative offices. AstraZeneca's products are marketed primarily to primary care and specialist doctors. Its efforts are directed towards explaining the therapeutic as well as the economic benefits of its products to doctors, governments and others who pay for healthcare. Face-to-face contact is AstraZeneca's traditional marketing method and it is committed to making this channel as effective and efficient as possible. AstraZeneca continues to focus on its customer needs and having learnt from successful approaches implemented in North America and Europe, it is accelerating the adoption of its new commercial sales model which is now live in all its regions; including office-based sales teams, dedicated customer service staff and digital channels. AstraZeneca's rapid growth in emerging markets is driving demand for central commercial support, particularly in respect of sales force effectiveness. AstraZeneca has adopted and rolled out core sales and marketing training programmes in local environments. The main focus of these programmes is to embed core commercial skills and to strengthen sales managers' coaching and planning skills while also reflecting local market needs and conditions.

Broadening affordability

Sales of medicines in AstraZeneca's established markets enable it to generate the revenue it needs to provide its shareholders with a return, invest in continued innovation and pursue other opportunities to

expand the availability of its medicines. At the same time, AstraZeneca recognises that emerging markets are expected to contribute around 70% of pharmaceutical industry growth in the five years to 2014. AstraZeneca's programme of investment in these markets continues, both in the large faster growing markets such as China, Mexico, Brazil and Russia, as well as in high-growth, medium-sized and smaller markets. As it expand its business in these markets, AstraZeneca is exploring broad market strategies to reach new patients, in particular the emerging middle income populations who are increasingly able to access healthcare systems and for whom AstraZeneca's medicines are becoming affordable. In some cases, where it is appropriate, it is looking at ways of making its medicines more affordable.

A broader portfolio

To support its growth in emerging markets, AstraZeneca is broadening its portfolio through the launch of branded genericised medicines. This range is intended to comprise a portfolio of products which are complementary to its patented original medicines in markets where it already has a developed commercial infrastructure, existing relationships with healthcare professionals and a strong reputation. AstraZeneca is focused on approximately 70 generic products aligned to AstraZeneca's wider portfolio which allows AstraZeneca to adopt an integrated selling model. AstraZeneca plans to market these generic products under the name AstraZeneca brand in 20 targeted emerging markets.

Sales and marketing ethics

The pharmaceutical sector is subject to increased oversight by regulatory and governmental authorities. As it drives the growth of AstraZeneca's business and reshapes its geographic footprint, AstraZeneca remains committed to the responsible delivery of commercial success.

Intellectual Property

The discovery and development of a new medicine requires a significant investment of resources by research-based pharmaceutical companies over a period of 10 or more years. For this to be a viable investment new medicines must be safeguarded from being copied with a reasonable amount of certainty for a reasonable period of time. The principal economic safeguard in the pharmaceutical industry is a well-functioning patent system that recognises AstraZeneca's effort and rewards its innovation with appropriate protection, allowing time to generate the revenue AstraZeneca needs to reinvest in new pharmaceutical innovation. Patent rights are limited by territory and duration, yet a significant period of this time can be spent on R&D of its products and before product launch. AstraZeneca therefore commits significant resources to establishing and defending its patent and related IP protections for these inventions.

Patent process

AstraZeneca files applications for patent protection for its inventions to safeguard the large subsequent investment required to obtain approval of potential new drugs for marketing. Further innovation means that it may seek additional patent protection as it develops a product and its uses. AstraZeneca applies for patents via patent offices around the world which assess whether its inventions meet the strict legal requirements for a patent to be granted. In some countries, its competitors can challenge its patents in the patent offices, and, in all countries, competitors can challenge its patents in the courts. AstraZeneca can face challenges early in the patent application process and throughout the life of the patent. These challenges can be to the validity of a patent and/or to the effective scope of a patent and are based on ever-evolving legal precedents. There can be no guarantee of success for either party in patent proceedings. The generics industry is increasingly challenging innovators' patents at earlier stages and almost all leading pharmaceutical products in the U.S. have faced or are facing patent challenges from generic manufacturers of generic alternatives. The result of patent challenges experienced by its competitors' products may lead to the availability of generic alternatives in the same product class as patented products AstraZeneca currently supplies, which may materially impact its business. AstraZeneca is also experiencing increased challenges elsewhere in the world, for example in Europe, Canada, Asia and Latin America.

Data exclusivity

In addition to patent protection, regulatory data protection or data exclusivity is an important IP right which arises in respect of data which is required to be submitted to regulatory authorities in order to

obtain marketing approvals for AstraZeneca's medicines. Significant investment is required to generate such data (for example, through conducting global clinical trials) and the use of 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 the right is respected differs significantly between these countries. AstraZeneca believes in enforcing its rights to regulatory data protection and considers it an important protection for its inventions, particularly as patent rights are increasingly being challenged. The period of regulatory data protection starts from the date of the first marketing approval from the relevant health authority and runs in parallel to any pending patent protection. Regulatory data protection would generally be expected to expire 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, expired or lost, then regulatory data protection may be the sole IP right protecting a product from copying as generic alternatives should not be approved and marketed until the regulatory data protection has expired.

Compulsory licensing

Compulsory licensing (the overruling of patent rights to allow patented medicines to be manufactured and sold by other parties) is increasingly being included in the access to medicines debate. AstraZeneca recognises the right of developing countries to use the flexibilities in the World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (including the Doha amendment) in certain circumstances, such as a public health emergency. It believes that this should apply only when all other ways of meeting the emergency needs have been considered and where healthcare frameworks and safeguards are in place to ensure that the medicines reach those who need them.

Supply and manufacturing

Continuous improvement

AstraZeneca seeks to maximise the efficiency of its supply chain through a culture of continuous improvement built on the commitment and engagement of its employees and a commitment to minimise the impact on the environment. It focuses on what adds value to its customers and patients, as well as waste elimination. This programme has delivered significant benefits in recent years, including reduced manufacturing lead times and lower average stock levels, both of which improve its ability to respond to customer needs and reduce inventory costs. All improvements are designed to ensure it maintains product quality, safety and customer service. AstraZeneca has applied lean production business improvement tools and ways of working to improve the efficiency of its manufacturing plants for a number of years, and have now applied them to the whole of its supply chain. This has led to improvements in quality, lead times and overall equipment effectiveness. In 2011, AstraZeneca continued to establish more efficient processes, with experts from its global supply chain organisation providing cross-functional support throughout the business. In October, it launched an online Supply Chain Academy, providing ongoing internal training to drive further improvements across its end-to-end supply chain. Alongside this it ran an internal leadership programme to reinforce the cultural aspects of more efficient supply chain processes. In October 2011, AstraZeneca announced an investment of U.S.$200 million to build a manufacturing facility in China Medical City in Taizhou, Jiangsu province, China to meet growing local demand for its products and expand availability of its products to people in urban and rural communities. This will be AstraZeneca's first manufacturing site to be built using lean principles from the outset. These principles are being applied from the planning stage to the whole facility, including operators, products, components and equipment. AstraZeneca is designing equipment to meet varying demand, enabling fast, reliable changeover. It also seeks to identify where processes could fail, designing systems to minimise these risks.

Product quality

AstraZeneca is committed to delivering product quality that underpins the safety and efficacy of its medicines. It has a comprehensive quality management system in place designed to assure the quality of its products in compliance with relevant regulations. Manufacturing facilities and processes for medicines must observe rigorous standards of quality and are subject to inspections by regulatory authorities to ensure compliance with prescribed standards. Authorities have the power to require improvements to facilities and processes, halt production and impose conditions that must be satisfied before production can resume. Regulatory standards are not harmonised globally and evolve over time. AstraZeneca hosted

27 independent inspections from 19 different regulatory authorities in 2011. All observations from such inspections are reviewed along with the outcomes of internal inspections and subsequent improvement actions are put in place as required to ensure ongoing compliance. The knowledge obtained from all inspections is shared across the Group. AstraZeneca is actively involved in providing input into new product manufacturing regulations, both at national and international levels, through its membership of industry associations. For example, in the EU it provided input into the Falsified Medicines Directive, while in the U.S. it contributed to debates concerning drug shortages and security of supply.

AstraZeneca's resources

Capital expenditure on supply and manufacturing facilities totalled approximately U.S.$388 million in 2011 (2010: U.S.$333 million; 2009: U.S.$360 million). As part of its overall risk management, AstraZeneca carefully considers the timing of investment to ensure that secure supply chains are in place for its products. AstraZeneca also has a programme in place to provide appropriate supply capabilities for its new products. At the end of 2011, approximately 9,600 people at 23 sites in 16 countries were working on the manufacturing and supply of AstraZeneca's products.

During the first quarter of 2012 there were shortfalls in the supply of some products caused by the implementation of a new enterprise resource planning IT system at AstraZeneca's manufacturing plant in Sweden. Although the underlying problems have been largely resolved, further limitation in the supply chain in some markets during the second quarter was expected as production responded to ongoing demand, fulfilling back orders and restoring normal inventory levels.

Managing sourcing risk

Given its strategy to outsource all API manufacturing, AstraZeneca places particular importance on its global procurement policies and integrated risk management processes to ensure uninterrupted supply of high quality raw materials. Supplies are purchased from a range of suppliers. AstraZeneca factors in a wide range of potential risks to global supply, such as disasters that remove supply capability or the unavailability of key raw materials, and works to ensure that these risks are effectively mitigated. Contingency plans include the appropriate use of dual or multiple suppliers and maintaining appropriate stock levels. Although the price of raw materials may fluctuate, AstraZeneca's global purchasing policies seek to avoid such fluctuations becoming material to its business. AstraZeneca also takes into account reputational risk associated with its use of suppliers and are committed to working only with suppliers that embrace standards of ethical behaviour that are consistent with AstraZeneca's own.

Information Technology

Effective and flexible IT support services are critical to delivering AstraZeneca's strategy. In 2011, it terminated its existing outsource relationship for IS infrastructure services and transitioned to a new multi-sourced operating model. This includes bringing critical strategic and control activities back into AstraZeneca.

People

With approximately 57,200 people in over 100 countries worldwide at the end of December 2011, AstraZeneca values the talents, skills and capabilities that a global workforce brings to its business. Its people strategy, which defines its approach to managing its workforce and supports the delivery of its business strategy, is built around four key priorities which it believes are critical: acquiring and retaining key capabilities and talent; further developing leadership and management capabilities; improving the strength and diversity of the talent pipeline; and improving employee engagement while building a high performance culture. Managing significant change in the organisation's workforce is also something to which considerable management attention is directed. AstraZeneca uses a range of metrics to track progress against these priorities, which are reported quarterly to AstraZeneca's Senior Executive Team.

Legal proceedings

AstraZeneca is involved in various legal proceedings considered typical to its business, including litigation relating to product liability, commercial disputes, infringement of intellectual property rights, the validity of certain patents and anti-trust law. These are described on pages 184-189 of the Annual Report and Form 20-F Information 2011 which is incorporated into this Base Prospectus.

Group Structure

The Issuer is the ultimate holding company of the Group. The Issuer operates through 235 subsidiaries worldwide. The principal subsidiaries of the Issuer, being those whose results or financial position principally affected the figures shown in the consolidated financial statements of the Issuer as at 31 December 2011, are listed below.

At 31 December 2011	Country	Percentage of Voting Share Capital Held (%)	Principal Activity
United Kingdom			
AstraZeneca UK Limited	England	100	Research and development, manufacturing, marketing
AstraZeneca Treasury Limited	England	100	Treasury
Continental Europe			
NV AstraZeneca SA	Belgium	100	Marketing
AstraZeneca Dunkerque Production SCS	France	100	Manufacturing
AstraZeneca SAS	France	100	Research, manufacturing, marketing
Novexel SA	France	100	Research
AstraZeneca GmbH	Germany	100	Development, manufacturing, marketing
AstraZeneca Holding GmbH	Germany	100	Manufacturing, marketing
AstraZeneca SpA	Italy	100	Marketing
AstraZeneca Farmaceutica Spain SA	Spain	100	Marketing
AstraZeneca AB	Sweden	100	Research and development, manufacturing, marketing
AstraZeneca BV	The Netherlands	100	Marketing
LLC AstraZeneca Pharmaceuticals	Russia	100	Marketing
The Americas			
AstraZeneca do Brasil Limitada	Brazil	100	Manufacturing, marketing
AstraZeneca Canada Inc	Canada	100	Manufacturing, marketing
AZ Reinsurance Limited	Cayman Islands	100	Insurance and reinsurance underwriting
IPR Pharmaceuticals Inc	Puerto Rico	100	Development, manufacturing, marketing
AstraZeneca LP	United States	99	Research and development, manufacturing, marketing
AstraZeneca Pharmaceuticals LP	United States	100	Research and development, manufacturing, marketing
Zeneca Holdings Inc.	United States	100	Manufacturing, marketing
MedImmune LLC	United States	100	Research and development, manufacturing, marketing
Asia, Africa & Australasia			
AstraZeneca Pty Limited	Australia	100	Development, manufacturing, marketing

At 31 December 2011	Country	Percentage of Voting Share Capital Held (%)	Principal Activity
AstraZeneca Pharmaceuticals Co., Limited	China	100	Development, manufacturing, marketing
AZ (Wuxi) Trading Co., Ltd	China	100	Marketing
AstraZeneca KK	Japan	80	Manufacturing, marketing

Major Shareholdings

At 2 February 2012, the following had disclosed an interest in the issued ordinary share capital of the Issuer in accordance with the requirements of section 5.1.2 of the UK 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	7.87%
Invesco Limited	72,776,277	6 Oct 2009	5.67%
Axa SA	56,991,117	3 Feb 2009	4.44%
Investor AB	51,587,810	2 Feb 2012	4.02%
Legal & General Investment Management Limited	57,675,232	5 Aug 2010	4.50%

Board of Directors

The Directors and Secretary of the Issuer as at the close of the Annual General Meeting held on 26 april 2011, their functions in the Issuer and their principal outside activities (if any) of significance to the Issuer are as follows:

Name	Function within the Issuer	Principal Outside Activity (if any) of Significance to the Issuer
Simon Lowth	Executive Director and Chief Financial Officer; Interim Chief Executive Officer	Non-executive Director, Standard Chartered PLC
Marcus Wallenberg	Non-Executive Director and Member of the Science Committee	Chairman of Skandinaviska Enskilda Banken AB. Chairman of AB Electrolux. Chairman of SAAB AB and LKAB. Non-Executive Director of Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holdings Ltd.
Bruce Burlington	Non-Executive Director and Member of the Science Committee and the Audit	Non-executive board member of Cangene Corporation. Member of the scientific advisory boards

Name	Function within the Issuer	Principal Outside Activity (if any) of Significance to the Issuer
	Committee	of the International Medical Foundation and H. Lundbeck A/S.
John Varley	Senior Independent Non-Executive Director, Chairman of the Remuneration Committee and Member of the Nomination and Governance Committee	Non-Executive Director of BlackRock, Inc., Rio Tinto plc and Rio Tinto Limited. Chairman of Business Action on Homelessness and of Marie Curie Cancer Care, President of the Employers' Forum on Disability and member of the International Advisory Panel of the Monetary Authority of Singapore. Honorary President of the UK Drug Policy Commission.
Professor Dame Nancy Rothwell.....	Non-Executive Director, Chairman of the Science Committee and Member of the Remuneration Committee and the Nomination and Governance Committee	President and Vice Chancellor at the University of Manchester. President of the Society of Biology and a member of the Prime Minister's Council for Science and Technology.
The Right Honourable Baroness Shriti Vadera	Non-Executive Director and Member of the Audit Committee	Non-Executive Director of BHP Billiton Plc and BHP Billiton Limited.
Jean-Philippe Courtois	Non-Executive Director and Member of the Audit Committee	President of Microsoft International since June 2005. Board member for PlaNet Finance and Microsoft's official representative at the Institut Montaigne.
Rudy Markham.....	Non-Executive Director, Chairman of the Audit Committee and Member of the Nomination and Governance Committee	Chairman and Non-Executive Director of Moorfields Eye Hospital NHS Foundation Trust. Non-Executive Director of United Parcel Services Inc., the UK Financial Reporting Council, Standard Chartered PLC and Legal & General plc. Non-executive member of the board of the UK Foreign and Commonwealth Office, a member of the supervisory board of CSM NV, a Fellow of the Chartered Institute of Management Accountants and Fellow of the Association of Corporate Treasurers.
Geneviève Berger	Non-Executive Director and Member of the Science Committee	Chief Research & Development Officer at Unilever PLC and a member of the Unilever Leadership Executive. Professor of Medicine at Université Pierre

Name	Function within the Issuer	Principal Outside Activity (if any) of Significance to the Issuer
		et Marie Curie, Paris. Non-Executive Director of Smith & Nephew plc.
Graham Chipchase	Non-Executive Director and Member of the Audit Committee	Chief Executive of Rexam PLC. Fellow of the Institute of Chartered Accountants in England and Wales.
Leif Johansson	Non-Executive Chairman, Chairman of the Nomination and Governance Committee and Member of the Remuneration Committee	Chairman of LM Ericsson. Chairman of the European Round Table of Industrialists and the International advisory Board of the Nobel Foundation. Board member of Svenska Cellulosa Aktiebolaget SCA, the Confederation of Swedish Enterprise and Ecolean AB. Chairman of the Royal Swedish Academy of Engineering Sciences.
Adrian Kemp	Company Secretary	

The business address of each of the Directors and the Company Secretary referred to above is 2 Kingdom Street, London W2 6BD.

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.

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.

United Kingdom Withholding Tax

Notes which carry a right to interest will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "**Act**") as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. In the case of Notes to be traded on the London Stock Exchange, which is a recognised stock exchange, the Notes will be treated as "listed" on a recognised stock exchange if the Notes are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange. Notes to be traded on a recognised stock exchange outside the United Kingdom will be treated as "listed" on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the 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 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. 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 United Kingdom Withholding 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, but may be subject to reporting requirements as outlined below.

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 and reporting requirements as outlined below.

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.

5. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 12 (*Taxation*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

6. On 27 March 2012, HM Revenue and Customs published a Consultation Document on "Possible changes to income tax rules on interest" which includes proposals relating to the imposition of United Kingdom withholding tax. One potential change is that the quoted Eurobond exemption from withholding tax on UK interest will not be available where Notes are issued between group companies and listed on a stock exchange on which there is no substantial or regular trading in the Notes. It is also proposed that the withholding tax obligation in respect of UK interest payments be extended so that it may apply to interest on Notes issued for a term of less than one year. It is not possible to identify at this time to what extent, if at all, these proposals will be implemented.

Provision of Information

Noteholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder (whether resident in the UK or elsewhere). In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regard, HMRC published guidance for the year 2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent, unless during that transitional period they elect to provide information in accordance with the Directive. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types or entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

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 Ltd., 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 29 June 2012 (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 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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.

Public Offer Selling Restriction under the Prospectus Directive

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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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) 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU. (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State).

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed 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 Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant

time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Hong Kong

Each of the Dealers has represented and agreed 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 and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "**Prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Securities and Futures Ordinance and any rules made under that Ordinance.

People's Republic of China

Each of the Dealers has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

General

Each Dealer has represented, warranted and agreed 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 update of the Programme was authorised by the Board of Directors of the Issuer on 24 July 2007 and 11 December 2008. 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 25 to the Issuer's consolidated financial statements for the year ended 31 December 2011 on pages 181 to 189 (inclusive) of the Issuer's Annual Report and Form 20-F Information 2011, which has 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 2011, there has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Group.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2011 and 31 December 2010 have been audited without qualification by KPMG Audit Plc, 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 audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2010 and 31 December 2011;

(c) the Agency Agreement;

(d) the Trust Deed;

(e) the Dealer Agreement;

(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, Luxembourg and, in the case of Renminbi Notes cleared through the CMU, the CMU. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

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Morgan Stanley & Co. International plc
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