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

The Notes are constituted by, have the benefit of and are in all respects subject to a trust deed dated 10 September 2007 and amended and restated on 5 May 2016 (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 24 June 2015 (the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**") and Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**").

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU, and as implemented by any relevant implementing measures in the United Kingdom (the "**Prospectus Directive**"), as a base prospectus issued in compliance with the Prospectus Directive for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**") during the period of twelve months after the date hereof. The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments (the "**MiFID Directive**").

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

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

Arranger

CITIGROUP

Dealers

BARCLAYS
CITIGROUP
GOLDMAN SACHS INTERNATIONAL
J.P. MORGAN CAZENOVE

BOFA MERRILL LYNCH
DEUTSCHE BANK
HSBC
MORGAN STANLEY

The date of this Base Prospectus is 5 May 2016

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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.

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 Deutschland GmbH ("**Moody's**"), as more fully set out in "*Description of the Programme*" below, which are established in the European Economic Area (the "**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme as described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

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

endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

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

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

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

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

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

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

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

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

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the 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. All figures included in this Base Prospectus which express growth rates are expressed at constant exchange rates unless otherwise stated.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, 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 plc, Merrill Lynch International, Morgan Stanley & Co. International plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Trustee:	Deutsche Trustee Company Limited.
Principal Paying Agent:	Deutsche Bank AG, London Branch.
CMU Lodging and Paying Agent:	Deutsche Bank AG, Hong Kong Branch.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.
Listing and Trading:	Application has been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange.
Clearing Systems:	Euroclear and/or Clearstream or CMU, in relation to any Tranche of Notes.
Initial Programme Amount:	Up to U.S.$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 and/or lodged with a sub-custodian for CMU and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.
Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	Notes will be issued on an unsubordinated basis.
Issue Price:	Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Such maturity as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the Bank of England (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant currency. 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 as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or at the option of the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Tax Redemption:	Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in

	Condition 9(b) (*Redemption and Purchase — Redemption for tax reasons*).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. For the avoidance of doubt, the interest rate in respect of floating rate Notes shall not be less than zero.
Denominations:	No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000. Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 11 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
Ratings:	The Programme has been rated as follows by Standard & Poor's and by Moody's which are established in the EEA and registered under the CRA Regulation: Standard & Poor's Credit Market Services Europe Limited: A- Moody's Deutschland GmbH: A3 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 EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan, the People's Republic of China and Hong Kong see "*Subscription and Sale*" section on page 90.

RISK FACTORS

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

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

RISKS RELATING TO FORWARD-LOOKING STATEMENTS

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

RISKS RELATING TO THE ISSUER AND ITS BUSINESS

The pharmaceutical sector is inherently risky and a variety of risks and uncertainties may affect the Issuer's business. Here the Issuer summarises, under the headings Product Pipeline 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 regulatory authorities and/or payers; and the emergence of competing products.

Because the Issuer's business model and strategy relies on the success of relatively few compounds, the failure of any in-line production may have a significant negative effect on the Issuer's business or results of operations.

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 frustrate the achievement of development targets, adversely affect the reputation of the Issuer's R&D capabilities and is likely to materially adversely affect its 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 their development, manufacture, distribution and marketing. Safety, efficacy and quality must be established before a drug can be marketed for a given indication. The criteria for establishing safety, efficacy and quality may vary by country or region and the submission of an application to regulatory authorities 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. Approved products are also subject to regulations, and a failure to comply can potentially result in losing regulatory approval to market the Issuer's products.

Regulations may require a company to conduct additional clinical trials after a drug's approval, which can result in increased costs, labelling challenges or loss of regulatory approval.

Factors including advances in science and technology, evolving regulatory science, and different approaches to benefit/risk tolerance by regulatory authorities, the general public, and other third party public interest groups influence the initial approvability of new drugs. Existing marketed products are also subject to these same forces, and new data and meta-analyses have the potential to drive changes in the approval status or labelling. Recent years have seen an increase in post-marketing regulatory requirements and commitments, and an increased call for third party access to regulatory and clinical trial data packages for independent analysis and interpretation.

Politically motivated and unpredictable policy making by governments and regulators can adversely influence regulatory decision making, often leading to severe delays in regulatory approval. The predictability of the outcome and timing of review processes remains challenging due to evolving regulatory science, competing regulatory priorities, unpredictable policy making and downward pressure on regulatory authority resources.

Delays in regulatory reviews and approvals could impact patient and market access. In addition, post-approval requirements result in increased costs and may impact the labelling and approval status of currently marketed products.

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. Some 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 its ability 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 significantly affect 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 may result from various factors including adverse findings in preclinical or clinical studies, regulatory demands, price negotiation, 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.

Acquisitions and strategic alliances, including licensing and collaborations, may be unsuccessful

The Issuer seeks technology licensing arrangements and strategic collaborations to expand its product portfolio and geographical presence as part of its business strategy. Such licensing arrangements and strategic collaborations are key, enabling the Issuer to grow and strengthen the business. The success of

such arrangements is largely dependent on the technology and other IP it acquires and the resources, efforts and skills of its partners. Also, under many of the Issuer's licensing arrangements and strategic collaborations, 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, strategic collaborations, and acquisition targets and therefore may be unsuccessful in establishing some of its intended projects.

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

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 due to 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 liabilities are uncovered in the acquired business, an acquired business fails to perform in line with expectations, or a strategic transaction does not deliver the results the Group intended, then the Issuer and its subsidiaries (collectively the "**Group**") may suffer losses and may not have adequate remedies against the seller or third parties. The integration processes may also result in business disruption, diversion of management resources, the loss of key employees, and other issues such as a failure to integrate information technology ("**IT**") and other systems.

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, the impact of price control measures imposed by governments and healthcare authorities, the outcome of negotiations with third party payers, erosion of IP rights including infringement by third parties and failure to show a differentiated product profile and changes in prescribing habits.

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.

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

The Issuer's products are subject to competition by other products approved for the same or similar indication, and the approval of a competitive product that is considered superior to, or equivalent to, one of its products may result in immediate and significant decreases in its sales.

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

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

The illegal trade in pharmaceutical products is widely recognised by the industry, non-governmental organisations and governmental authorities to be increasing. Illegal trade includes counterfeiting, theft and illegal diversion (that is, when the products are found in a market where the Issuer did not send them and where they are not approved or not permitted to be sold). There is a risk to public health when illegally traded products enter the supply chain, as well as associated financial risk. Regulators and the public expect the Issuer to help reduce opportunities or illegal trade in AstraZeneca products through securing the integrity of its supply chain, surveillance, investigation and supporting legal action against others engaged in illegal trade.

Public loss of confidence in the integrity of pharmaceutical products as a result of illegal trade could materially adversely affect the Issuer's reputation and financial performance. In addition, undue or misplaced concern about the Issuer may cause some patients to stop taking their medicines, with consequential risks to their health. Authorities may take action, financial or otherwise, if they believe the Issuer is liable for breaches in its own supply chains. There is also a direct financial loss where counterfeit, stolen and/or illegally diverted products replace sales of genuine products or genuine products are recalled following discovery of counterfeit, stolen and/or illegally diverted products.

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 and/or political environments; competition from multinational and local 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); inadequate infrastructure to address disease outbreaks (such as the Ebola virus); the need to impose developed market compliance standards; the need to meet a more diverse range of national regulatory, clinical and manufacturing requirements; inadvertent breaches of local and international law; not being able to recruit appropriately skilled and experienced personnel; identification of the most effective sales and marketing 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, business or 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. Early loss of IP rights may threaten the Issuer’s ability to recoup its investment in a patent product. 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 and pricing pressure for the Issuer's own, still-patented, products in the same product class due to the availability of generic products in that product class. Further, there may be increased pricing pressure on our still-patented products due to the lower prices of generic entrants.

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 may adversely affect sales of the Issuer's still-patented products in the same product class in that market.

Pressures resulting from generic competition

The Issuer's products compete with other products marketed by research-based pharmaceutical companies and approved for the same condition, as well as with generic drugs marketed by generic drug 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. The majority of the Issuer's patented products, including Nexium, Crestor and Seroquel XR are subject to price pressures due to competition from generic copies of these products and from generic forms of other drugs in the same product class (for example, generic forms of Losec/Prilosec, Lipitor and Seroquel IR).

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 Nexium and Pulmicort, two of its key products. Generic manufacturers may also take advantage of the failure of certain countries to properly enforce regulatory data protection and may launch generics 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 2015, U.S. sales for Crestor and Seroquel XR were U.S.$2,844 million (2014: U.S.$2,918 million) and U.S.$716 million (2014: U.S.$738 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 external parties. Such IP rights may be affected by validity challenges in patent offices. 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.

The Issuer also bears the risk that courts may decide that third parties do not infringe its IP rights. This may result in the Issuer losing exclusivity and/or erosion of its revenues.

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

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.

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. If the Issuer is ultimately unsuccessful in patent litigation, it may incur liabilities to third parties for damages incurred after enforcing its IP rights.

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., realised prices are being depressed through restrictive reimbursement policies and cost-control tools such as restricted lists and formularies, which employ 'generic first' strategies and/or require physicians to obtain prior approval for the use of a branded medicine where a generic alternative exists. These mechanisms can be used by payers to limit the use of branded products and put pressure on manufacturers to reduce net prices. In addition, payers are shifting a greater proportion of the cost of branded medicines to the patient via out-of-pocket payments at the pharmacy counter. The patient out-of-pocket spend is generally in the form of a co-payment or, in some cases, a co-insurance, which is designed, principally, to encourage patients to use generic medicines.

In emerging markets, governments are increasingly controlling pricing in the self-pay sector, and favouring locally manufactured drugs.

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, as well as potential legislation that expands the commercial importation of medicines into the U.S., could materially adversely affect its business or results of operations.

The Issuer expects that these pressures on pricing will continue, and may 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 (the "**ACA**"), a comprehensive health reform law that expands insurance coverage, implements delivery system reforms and places a renewed focus on cost and quality. 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 fee. Implementation of several health system delivery reforms included in the law has commenced and will continue until 2018.

The ACA expands the patient population eligible for Medicaid and provides new insurance coverage for individuals through state and federally-operated health insurance exchanges. In general, patients enrolled in the exchanges are subject to higher cost sharing obligations and may not have as robust access to prescription drugs as compared with patients enrolled in Medicare Part D (prescription drug programme) or commercial plans. Based in part on the impact of the ACA to other healthcare sectors, there is ongoing scrutiny of the US pharmaceutical industry that could result in further government intervention and financial constraint. Many stakeholders, including some in Congress and others in the broader healthcare system, such as health plans, have increased their criticism over the value of medicines in the U.S., and have placed a stronger emphasis on innovative therapies. Such criticism and focus on the value of medicines has resulted in proposed policy and legislative changes at the state and federal levels aimed at imposing price controls on medicine and increasing price transparency.

In the EU, efforts by the European Commission to reduce inconsistencies and to improve standards in the disparate national pricing and reimbursement systems have met with little immediate success as Member States guard their right to make healthcare budget decisions. The industry continues to be exposed in Europe to various *ad hoc* cost-containment measures and reference pricing mechanisms, which impact prices. There is a trend towards increasing transparency and comparison of prices among EU Member States. Recent controversy regarding the high price of a drug marketed by one of the Issuer's competitors for chronic hepatitis C may provoke further EU collaboration and may eventually lead to a change in the overall pricing and reimbursement landscape.

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

While new patients entering the US healthcare system due to the ACA may lead to a slight increase in prescription drug utilisation, it is too early to predict what the financial impact from newly covered individuals may be. Overall, the Issuer expects that its financial and other costs resulting from the ACA, many of which AstraZeneca is unable to accurately estimate, will far outweigh any increase in revenues. The continued disparities in EU and US pricing systems could lead to marked price differentials between markets, which, by way of the implementation of existing or new reference pricing mechanisms, increases the pricing pressure affecting the industry. The importation of pharmaceutical products from countries where prices are low due to government price controls, or other market dynamics, to countries where prices for those products are higher, is already prevalent and may increase. Increased transparency of net prices and strengthened collaboration by governments may accelerate the development of further cost containment policies (such as procurement or the comparison of net prices).

Abbreviated approval processes for biosimilars

While no application for a biosimilar has been made in relation to one of the Issuer's biologics, 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 ACA, which contains general directives for biosimilar applications. The U.S. Food and Drug Administration ("**FDA**") issued final guidance in April 2015 on implementing an abbreviated biosimilar approval pathway. In March 2015, the FDA approved the first biosimilar product submitted under the abbreviated biosimilar pathway. However, significant questions remain, including standards for designation of interchangeability and data collection requirements to support extrapolation of indications. In addition, due to recent submissions and approvals of abbreviated biosimilar applications, a number of legal challenges construing the requirements of the abbreviated biosimilar pathway are under review. For example, in July 2015, the U.S. Court of Appeals for the Federal Circuit held that biosimilar applications were not required to provide copies of the biosimilar application or manufacturing information but needed to provide a 180-day commercial marketing notice to the reference sponsor. Although this decision and other ongoing legal challenges do not directly impact an AstraZeneca biologic, uncertainty regarding the abbreviated biologic approval pathway may remain until these initial legal challenges reach final conclusion.

In Europe, the EMA published final guidelines on similar biological medicinal products containing MAbs and in May 2012, the first MAb biosimilar application was submitted with recommendation for approval made by the EMA. Notably, various jurisdictions have adopted either the EMA guidelines or those recently set forth by the WHO to enable biosimilars to enter the market after discrete periods of data exclusivity.

The extent to which biosimilars would be differentiated from patented biologics on price is unclear. However, due to their complex nature, it is uncertain whether biosimilars would have the same impact on patented biologics that generic products have had on patented small molecule products.

In addition, it is uncertain when any such abbreviated approval processes may be fully realised, particularly for more complex protein molecules such as MAbs. Such processes may materially and 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 global focus on the implementation and enforcement of anti-bribery and anti-corruption legislation. For example, in the United Kingdom, the Bribery Act 2010 came into force in July 2011. It has extensive extra-territorial application, and imposes organisational liability for any bribe paid

by persons or entities associated with an organisation where the organisation failed to have adequate preventive procedures in place at the time of the offence. 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.. China and other countries are also enforcing their own anti-bribery laws more aggressively and/or adopting tougher new measures.

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 and associated third parties, 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 reputation, business or results of operations.

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 business or results of operations.

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

The Issuer relies heavily on recruiting and retaining talented employees with a diverse range of skills and capabilities to meets its strategic objectives. For example, the success of the Issuer's science activities is particularly dependent on its ability to attract and retain sufficient numbers of high-quality researchers and development specialists. The Issuer faces intense competition for qualified individuals, as the supply of people with specific skills and significant leadership potential or in specific geographic regions may be limited.

The Issuer's ability to achieve high levels of employee engagement in the workforce, and hence benefit from strong commitment and motivation, is key to the successful delivery of its business objectives.

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

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

While the Issuer is committed to working on improving drivers of engagement, such as increasing its employees' understanding of its new management, strategy and its ongoing efforts to reduce organisational complexity, the Issuer's efforts may be unsuccessful.

Failure of information technology and cybercrime

The Issuer is dependent on effective IT systems. These systems support key business functions such as its R&D, manufacturing, supply chain and sales capabilities, and are an important means of safeguarding and communicating data, including critical or sensitive information, the confidentiality and integrity of which the Issuer relies on. The size and complexity of the Issuer's IT systems, and those of its third party vendors (including outsource providers) with whom it contracts, has significantly increased over the past decade and makes such systems potentially vulnerable to service interruptions and security breaches from attacks by malicious third parties, or from intentional or inadvertent actions by its employees or vendors.

Any significant disruption of these IT systems, including breaches of data centre security or cybersecurity, or failure to integrate new and existing IT systems, could harm the Issuer's reputation materially adversely affect its financial condition or results of operations. While the Issuer has invested heavily in the protection of its data and IT, it may be unable to prevent breakdowns or breaches in its systems that could result in disclosure of confidential information, damage to its reputation, regulatory penalties, financial losses and/or other costs.

Significant changes in the business footprint and the implementation of the new IT strategy including the setting up of captive offshore global technology centres could lead to temporary loss of capability while the changes are being implemented.

The inability to effectively back-up and restore data could lead to permanent loss of data that could result in non-compliance with applicable laws and regulations.

The Issuer and its vendors could be susceptible to third party attacks on their information security systems. Such attacks are of ever increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise, including criminal groups, 'hacktivists' and others. From time to time the Issuer experiences malicious intrusions and computer viruses.

Failure of outsourcing

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

The failure of outsource providers to deliver timely services and to the required level of quality, and the failure of outsource providers to co-operate with each other could materially adversely affect the Issuer's financial condition or results of operations. In addition, such failures could adversely impact its ability to meet business targets, maintain a good reputation within the industry and with stakeholders, and result in non-compliance with applicable laws and regulations.

A failure to successfully manage and implement the integration of IT infrastructure services provided by its outsourcing providers could create disruption which could materially adversely affect the Issuer's business or results of operations.

In addition, failure to manage outsourcing or insourcing transition processes may disrupt the Issuer's business. For instance, as the Issuer transitions services that previously were outsourced to its service centre in Chennai (India), incumbent outsource providers may cease to continue to provide the same level of resources and quality of service.

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. Final market release of a biologic depends on a number of in-process manufacturing and supply chain parameters to ensure the product

conforms with its safety, identity and strength requirements and meets its quality and purity characteristics.

Biologics production facilities, especially for drug substance manufacture, are very specialised and can take years to develop and bring on line as licensed facilities. Predicting demand for certain classes of biologics, especially prior to launch, can be challenging. The Issuer expects that external capacity for biologics drug substance production will remain constrained for the next several years and, accordingly, may not be readily available for supplementary production in the event that it experiences unforeseen need for such capacity.

Slight variations in any part of the manufacturing process or components may lead to a product that does not meet its stringent design specifications. Failure to meet these specifications may lead to recalls, spoilage, drug product shortages, regulatory action and/or reputational harm.

Difficulties and delays in the manufacturing, distribution and sale of its products

The Issuer may experience difficulties and delays in manufacturing its products, such as: (i) supply shortages associated with gaps between forecasted and actual demand for products; (ii) supply chain disruptions, including those due to natural or man-made disasters at one of its facilities or at a critical supplier or vendor; (iii) delays related to the construction of new facilities or the expansion of existing facilities, including those intended to support future demand for its products; (iv) the inability to supply products due to a product quality failure or regulatory agency compliance action such as licence withdrawal, product recall or product seizure; and (iv) other manufacturing or distribution problems, including changes in manufacturing production sites, limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, or physical limitations or other business interruptions that could impact continuous supply.

Manufacturing, distribution and sales difficulties may result in product shortages and significant delays, which may lead to lost sales and materially adversely affect the Issuer's business, financial condition or results of operations.

Reliance on third party goods and services

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. Many of these goods are difficult to substitute in a timely manner or at all.

Unexpected events and/or events beyond the Issuer's control could result in the failure of the supply of goods and services. For example, suppliers of key goods it relies on may cease to trade or experience supply chain failures. 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.

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

Loss of access to sufficient sources of key goods and biological materials or services may interrupt or prevent planned research activities 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 various product liability, consumer commercial, antitrust, environmental, employment or tax litigation or other legal proceedings and governmental investigations. Litigation, particularly in the U.S., is inherently unpredictable and unexpectedly high awards for damages can result from an adverse verdict. In many cases, plaintiffs may claim 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 or 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 the Issuer 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 the Issuer's own or that of its contractors or external partners.

Failure to comply with applicable laws, including ongoing control and regulation, could materially adversely affect the Issuer's business or results of operations. For example, once a product has been approved for marketing by the regulatory authorities, it is subject to continuing control and regulation, such as the manner of its manufacture, distribution, marketing and safety surveillance. For example, if regulatory issues concerning compliance with current good manufacturing practice or safety monitoring regulations for pharmaceutical products (often referred to as pharmacovigilance) arise, this could lead to loss of product approvals, product recalls and seizures, and interruption of production, which could create product shortages and delays in new product approvals, and so negatively impact patient access, and reputation.

Failure to adhere to applicable laws, rules and regulations relating to anti-competitive behaviour

Any failure to comply with laws, rules and regulations relating to anti-competitive behaviour may expose the Issuer to regulatory sanctions and/or lawsuits from governmental authorities and private, non-governmental entities.

Certain of the Issuer's commercial arrangements with generics companies, which have sought to settle patent challenges on terms acceptable to both innovator and generics manufacturer, may be subject to challenge by competition authorities.

Where a government authority investigates the Issuer's adherence to competition laws, or the Issuer becomes subject to private party lawsuits, this may result in inspections of the Issuer's sites or requests for documents and other information. Competition investigations or legal proceedings could be costly, divert management attention, or damage the Issuer's reputation.

Unfavourable resolution of such challenges, investigations or legal proceedings against the Issuer could require the Issuer to make changes to its commercial practice and could subject the Issuer to fines and penalties and other sanctions. These could materially adversely affect the Issuer's business or results of operations.

Environmental and 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 or legal requirement for which it is responsible were to arise, this could result in it being liable to pay compensation, fines and/or remediation costs. In some circumstances, such liability could materially adversely affect the Issuer's business or 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 (for example) 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.

Misuse of social media platforms and new technology

The Issuer increasingly uses the internet, digital content, social media, mobile applications and other forms of new technology to communicate internally and externally. The accessibility and instantaneous nature of interactions with such media may facilitate or exacerbate the risk of data leakages from within the Issuer or false or misleading statements being made about the Issuer, which may be damaging to its reputation.

As existing social media platforms expand and evolve, and new social media platforms emerge, it becomes increasingly challenging to identify new points of entry and to put structures in place to secure and protect information.

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

Failure to achieve strategic priorities or to meet targets or expectations

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

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

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

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, or the sustained economic downturn may unfavourably affect the spending patterns of the consumers of

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

The Issuer's cash is managed centrally to the greatest extent possible and is invested in short term institutional money market funds, as defined by the European Securities and Markets Authority, and which are rated AAAm/Aaa-mf by Standard & Poor's/Moody's respectively, and reverse repurchase agreements using Euroclear Bank SA/NV as a tri-party agent. The money market funds invest in a diversified range of high quality securities (issued by the U.S. Department of the Treasury, various financial institutions and other non-financial institutions), all of which are due to be paid within 397 days of being purchased. The reverse repurchase agreements are short term deposits with major U.S. and EU financial institutions, collaterised at all times with investment grade fixed income securities with a market value of at least 101 per cent. of the loan principal plus accrued interest. This means that the Issuer's credit exposure is a mix of U.S. sovereign default risk and financial institution default risk.

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

Political and socio-economic conditions

The Issuer operates in over 100 countries across the world, some of which may be subject to political and social instability. There may be disruption to its business if there is instability in a particular geographic region, including as a result of war, terrorism, riot, unstable governments, civil insurrection or social unrest. For instance, the Issuer's operational risks in Ukraine have increased due to growing political and economic uncertainty in the region.

Deterioration of, or failure to improve, socio-economic conditions, and situations and/or events resulting therefrom, depending on their severity, could adversely affect the Issuer's supply and/or distribution chain in the affected countries and the ability of customers or ultimate payers to purchase its medicines. This could materially adversely affect the Issuer's business or results of operations. Broader economic developments, such as potential international sanctions and global oil price developments, could exacerbate this effect in the Ukrainian and Russian markets.

UK's potential exit from the European Union

A referendum on the UK's membership of the EU will be held on 23 June 2016. The outcome of such a referendum is not known and raises the possibility of a prolonged, potentially disruptive, exit from the EU impacting market volatility and investment confidence. There is considerable uncertainty as to the impact of an exit vote on the fiscal, monetary, political and regulatory environment to which the Issuer is subject. No assurance can be given that the Issuer’s business, financial condition, results of operations and prospects would not be adversely impacted as a result of an exit vote.

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.$. Approximately 40 per cent. of the Issuer's global 2015 sales were in the U.S., which is expected to remain its largest single market for the foreseeable future. Sales in other countries are predominantly in currencies other than the U.S.$, including the euro, Chinese Renminbi, Japanese yen, Australian dollar and Canadian dollar. The Issuer has a growing exposure to emerging market currencies, some of which are subject to exchange controls, and these currencies, such as that of Venezuela, may be subject to material devaluations against the U.S.$. Major components of its cost base

are located in the United Kingdom and Sweden, where an aggregate of approximately 20 per cent. 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 financial results of such subsidiaries could be affected by currency fluctuations arising between the transaction dates and the settlement dates for these transactions. In addition, there are foreign exchange differences arising on the translation of equity investments in subsidiaries.

Limited third party insurance coverage

In recent years, the costs associated with product liability litigation have increased the cost of, and narrowed the coverage afforded by, pharmaceutical companies' product liability insurance. To contain insurance costs 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 the Issuer is found to have a financial liability due to product liability or other litigation, in respect of which it does not have insurance cover, or if an insurer's denial of coverage is ultimately upheld, this could materially adversely affect the Issuer's business or results of operations.

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 countries. The majority of the jurisdictions in which the Issuer operates have double tax treaties with other foreign jurisdictions, which provide a framework for mitigating the incidence of double taxation on the Issuer's revenues and capital gains.

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.

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 business or 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.

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

Changes in tax regimes could result in a material impact on the Issuer’s cash tax liabilities and tax charge, resulting in either an increase or a reduction in financial results depending upon the nature of the change. The Issuer represents views to the OECD, governments and tax authorities through public consultations to ensure international institutions and governments understand the business implications of law changes. Specific OECD BEPS recommendations that the Issuer expects to impact the Group include changes to patent box regimes, restrictions of interest deductibility and revised transfer pricing guidelines.

Pensions

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

Sustained falls in these asset values will put a strain on pension fund solvency levels, 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, this will reduce pension fund solvency ratios. 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

There is no active trading market for the Notes

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

Global economic conditions

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

Interest rate risks

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

The Notes may be redeemed prior to maturity

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

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

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

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

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or, as the case may be, a common safekeeper for Euroclear and Clearstream or, as the case may be, a sub-custodian for CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the

procedures of Euroclear and Clearstream or, as the case may be, CMU to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

Modification, waivers and substitution

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

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

Notes with integral multiples

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

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 Notes**"):

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

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

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

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

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

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

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

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

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

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

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

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

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

derived by such non-PRC resident enterprise or individual Holder from the transfer of Renminbi Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Notes.

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

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

Investment in the Renminbi Notes is subject to currency risk

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

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks

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

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

Foreign Account Tax Compliance withholding

The Issuer does not believe that payments under the Notes will be subject to withholding tax under sections 1471 through 1474 of the U.S. Internal Revenue Code, certain intergovernmental agreements relating thereto and laws implementing to the foregoing (collectively "**FATCA**"). FATCA imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, and (ii) "foreign passthru payments" made by certain non-U.S. financial institutions to certain other non-U.S. financial institutions that do not comply with this new reporting

regime. The Issuer does not expect to be considered a financial institution, or for payments on the Notes to be considered from sources in the United States and accordingly, no payments under the Notes should be subject to withholding under FATCA. If, contrary to expectations, FATCA withholding were imposed on any payments under the Notes, no additional amounts or other compensation would be paid in respect of such withholding.

DOCUMENTS INCORPORATED BY REFERENCE

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

- pages 34 to 45 of the unaudited "Q1 2016 Results" of the Issuer as at and for the 3 months ended 31 March 2016;

- the "Annual Report and Form 20-F Information 2015" of the Issuer (including the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2015 together with the notes thereto and the independent auditor's report to the members of AstraZeneca PLC (Group)); and

- the "Annual Report and Form 20-F Information 2014" of the Issuer (including the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014 together with the notes thereto and the independent auditor's report to the members of AstraZeneca 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 and will be available to the public on the Issuer's website (www.astrazeneca.com/Investors).

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

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

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

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

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

FORMS OF NOTES

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

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

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

within 7 days of the bearer requesting such exchange.

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

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

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

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

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

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

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

Temporary Global Note exchangeable for Definitive Notes

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

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

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

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

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

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

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

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

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

TERMS AND CONDITIONS OF THE NOTES

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

1. **Introduction**

(a) ***Programme***:

AstraZeneca PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$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 final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

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

The Notes are constituted by, have the benefit of and are in all respects subject to a trust deed made on 10 September 2007 and amended and restated on 5 May 2016 (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 24 June 2015 (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:

"$\mathbf{Y_1}$" 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 (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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Payment Business Day**" means:

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

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

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

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

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

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

"**Permitted Security Interest**" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(v) to amend this definition;

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

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

(ii) which owns a Relevant Asset;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) ***Interpretation***:

In these Conditions:

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

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

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

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

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

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

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

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

3. **Form, Denomination and Title**

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

4. **Status**

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

5. **Negative Pledge**

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

6. **Fixed Rate Note Provisions**

(a) ***Application***:
This Condition 6 is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.

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

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

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

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

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

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

7. **Floating Rate Note Provisions**

(a) ***Application***:

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

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

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 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) ***Maximum or Minimum Rate of Interest***

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

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

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation

Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

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

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

(h) ***Publication***:

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

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

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

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

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

8. **Zero Coupon Note Provisions**

(a) ***Application***:

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

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

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

(i) the Reference Price; and

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

9. **Redemption and Purchase**

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

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

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

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

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

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

on giving not less than 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 11 (*Taxation*) as a result of any change in, or amendment to, the tax laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

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

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

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

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

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

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

(i) If Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 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).

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

(A) the principal amount of the Notes; and

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

provided however that, if the Optional Redemption Date occurs on or after the date falling three months prior to the Maturity Date, the Make-Whole Redemption Amount will be the principal amount of the Notes.

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

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

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

If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law, the rules of

each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

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

If Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(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 9(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 9(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 9(a) (*Scheduled redemption*) to 9(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 9(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.

10. **Payments**

(a) ***Principal***:

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

(b) ***Interest***:

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

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

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

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

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

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

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

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

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

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of

such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided**, **however**, **that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the purposes of these Conditions:

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

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

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

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

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

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

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

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

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

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any

Governmental Authority (unless such law, rule or regulation is enacted after date of the relevant Final Terms and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

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

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

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

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

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

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

11. **Taxation**

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

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

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

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

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

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

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

12. **Events of Default**

If any of the following events occurs and is continuing:

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

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

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

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

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

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

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

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

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

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

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

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

(g) ***Unlawfulness***:

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

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

13. **Prescription**

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

14. **Replacement of Notes and Coupons**

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

15. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and/or any related entity thereof and to act as trustee for the holders of any other securities issued or guaranteed by or relating to the Issuer or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship

without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) ***Substitution***:

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

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

17. **Enforcement**

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

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

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

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

18. **Notices**

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

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

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

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

(c) ***Couponholders***:

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

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Governing Law and Jurisdiction**

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

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

(b) ***Jurisdiction***:

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

FORM OF FINAL TERMS

Final Terms dated [•]

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 5 May 2016 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (as defined below). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measures in the Relevant Member State.

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. The base prospectus [and the supplemental base prospectus] [is] [are] available for viewing [at the website of the London Stock Exchange (www.londonstockexchange.com)] [and] during normal business hours at [•] [and copies may be obtained from [•]].

1.	Issuer:		AstraZeneca PLC
2.	[(i)]	Series Number:	[•]
	[(ii)	Tranche Number:	[•]]
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount:		
	[(i)]	Series:	[•]
	[(ii)	[Tranche:	[•]]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6.	(i)	Specified Denominations:	[•] [and integral multiples of EUR [•] in excess thereof up to and including EUR [•]. Definitive Notes will not be issued in denominations in excess of EUR [•].
	(ii)	Calculation Amount:	[•]
7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[•] / [Issue Date] / [Not Applicable]
8.	Maturity Date:		[•]
9.	Interest Basis:		[• per cent. Fixed Rate] [[•] month EURIBOR/LIBOR] +/— [•] per cent. Floating Rate] [Zero Coupon]

10.	Redemption/Payment Basis:		[Redemption at par]
11.	Change of Interest or Redemption/Payment Basis:		[[•]/Not Applicable]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [Not Applicable]
13.	(i)	Status of the Notes:	Senior
	[(ii)]	[Date [Board] approval for issuance of Notes obtained:	[•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable]
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[•] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]]
	(v)	Day Count Fraction:	[30/360/Actual/Actual(ICMA)/Actual/Actual (ISDA)]
	[(vi)	Determination Dates:	[•] in each year [[•]]
15.	**Floating Rate Note Provisions**		[Applicable/Not Applicable]
	(i)	Interest Period(s):	[•]
	[(ii)	Specified Period:	[[•]/[Not Applicable]]
	(iii)	Specified Interest Payment Dates:	[•]
	(iv)	First Interest Payment Date:	[•]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/No Adjustment]
	(vi)	Additional Business Centre(s):	[Not Applicable/[•]]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Principal Paying Agent/ CMU Lodging and Paying Agent]):	[[•]/[Not Applicable]]
	(ix)	Screen Rate Determination:	

	•	Reference Rate:	[[•] month EURIBOR/LIBOR]
	•	Interest Determination Date(s):	[•]
	•	Relevant Screen Page:	[•]
	•	Relevant Time:	[•]
	•	Relevant Financial Centre:	[•]
(x)	ISDA Determination:		
	•	Floating Rate Option:	[•]
	•	Designated Maturity:	[•]
	•	Reset Date:	[•]
(xi)	Margin(s):		[+/—][•] per cent. per annum
(xii)	Minimum Rate of Interest:		[[•] per cent. per annum]/[Not Applicable]
(xiii)	Maximum Rate of Interest:		[[•] per cent. per annum]/[Not Applicable]
(xiv)	Day Count Fraction:		[•]
16.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable]
(i)	[Amortisation/Accrual] Yield:		[•] per cent. per annum
(ii)	Reference Price:		[•]
(iii)	Any other formula/basis of determining amount payable:		[[•]]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**		[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):		[•]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):		[•] per Calculation Amount/Make-Whole Redemption Amount/[•]
(iii)	If redeemable in part:		
	(a)	Minimum Redemption Amount:	[•] per Calculation Amount
	(b)	Maximum Redemption Amount:	[•] per Calculation Amount
(iv)	Notice period:		[•]
(v)	[Benchmark Security] [Benchmark Securities]:		[•]
(vi)	Reference Time:		[•]
(vii)	Make-Whole Margin:		[•]

	(viii)	Linear Interpolation:	[Applicable/Not Applicable]
18.	**Put Option**		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Notice period:	[•]
19.	**Final Redemption Amount of each Note**		[[•] per Calculation Amount]
20.	**Early Termination Amount**		
	Early Redemption Amount (Tax) and Early Termination Amount per Calculation Amount payable on redemption for taxation reasons or, as the case may be, on event of default:		[•][Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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

Signed on behalf of the Issuer:

By: .....
Duly authorised

PART B — OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

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

2. **RATINGS**

Ratings:	The Notes to be issued [have been/are expected to be] rated: [Standard & Poor's Credit Market Services Europe Limited: [•]] [Moody's Deutschland GmbH: [•]] [Not Applicable]

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

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

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

Indication of yield:	[•]

5. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable / [•]]
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	[Not Applicable] [Yes. Note that the designation "**Yes**" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] [No. Whilst the designation is specified as "**No**" at the date of this Final Terms, should the Eurosystem eligibility criteria be amended in the

	future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily means that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional paying agent(s) (if any):	[•]
TEFRA:	[Not Applicable/The [C/D] Rules are applicable]

6. **[THIRD PARTY INFORMATION]**

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

Exchange of Temporary Global Notes

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

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

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

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

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

If:

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

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

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

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

Exchange of Permanent Global Notes

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

If:

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

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

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

Conditions applicable to Global Notes

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

***Payments**:*

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

***Exercise of put option**:*

In order to exercise the option contained in Condition 9(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.

Payment Business Day

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

Partial exercise of call option*:*

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

Notices*:*

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

USE OF PROCEEDS

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

DESCRIPTION OF THE ISSUER

Introduction

AstraZeneca PLC (the "**Issuer**" or "**AstraZeneca**") was formed on 6 April 1999 from the merger of Astra AB of Sweden and Zeneca Group PLC of the United Kingdom. The Issuer's registered office is situated at 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge CB2 0AA, telephone number: +44 20 3749 5000, facsimile number: +44 1223 352858. The registered number of the Issuer is 2723534.
This business description set out in this section of this Base Prospectus is an overview of, is qualified in its entirety by, and should be read in conjunction with, the information incorporated by reference into this Base Prospectus (see "*Documents incorporated by reference*").

Principal Activities

The Issuer is a global, science-led, prescription-based biopharmaceutical business involved in the discovery, development, manufacture and marketing of prescription pharmaceuticals for important areas of healthcare: cardiovascular and metabolic disease; oncology; respiratory, inflammation and autoimmunity; infection, neuroscience and gastrointestinal. As at 31 December 2015 the Issuer's range of medicines included five products, each with annual sales of over U.S.$1,000 million. The Issuer has activities in over 100 countries worldwide, with major research and development centres in five countries, including Sweden, the United Kingdom and the United States, and manufacturing facilities in 17 countries. It employs approximately 61,500 people (approximately 36 per cent. in Europe, the Middle East and Africa ("**EMEA**"), 29 per cent. in the Americas and 35 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 and metabolic disease 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; and Brilinta/Brilique, an oral antiplatelet for the treatment of acute coronary syndromes.

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

In January 2015, AstraZeneca completed the divestment of Myalpet (metreleptin), an orphan product indicated to treat complications of leptin deficiency in patients with generalised lipodystrophy, to Aegerion Pharmaceuticals, Inc. ("**Aegerion**"). Under the terms of the agreement, Aegerion paid AstraZeneca U.S.$325 million to acquire the global rights to develop, manufacture and commercialise Myalept, subject to an existing distributor licence with Shionogi & Co. Ltd. covering Japan, South Korea and Taiwan.

In December 2015, AstraZeneca completed its acquisition of ZS Pharma. This transaction provides access to the potassium-binding compound ZS-9, a treatment for hyperkalaemia (high potassium levels in the bloodstream). The acquisition represents a good fit with AstraZeneca's development pipeline and portfolio in cardiovascular and metabolic diseases, which focuses on reducing morbidity, mortality and organ damage by addressing multiple risk factors across cardiovascular disease, diabetes and chronic kidney disease.

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.; Lynparza (olaparib), an oral ADP-ribose polymerase (PARP) inhibitor approved in the EU for the treatment of adult patients with platinum-sensitive relapsed BRCA-mutated (germline and/or somatic) high-grade serious epithelial ovarian, fallopian tube or primary peritoneal cancer and approved in the U.S. for the treatment of patients with germline BRCA-mutated advanced ovarian cancer who have been treated with three or more prior lines of chemotherapy; and Tagrisso (osimertinib), an epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor indicated for patients with metastatic EGFR T790M mutation-positive non-small cell lung cancer.

Respiratory, inflammation and autoimmunity medicines

AstraZeneca's respiratory, inflammation and autoimmunity ("**RIA**") products include: Symbicort pMDI (budesonide/formoterol in a pressurised metered-dose inhaler) and Symbicort Turbuhaler, (budesonide/formoterol in a dry powder inhaler) for the treatment of asthma and chronic obstructive pulmonary disease ("**COPD**"); Pulmicort Turbuhaler (budesonide in a dry powder inhaler), an inhaled corticosteroid used for maintenance treatment of asthma; Pulmicort Respules (budesonide inhalation suspension), is a corticosteroid administered via a nebuliser for the treatment of asthma in both children and adults; Bricanyl Turbuhaler (terbutaline in a dry powder inhaler), a short-action beta$_2$-agonist for the acute treatment of bronchial-obstructive symptoms in asthma and COPD; Oxis Turbuhaler (formoterol), a fast onset, long-acting beta$_2$-agonist for the treatment of bronchial-obstructive symptoms in asthma and COPD; Rhinocort (budesonide), a nasal steroid treatment for allergic rhinitis (hayfever), perennial rhinitis and nasal polyps; Accolate (zafirlukast), an oral leukotriene receptor antagonist for the treatment of asthma; Duaklir Genuair (aclidinium/formoterol), a dual bronchodilator (LAMA/LABA) intended for maintenance symptom control in COPD patients; Eklira Genuair/Tudorza/Bretaris (aclidinium, a LAMA), a treatment for symptomatic mild to moderate COPD patients in need of maintenance therapy; and Bricanyl Respules (terbutaline), a short-acting beta$_2$-agonist administered via a nebuliser for acute treatment of asthma and COPD in both children and adults.

Infection medicines

AstraZeneca's infection products include: Synagis (palivizumab), a humanised monoclonal antibody used for the prevention of serious lower respiratory tract disease; Zinforo (ceftaroline fosamil), a novel injectable cephalosporin used in community-acquired pneumonia and complicated skin and soft tissue infections; Merrem/Meronem (meropenem), 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 Quadrivalent/Fluenz Tetra (influenza vaccine live, intra-nasal), an intranasal, live, attenuated, quadrivalent 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), generally approved for the treatment of schizophrenia, bipolar disorder, major depressive disorder and, in some countries for generalised anxiety disorder; Zomig (zolmitriptan), for the acute treatment of migraine, plus for the acute treatment of cluster headache in the European Union; Diprivan (propofol), an intravenous general anaesthetic used in the induction and maintenance of general anaesthesia, for use in intensive care sedation and conscious sedation for surgical as well as diagnostic procedures; Vimovo (naproxen/esomeprazole magnesium), a delayed release tablet generally approved for symptomatic relief in the treatment of rheumatoid arthritis, osteoarthritis and ankylosing spondylitis; and Movantik/Moventig (naloxegol), a once-daily, peripherally-acting mu-opioid receptor antagonist approved for the treatment of opioid-induced constipation (OIC) in adult patients. AstraZeneca also has a portfolio of marketed products for general and local anaesthesia, including Naropin (ropivaricaine), Xylocaine (lidocaine), and EMLA (lidocaine and prilocaine).

Gastrointestinal medicines

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

In July 2015, AstraZeneca announced the completion of an agreement with Tillotts Pharma, part of the Zeria Group. This covered the divestment of global rights, outside the U.S., to Entocort (budesonide), a locally acting corticosteroid for the treatment of inflammatory bowel disease. In December 2015, AstraZeneca entered into an agreement with Perrigo for the divestment of U.S. rights to Entocort, granting Perrigo the rights to sell Entocort capsules and the authorised generic Entocort capsules marketed by Par Pharmaceuticals.

Business Environment

According to the International Monetary Fund ("**IMF**"), a return to robust and synchronised global expansion remains elusive six years after the world economy emerged from its broadest and deepest post-war recession. Moreover, downside risks to the world economy appear more pronounced, particularly for emerging market and developing economies, and including renewed concerns about China's growth potential.

The demand for healthcare, however, continues to increase. While this is a favourable trend for long-term industry growth, challenges remain. These include expiring patents, competition from and growing use of generic medicines, obtaining regulatory approval, securing reimbursement for new medicines, improving R&D productivity and attaining pricing and sales sufficient to generate revenue and sustain the cycle of innovation.

The growth drivers

Expanding patient populations

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

Unmet medical need

The prevalence of non-communicable diseases ("**NCDs**"), such as cancer and cardiovascular, metabolic and respiratory diseases, is increasing worldwide. NCDs are often associated with ageing populations and lifestyle choices, including smoking, diet and lack of exercise. Many NCDs require long-term management. WHO estimates that NCDs kill 38 million people each year and disproportionately affect low- and middle-income countries where nearly three-quarters of these deaths occur. For example, more

than 60 per cent. of the world's total new annual cancer cases occur in Africa, Asia and Central and South America. These regions account for 70 per cent. of the world's cancer deaths.

Advances in science and technology

Innovation is critical to addressing unmet medical need. The delivery of new medicines will rely on a more advanced understanding of disease and the use of new technology and approaches, such as personalised healthcare ("**PHC**") and predictive science.

Technological breakthroughs in the design and testing of novel compounds present fresh opportunities for using small molecules as the basis for new medicines. The use of large molecules, or biologics, has also become an important source of innovation, with biologics among the most commercially successful new products. By 2020, biologics are expected to account for 46 per cent. of the total sales revenue of the world's top 100 pharmaceutical products, having risen from 21 per cent. in 2006. As such, most pharmaceutical companies now pursue research and development ("**R&D**") in both small molecules and biologics.

World Markets

World pharmaceutical sales in 2015 totalled U.S.$904 billion – an increase of 9.5 per cent. (2014: U.S.$826 billion) (Source: IMS Health).

Average revenue growth in established markets in 2015 was 9.3 per cent., while average revenue growth in emerging markets in 2015 was 10.3 per cent. The U.S., China, Japan, Germany and France are the world's top five pharmaceutical markets, with the U.S. representing 45.7 per cent. of global sales in 2015 (2014: 44.6 per cent.).

The Challenges

R&D productivity

Priority Reviews and Breakthrough Therapies are becoming more prevalent with more than half the Center for Drug Evaluation and Research new molecular entity ("**NME**") approvals in 2015 receiving a Priority Review and, almost a quarter having a Breakthrough Therapy designation. Between the inception of the Breakthrough Therapy designation programme in October 2012 and the end of 2015, the U.S. Food and Drug Administration ("**FDA**") has granted more than 100 such requests, and one-third of these have already resulted in product approvals.

The cost of developing new medicines continues to rise. Global R&D investment is expected to reach $140 billion in 2015. While the growth rate of R&D spend has slowed in recent years, pharmaceutical companies continue to deliver new medicines. In 2015, the FDA approved 45 NMEs compared with 41 in 2014 and 27 in 2013. The number of approvals in 2015 is the largest since 1996 when 59 NMEs were approved.

To ensure it delivers a sustainable return on its R&D investment, the industry is working to increase its success rate in developing commercially viable new drugs while achieving a lower, more flexible cost base. Regulators and payers, however, are demanding greater evidence of comparative effectiveness of medicines, which increases development times and costs.

Fortunately, innovative technology is helping accelerate product approvals. A greater emphasis on proof of concept is also helping to improve productivity and reduce costs by showing the potential efficacy of drugs earlier in the development process.

Regulatory requirements

A highly regulated biopharmaceutical industry reflects the public's expectation of safe, effective and high-quality medicines. Meeting this expectation requires responsible testing, manufacturing and marketing. It also relies on maintaining effective working relationships with health authorities worldwide, including the FDA in the U.S., the European Medicines Agency ("**EMA**") in the EU, the Pharmaceuticals and Medical Devices Agency ("**PMDA**") in Japan and the Food and Drug Administration ("**CFDA**") in China.

Increasingly, regulation and governmental policy are being introduced to stimulate innovation in drug development. In the U.S., for example, the 21st Century Cures Act, passed by the House of Representatives in July 2015, and the related Senate Innovation for Healthier Americans Legislative Initiative, are focused on accelerating the discovery, development and delivery of promising new treatments for patients. Similarly, the Prescription Drug User Fee Act reauthorisation legislation to be considered by the U.S. Congress in 2017 is anticipated to contain proposals aimed at accelerating innovation and modernising the regulatory environment. Additionally, the growing complexity and globalisation of clinical studies have led to an increase in public-private consortia. Such consortia, which include industry, academia and government bodies, aim to drive innovation, streamline regulatory processes, and define and clarify approval requirements for innovative drug and biologic products.

Regulatory health authorities continue to implement programmes intended to address unmet medical need and to speed up patient access to transformative medicines. This is demonstrated by the Breakthrough Therapy programme employed by the FDA and the EMA's piloting of a programme to implement 'adaptive pathways', or 'staggered approval', to improve timely patient access to new medicines. In Japan, the SAKIGAKE strategy is fostering a more favourable environment for drug development and accelerating the availability of currently unapproved medicines for serious and life-threatening diseases. The lengthy review process in China extends new medicine approval periods to as long as five years. This challenges the ability of pharmaceutical companies to deliver innovative medicines and treat unmet medical need in China. However, proposed revisions to China's Drug Administration Law, which are under review, may help address this issue.

Greater transparency and public access to regulatory submissions that support approval of new medicines continues to be an area of interest. A recent example involves the EMA policy on publication of clinical data for medicinal products for human use, which provides guidance for the publication of clinical reports that underpin the EMA's decision making. These clinical reports include the overviews, summaries and clinical study reports submitted by the applicant, together with documentation of statistical methods.

The study of paediatric populations continues to present challenges to the industry as differences between study requirements and timeframes may vary significantly among health authorities. However, there have been efforts to provide incentives to stimulate paediatric research. An example is EMA's initiative offering free-of-charge meetings early in drug development. Increased interest in the availability of the paediatric rare disease voucher programme in the U.S. is another noteworthy development.

Regulatory requirements for the registration of biosimilar products continue to be developed and become better defined. This includes the publication of a new pathway for China and the first biosimilar product approval in the U.S. However, significant areas of regulatory policy are still evolving. Among these are transparency of data to support approval of claims for biosimilarity in labelling, standards for interchangeability and pharmaceutical substitution, and traceability of pharmacovigilance reports through naming conventions that permit differentiation of products. For more information about biosimilars, see "*Patent expiries and genericisation*" below.

Pricing of medicines

Pricing and reimbursement remain challenging in many markets. Most pharmaceutical sales are generated in highly regulated markets where governments, insurers and other private payers exert various controls on pricing and reimbursement. These include limitations on pharmaceutical spending and the cost of readmitting patients to hospital. Implementation of certain reforms and shifting market dynamics are further constraining healthcare providers, while difficult economic conditions burden patients who pay out-of-pocket for medicines. Pharmaceutical companies are now expending significant resources to demonstrate the economic as well as therapeutic value of their medicines.

In the U.S., the Affordable Care Act ("**ACA**") has had a direct impact on healthcare activities. It continues to reshape the market through various provisions designed to reduce cost and improve healthcare and patient outcomes. AstraZeneca, along with other pharmaceutical companies, is working with policymakers and regulators to help contain costs, improve outcomes and promote an environment that fosters medical and scientific innovation.

In Europe, governments continue to implement price control measures for medicines, including mandatory discounts, clawbacks and price referencing rules. These measures are decreasing drug prices, particularly in the challenged economies of Greece, Romania and Italy. In France, price negotiations are

particularly challenging due to budget pressures. In Germany, Europe's largest pharmaceutical market, manufacturers must now prove the added benefit of their drug over existing alternatives if they are to avoid relegation to a single reimbursement level (or reference) for each drug group.

In China, pricing practices remain a priority for regulators. Though free pricing has been introduced, provincial and hospital tenders continue to put increasing pricing pressures on pharmaceutical companies. In Russia and selected Middle East markets, governments are encouraging local manufacturing by offering more favourable pricing legislation. In Japan, mandated biennial cuts are likely to continue. In Latin America, pricing is increasingly controlled by governments as, for example, in Colombia.

Patent expiries and genericisation

Patent protection for pharmaceutical products is finite. Patents are expiring on some of the biggest-selling drugs ever produced and payers, physicians and patients have greater access to generic alternatives (both substitutable and analogue) in many important drug classes. These generic alternatives are primarily lower priced because generic manufacturers are largely spared the costs of R&D and market development. As a result, demand for generics is high. For prescriptions dispensed in the U.S. in 2015, generics constituted 84 per cent. of the market by volume (2014: 83.4 per cent.).

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

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

Building trust

The pharmaceutical industry faces a challenge in building and maintaining trust, particularly with governments and regulators. This reflects the past decade's legal disputes between pharmaceutical companies and governmental and regulatory authorities. To address this challenge, companies are embedding a culture of ethics and integrity, adopting higher governance standards and improving relationships with employees, shareholders and other stakeholders.

Numerous companies, including those in the pharmaceutical industry, have been investigated by the China Public Security Bureau following allegations of bribery, and criminal and financial penalties have been imposed. Investigations by the U.S. Department of Justice ("**DOJ**") and the Securities and Exchange Commission ("**SEC**") under the Foreign Corrupt Practices Act are continuing as are investigations by the UK Serious Fraud Office under the UK Bribery Act. Information about material legal proceedings can be found in Note 27 to the Issuer's consolidated financial statements for the year ended 31 December 2015.

AstraZeneca's Strategy

AstraZeneca is focused on returning to growth through a science-led innovation strategy. This strategy is based on investing in three main therapy areas, building a strong and balanced portfolio of primary care and specialty care medicines, accelerating key R&D programmes, engaging in targeted business development and leveraging its strong global commercial presence, particularly in emerging markets.

AstraZeneca's strategic priorities are to:

- achieve scientific leadership;
- return to growth; and
- be a great place to work.

Research and development

Achieve scientific leadership

As outlined in the strategic priorities above, achieving scientific leadership is critical to AstraZeneca's success.

During 2015, AstraZeneca:

- continued to redeploy R&D spend towards late-stage development;
- further expanded its immuno-oncology research and development activities; and
- entered into numerous strategic collaborations to access novel science and technology.

The biotech-style operating model enables AstraZeneca to access the best science, both internal and external, which is a prerequisite for achieving scientific leadership. Further, AstraZeneca's productivity and pipeline continue to benefit from investments in key capabilities, such as payer partnering, PHC, predictive science and clinical trial design.

In recent years, AstraZeneca has created a leaner, simpler and smaller organisation, focused on driving distinctive science across its key therapy areas. AstraZeneca has also made progress in co-locating its teams in strategic R&D centres. The move to Gaithersburg, Maryland, U.S. is complete and the move to Cambridge, UK is progressing rapidly with 1,600 roles now located in Cambridge where the new R&D centre and corporate headquarters is under construction.

Research and early clinical development

AstraZeneca's two biotech units conduct innovative discovery research and early-stage development from initial target selection to Phase II trial completion. The Innovative Medicines and Early Development ("**IMED**") biotech unit focuses on scientific advances in small molecules, oligonucleotides and other emerging technologies and drug discovery platforms. The MedImmune biotech unit is responsible for global biologics research and early-stage development. Both units are responsible for delivering projects to AstraZeneca's Global Medicines Development ("**GMD**") unit for late-stage development.

AstraZeneca's personalised healthcare strategy

In 2015, AstraZeneca used the science of PHC to match more patients to AstraZeneca medicines from which they are most likely to benefit. AstraZeneca launched seven diagnostic tests linked to its products – a total of 11 in two years. Three of AstraZeneca's products (Iressa, Lynparza and Tagrisso) are now coupled with companion diagnostic tests that select patients for therapy based on their molecular profiles. PHC expanded in AstraZeneca's clinical pipeline to over 80 per cent. – with over 60 planned drug launches by 2024 requiring a diagnostic test.

AstraZeneca's increasing investment in diagnostic partnerships achieved two world firsts: the EGFR mutation test for Tagrisso is the first diagnostic test for both circulating tumour DNA and tumour tissue (EU, with Roche Molecular Systems), while its PD-L1 Class 1 diagnostic (with Ventana) was the first immuno-oncology test launched in the U.S. In addition, AstraZeneca launched tests for tumour BRCA analysis for Lynparza (EU, with Myriad); for EGFR T790M for Tagrisso (U.S., with Roche Molecular Systems); for circulating tumour DNA EGFR for Iressa (EU, with Qiagen); and for PD-L1 (EU, with Ventana).

AstraZeneca is now expanding the benefits of PHC to patients in all core disease areas, such as asthma, where it is developing diagnostics for periostin and DPP-4 for potential use with tralokinumab (with Abbott) and lupus, where AstraZeneca is evaluating a type-I-IFN-inducible gene signature for use with anifrolumab (with Qiagen).

AstraZeneca announced a collaboration with the Montreal Heart Institute to search the genomes of up to 80,000 patients for genes associated with cardiovascular diseases and diabetes. Finally, AstraZeneca's membership of the GENE Consortium, a public-private consortium with Genomics England in the UK, is aimed at accelerating the development of new diagnostics and treatments arising from the 100,000 Genomes Project.

Late-stage development

GMD is AstraZeneca's R&D function focused on large Phase III clinical trial programmes across its therapy areas that support the approval, launch and reimbursement of new medicines, as well as life-cycle management. GMD also delivers studies that demonstrate evidence of how AstraZeneca's medicines work in the "real world" to help healthcare professionals and payers understand the therapeutic as well as economic value of its medicines. During 2015, AstraZeneca continued to focus on three therapy areas by identifying opportunities to collaborate on developing assets within its late-stage pipeline, for example, an externalisation agreement for the development of brodalumab for patients with psoriasis and the divestment of Caprelsa, as a treatment for rare diseases.

Accelerating the pipeline and increasing efficiency

GMD is pushing boundaries to help ensure new treatments get to patients more quickly and safely. Improvements include the development and use of smart clinical trials, data-modelling techniques and proactive regulatory approaches, as well as accelerating drug formulation and supply chain solutions. Examples in 2015 include presenting regulators with scientific rationale based on robust early clinical data in respect of Tagrisso, while fast delivery times to secure data from PEGASUS-TIMI 54, AstraZeneca's 21,000-patient study for Brilinta, supported wider approvals in the U.S. and additional regulatory submissions in the EU and U.S. GMD has created dedicated oncology delivery teams and recruited more medical expertise to bring potential new cancer treatments to patients more quickly, where there is significant unmet medical need.

GMD also pursues opportunities to simplify processes to increase efficiency and productivity. A new information management system for all regulatory submissions, registrations and product changes provides improved access to documentation. AstraZeneca has also completed the outsourcing of routine regulatory maintenance and publishing tasks to a data-handling provider, so its own resources can be focused solely on activities to support regulatory submission priorities. In clinical operations, AstraZeneca is adopting new technology and approaches to improve monitoring of clinical trials and ensure that patients are protected.

Investment in disease area and scientific capabilities

With the consolidation of R&D activities to strategic centres, AstraZeneca continues to hire new employees to strengthen AstraZeneca's disease area expertise and technical capabilities. This helps to meet the needs of AstraZeneca's expanded late-stage portfolio and support the increasing number of clinical trials.

Payer and real-world evidence capabilities are helping AstraZeneca to show how its medicines may improve outcomes compared to other treatments, and to demonstrate how they may reduce the need for hospital or specialist care, and make a difference to patients' lives.

AstraZeneca continues to engage with medical experts to provide important insight into its drug programmes. Such engagements will help ensure AstraZeneca's medicines address the needs of patients as well as healthcare professionals.

Working collaboratively and fostering open innovation

In order to enhance AstraZeneca's innovation capabilities and ensure that it has access to the best science, AstraZeneca is open to exploring new and different kinds of collaborations. Current small molecule partnership models include: in-licensing of new chemical modalities and platforms; partnerships to leverage AstraZeneca's compound collection to uncover novel target opportunities; and strategic collaborations designed to build its understanding of the mechanisms of disease. In biologics, AstraZeneca is actively engaged in strategic university research collaborations, clinical partnerships designed to explore the full potential of its immuno-oncology assets, and numerous in-licensing and joint

development arrangements. In both biotech units, AstraZeneca's scientists work side-by-side with partner scientists, advancing science together as a single team.

In 2015, the IMED biotech unit announced several scientific collaborations. A number of collaborations enhanced the use of clustered regularly-interspaced short palindromic repeats (CRISPR) technologies across AstraZeneca's discovery platforms, including those with the Innovative Genomics Initiative, the Whitehead Institute at the Massachusetts Centre for Technology, The Sanger Institute and Thermo Fisher Scientific. AstraZeneca also expanded its collaboration with Ionis Pharmaceuticals Inc. to discover and develop antisense therapies for cardiovascular, metabolic and renal diseases. MedImmune also forged several key collaborations in 2015, including a research collaboration with Joslin Diabetes Center to develop new medicines to treat diabetes, obesity, and related metabolic disorders. In addition, a biotherapeutics research centre was launched in collaboration with Cambridge Research UK. MedImmune also finalised collaborations to maximise the value of the immuno-oncology portfolio, such as through the externalisation collaboration with Celgene to extend AstraZeneca's extensive anti PD-L1 inhibitor programme, durvalumab, into trials for serious blood cancers. The recent exchange of chemical compounds with Sanofi is an example of AstraZeneca's open innovation collaborations.

To better understand the biology of disease, AstraZeneca's biotech units announced the first wave of projects from its joint venture with the MRC Laboratory of Molecular Biology and have agreed to support more than 80 PhD scholarships and eight clinical lectureships with the University of Cambridge.

Additionally, and through the IMED open innovation portal, AstraZeneca's teams reviewed more than 350 proposals for new drug projects in 2015.

AstraZeneca's scientific reputation

Demonstrating the quality of the research conducted in AstraZeneca's laboratories, through publication in high-quality and "high-impact" journals, is an essential element in building AstraZeneca's scientific reputation and achieving scientific leadership. It is also critical for recruiting and retaining the best scientists from around the world.

Scientists from IMED, MedImmune and GMD have published a record number of "high-impact" publications with 58 manuscripts in peer-reviewed journals with impact factor exceeding 15 (Thomson Reuters 5 year Impact Factor score). This represents an eight-fold improvement since AstraZeneca's drive to publish in "high-impact" journals in 2010, and demonstrates recognition of the quality of its science by industry and academic peers.

Responsible research

AstraZeneca is committed to achieving scientific leadership and delivering life-changing medicines in a trustworthy and ethical manner. Its global standards of bioethics apply to all its research activity, whether conducted by AstraZeneca or third parties on its behalf.

Patient safety is very important to AstraZeneca and it strives to minimise the risks and maximise the benefits of its medicines. Through a robust and comprehensive pharmacovigilance programme, it continually monitors its medicines to learn of any side effects not identified during the development process and provide accurate and up-to-date information concerning the safety profile of its medicines to regulators, healthcare professionals and, where appropriate, patients. AstraZeneca also works closely with regulatory authorities worldwide to raise pharmacovigilance awareness.

The use of human biological samples, such as solid tissue, biofluids and their derivatives, plays a vital role in developing a deeper understanding of human diseases and their underlying mechanisms, thereby helping to develop effective, new and personalised medicines.

In carrying out this important area of research, AstraZeneca maintains policies and processes to ensure that it complies with applicable laws and meets regulatory concerns. AstraZeneca places emphasis on informed consent that protects the rights and expectations of donors and families throughout the process of acquisition, use, storage and disposal of the samples.

In rare circumstances, AstraZeneca may use human fetal tissue or embryonic stem cells. In these circumstances, an internal review of the scientific validity of the research proposal will be conducted and permission to use the tissue will be granted only when no other scientifically reasonable alternative is

available. AstraZeneca also insists its third party vendors adopt the highest ethical standards and it rigorously assesses the ability of tissue suppliers to meet its quality and ethical expectations. AstraZeneca is committed to minimising the use of fetal tissue by exploring technological alternatives.

Animal research

AstraZeneca is committed to helping the public understand its use of animals in research and its methods for reducing, refining, or replacing them. AstraZeneca's commitment is reflected in its global bioethics policy, and along with other signatories, its progress has been published in the 2015 Annual Report on the 'Concordat on Openness in Animal Research in the UK'.

Sales and Marketing

Organisation and approach

AstraZeneca's sales and marketing teams, which comprised around 34,800 employees at the end of 2015, are active in more than 100 countries. In most countries, its sales are made through wholly-owned local marketing companies. Elsewhere, it sells through distributors or local representative offices. AstraZeneca's products are marketed largely to primary care and specialty care physicians. It aims to meet their needs by having highly accountable local leaders who understand their customers and focus on business growth. AstraZeneca groups its Sales and Marketing function into three Commercial Regions – North America (U.S. and Canada), Europe and International (emerging markets, Australia and New Zealand). All its efforts are underpinned by a commitment to operating responsibly and conducting sales and marketing activity in accordance with applicable laws and its values.

U.S.

As the sixth largest prescription-based pharmaceutical company in the U.S., AstraZeneca has a 4.5 per cent. market share of U.S. pharmaceuticals by sales value. In 2015, sales in the U.S. decreased by 6 per cent. to U.S.$9,474 million (2014: U.S.$10,120 million). Declines in revenue from Nexium, Crestor and Synagis were partially offset by the strong performance of growth platforms, including Farxiga, Budureon and Brilinta, the launches of Lynparza and Tagrisso, as well as the impact of completing the acquisition of Actavis' rights to Tudorza and Daliresp in the U.S.

The ACA, which was enacted in March 2010, has had, and is expected to continue to have, a significant impact on AstraZeneca's U.S. sales and the U.S. healthcare industry as a whole. In 2015, the overall reduction in AstraZeneca's profit before tax for the year, due to discounts on branded pharmaceutical sales to Medicare Part D beneficiaries and an industry-wide excise fee, was U.S.$786 million (2014: U.S.$714 million).

While there is no direct governmental price control for commercial prescription drug sales in the U.S., some publicly-funded programmes, such as Medicaid and TRICARE (Department of Veterans Affairs), have statutorily-mandated rebates and discounts, which effectively serve as price controls for these programmes. Also, pressure on pricing and the availability and use of prescription drugs for commercial and public payers continues to increase. This is due to, among other things, an increased focus on generic alternatives. The increased use of generics is also due to rising patient co-insurance or co-payments for branded pharmaceuticals and budgetary policies of healthcare systems and providers, including policies about the use of 'generics only' formularies. In 2015, 84.0 per cent. of prescriptions dispensed in the U.S. were generic compared with 83.4 per cent. in 2014. While the adoption of a broad national price-control scheme in the near future is unlikely, increased focus on pharmaceutical prices and their impact on healthcare costs is likely to continue.

Europe

AstraZeneca's European business comprises Western and Eastern European markets, which include France, Germany, Italy, the United Kingdom, Spain, and the Nordic-Baltic countries. The total European pharmaceutical market was worth U.S.$194 billion in 2015. AstraZeneca is the twelfth largest pharmaceutical company in Europe with a 2.5 per cent. market share of prescription sales by value.

In 2015, its sales in Europe decreased by 6 per cent. to U.S.$5,323 million (2014: U.S.$6,638 million). Key drivers of the decline were continued competition from Symbicort analogues, ongoing volume erosion of Atacand and Seroquel XR following loss of exclusivity, pricing and volume pressure for

Crestor and Nexium and lower net pricing on Synagis. The continued macroeconomic environment increased government interventions (for example, on price and volume) and parallel trade across markets also affected sales. Despite these conditions, AstraZeneca continues to launch innovative medicines across Europe.

Established Rest of World ("ROW")

In 2015, sales in Japan increased by 4 per cent. to U.S.$2,020 million (2014: U.S.$2,227 million). Strong performance of Nexium and Crestor, and the diabetes franchise helped to drive this, offsetting the impact of generic competition. In Japan, AstraZeneca is the ninth largest pharmaceutical company by sales of medicines. Despite bi-annual government price cuts and increased intervention from the government to rapidly increase the volume share of generic products, Japan remains an attractive market for innovative pharmaceuticals. The higher EGFR prevalence in Asian markets makes Japan a key market for the launch of Tagrisso expected in 2016.

Canada has a mixed public/private payer system for medicines that is funded by the provinces, insurers and individual patients. It has also now become common for public payers to negotiate lower non-transparent prices after they have gone through a review by the Canadian Agency for Drugs and Technology in Health, a health technology assessment body. Most private insurers pay full price although there is increasing pressure to achieve lower pricing. Overall, the split for AstraZeneca's portfolio is 66 per cent. funded by private payers and 34 per cent. with public plans.

Sales in Australia and New Zealand declined by 19 per cent. in 2015. This was primarily due to the continued erosion of Crestor and Atacand by generic medicines. Nexium lost exclusivity in Australia in 2014 and generic medicines were launched.

Emerging Markets

AstraZeneca classifies "emerging markets" as those countries with dynamic, growing economies. These countries represent a major growth opportunity for the pharmaceutical industry due to strong demand and sound economic fundamentals. Emerging markets are not immune, however, to economic downturn. Market volatility is higher than in the U.S., Europe and the established ROW and various political and economic challenges exist, including regulatory and government interventions.

AstraZeneca was the eighth largest, as measured by prescription sales, and the fourth fastest-growing top 10 multinational pharmaceutical company in emerging markets in 2015, with revenues of U.S.$5,822 million.

In China, AstraZeneca is the second largest pharmaceutical company, as measured by sales. It is driving sustainable growth through strategic brands investment, expanded hospitals coverage and systematic organisational capability improvements. Sales in China in 2015 increased by 15 per cent. to U.S.$2,530 million (2014: U.S.$2,242 million). AstraZeneca delivered sales growth above the growth rate of the market, and initiated several long-term market expansion programmes in therapy areas. The industry growth rate is expected to be moderated to high single digits, impacted by increased price pressure, hospital cost containment and delays in new product registration. The healthcare environment in China remains dynamic with opportunities arising from incremental healthcare investment, strong underlying demand and the emergence of innovative medicines.

Growth drivers for emerging markets include AstraZeneca's new medicines, notably Brilinta, and its diabetes, respiratory, oncology, cardiovascular and gastrointestinal portfolios. To educate physicians about its broad portfolio, AstraZeneca is selectively investing in sales capabilities where opportunities from unmet medical need exist. It is also expanding its reach through multi-channel marketing and external partnerships.

AstraZeneca is also engaging in innovative collaborations to access novel science, technology and medicines. One example is the collaboration with FibroGen in China to develop and commercialise roxadustat, a potential first-in-class oral compound for treating anaemia in patients with chronic kidney disease.

Increasing access to healthcare

AstraZeneca has made significant progress in broadening access to its products by making medicines more affordable, particularly in low income countries through its patient access programmes. AstraZeneca's efforts to improve affordability are particularly focused on ability to pay based on disposable household income. AstraZeneca continues to grow its capabilities and build on the experience of wellbeing initiatives and patient access programmes, which provide discounts on AstraZeneca's medicines and other patient services, for example FazBem in Brazil, Disfruto Mi Salud in Central America and the Caribbean, MAZ Salud in Mexico and Karta Zdorovia in Russia. AstraZeneca has significantly expanded these initiatives across Latin America, the Middle East and Africa, and Asia Pacific, and the number of patient access programmes in emerging markets has more than doubled since 2013, reaching 3.5 million patients in total by the end of 2015.

In 2015, AstraZeneca expanded its efforts in Africa to enable greater access to hypertension medication and other essential services for patients who are otherwise unable to access medication or other forms of treatment.

Pricing and delivering value

AstraZeneca's global pricing policy helps to ensure appropriate patient access while optimising the sustained profitability of its products. When setting the price of a medicine, AstraZeneca considers its full value to patients, payers and society generally. AstraZeneca also pursues a flexible pricing approach. For example, AstraZeneca supports the concept of differential pricing, provided that appropriate safeguards are in place to help ensure lower-priced products reach the patients who need them and are not diverted for sale and use in more affluent markets.

AstraZeneca's medicines help treat unmet medical need, improve health and create economic and therapeutic benefits. Effective treatments can lower healthcare costs by reducing the need for more expensive care, preventing more serious and costly diseases and increasing productivity by reducing or preventing days lost to illness. AstraZeneca is aware of the economic challenges faced by payers and remains committed to delivering value to payers and patients alike. AstraZeneca works closely with payers and providers to understand their priorities and requirements. It also conducts real-world evidence studies to demonstrate how its products improve health outcomes, offer value and support cost-effective healthcare.

Sales and marketing ethics

AstraZeneca is committed to employing high ethical standards of sales and marketing practice worldwide and ensuring compliance with its Ethical Interactions Global Policy. It reports publicly on the number of:

- confirmed breaches of external sales and marketing codes;
- failures to meet its standards by employees and contractors in its commercial regions; and
- corrective actions for breaches of its code of conduct (the "**Code of Conduct**") or supporting policies by employees and contractors in its commercial regions.

During 2015, AstraZeneca continued to train employees on the global standards that govern the way it operates. It has comprehensive processes as well as dedicated compliance professionals who monitor adherence to its Code of Conduct and global policies and support its line managers locally in supervising their staff. It also has a network of nominated signatories who review its promotional materials against all applicable requirements. In 2015, audit professionals conducted compliance audits on selected marketing companies.

AstraZeneca identified 11 confirmed breaches of external sales and marketing regulations or codes in 2015 (2014: six). There were 1,749 instances, most of them minor, of non-compliance with AstraZeneca's Code of Conduct, global policies or related control standards in its commercial regions, including instances by contract staff and other third parties (2014: 1,847).

AstraZeneca removed 339 employees or contractors from their roles as a result of these breaches (a single breach may involve more than one person). It also formally warned 490 others and provided further

guidance or coaching on its policies to 1,476 more. The most serious breaches were raised with the Audit Committee.

U.S. Corporate Integrity Agreement ("CIA") and The Physician Payments Sunshine Act reporting

In April 2010, AstraZeneca signed an agreement with the DOJ to settle an investigation relating to the sales and marketing of Seroquel IR. The requirements of the associated CIA between AstraZeneca and the Office of the Inspector General of the U.S. Department of Health and Human Services ("**OIG**") include a number of active monitoring and self-reporting obligations that differ from the self-reporting required by authorities in the rest of the world. To meet these obligations, AstraZeneca provides notices to the OIG describing the outcomes of particular investigations potentially relating to violations of certain laws, as well as a separate annual report to the OIG summarising monitoring and investigation outcomes relevant to the CIA requirements. Under the CIA, AstraZeneca also discloses on a publicly available website certain payments to U.S. physicians and institutions. The CIA was for a period of five years and successfully concluded on 30 April 2015. AstraZeneca continues to maintain a robust compliance framework to ensure compliance with all applicable laws and regulations, and that the business is operating with high ethical standards. AstraZeneca also continues to report to the U.S. government detailed information relating to payments to physicians and teaching hospitals in the U.S., as required by The Physician Payments Sunshine Act.

Intellectual property

Discovering and developing medicines requires a significant investment of resources by research-based pharmaceutical companies over a period which can take 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, and a significant portion of a patent's duration can be spent on R&D before it is possible to launch the protected product. AstraZeneca therefore commits significant resources to establishing and defending its patent and related IP protections for inventions.

Patent process

AstraZeneca files patent protection applications for its inventions to safeguard the large investment required to obtain marketing approvals for potential new drugs. As AstraZeneca further develops a product and its uses, these new developments may necessitate new patent filings. AstraZeneca applies for patents through government patent offices around the world. These assess whether AstraZeneca's inventions meet the strict legal requirements for a patent to be granted. AstraZeneca's competitors can challenge its patents in patent offices and/or courts. AstraZeneca may face challenges early in the patent application process and throughout a patent's life. The grounds for these challenges could be the validity of a patent and/or its effective scope and are based on ever-evolving legal precedents. AstraZeneca is experiencing increased challenges in the U.S. and elsewhere in the world (such as in Australia, Brazil, Canada, China, Europe and Japan) and there can be no guarantee of success for either party in patent proceedings.

The basic term of a patent is typically 20 years from the filing of the patent application with the relevant government patent office. However, a product protected by a pharmaceutical patent may not be marketed for several years after filing due to the duration of clinical trials and the regulatory approval processes. Patent Term Extensions ("**PTE**") are available in certain major markets including the EU and U.S. to compensate for these delays. The term of the PTE can vary from zero to five years depending on the time taken to obtain any marketing approval. The maximum patent term, when including PTE, cannot exceed 15 years (EU) or 14 years (U.S.) from the first marketing authorisation.

Other exclusivities

In addition to patent protection, regulatory data protection ("**RDP**") or data exclusivity is an important intellectual property right which arises in respect of data which is required to be submitted to regulatory authorities to obtain marketing approvals for AstraZeneca's medicines. Significant investment is required to generate such data (for example, through conducting global clinical trials) and this proprietary data is

protected from use by third parties (such as generic manufacturers) for a number of years in a limited number of countries. The period of such protection, and the extent to which it is respected, differs significantly among countries. RDP is an important protection for AstraZeneca's products and it believes in enforcing its rights to it, particularly as patent rights are increasingly being challenged.

The RDP period starts from the date of the first marketing approval from the relevant regulatory authority and runs parallel to any pending patent protection. RDP generally expires prior to patent expiry in all major markets. If a product takes an unusually long time to secure marketing approval, or if patent protection has not been secured, has expired or has been lost, then RDP may be the sole intellectual property right protecting a product from copying. Generic manufacturers should not be allowed to rely on AstraZeneca's data to support the generic product's approval or marketing until the RDP right has expired. In the EU, the RDP period is eight years followed by two years' marketing exclusivity.

In the U.S., new chemical entities ("**NCEs**") are entitled to a period of five years' exclusivity under the Federal Food, Drug and Cosmetic Act. This period of exclusivity runs parallel to any pending or granted patent protection and starts at the approval of the new application. As with RDP, there are circumstances where this protection could be the sole intellectual property right protecting a product from being copied. Further, under the Biologics License Application process, the FDA will grant 12 years' data exclusivity for a new biologic to an innovator manufacturer.

Under orphan drug laws in the EU and U.S., exclusivity is granted to an innovator who gains approval for a pharmaceutical product developed to treat a rare disease. What qualifies as a rare condition differs between the EU and U.S., qualifying orphan drugs are granted ten years' market exclusivity in the EU and seven years' market exclusivity in the U.S.

Under the Generating Antibiotics Incentives Now Act, the FDA may grant Qualified Infectious Disease Product ("**QIDP**") status. An antibiotic achieving QIDP status is granted five years' exclusivity while QIDPs that are also NCEs (such as AZD0914) are entitled to ten years' exclusivity, extending to 12 years' exclusivity if the disease state is an orphan. The period of exclusivity granted to a product with QIDP status runs concurrently with any pending or granted patent protection.

Compulsory licensing

Compulsory licensing (where a patent authority imposes a licence on the patentee) is on the increase in certain markets in which AstraZeneca operates. AstraZeneca recognises the right of developing countries to use the flexibilities in the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (including the Doha amendment) in certain circumstances, such as a public health emergency. AstraZeneca believes this should apply only when all other ways of meeting the emergency needs have been considered and where healthcare frameworks and safeguards exist to ensure the medicines reach those who need them.

Manufacturing and Supply

New manufacturing facilities

Following the successful introduction of AstraZeneca's Taizhou facility in China at the end of 2014, regulatory validation work continues at the Vorsino facility in Russia, which opened in 2015. This marks the largest foreign investment in the construction of a new pharmaceutical plant in Russia. First commercial production is scheduled to commence in 2016, improving AstraZeneca's ability to supply local markets. In 2015, AstraZeneca announced major investment plans to develop its capability in biologics, including the acquisition of Amgen's facility in Boulder, Colorado in the U.S., as well as a U.S.$285 million investment in a new manufacturing facility in Södertälje, Sweden. These projects, in addition to a previously announced expansion plan at Frederick, Maryland U.S., will increase production capacity to support the growing demand for biologics, which represents half of AstraZeneca's development pipeline.

Innovation

Partnerships and innovation are playing an increasingly important role for AstraZeneca in delivering medicines to patients. New science, and ways of working are continually assessed, with pilots progressed to challenge established practices. During 2015, AstraZeneca has seen innovative practices employed around readiness for launch of Tagrisso, while the Healthy Heart Africa programme has been further

developed as AstraZeneca aims to reach 10 million patients across Africa. Further pilots are already under development for 2016, as AstraZeneca looks to improve end-to-end supply chain performance.

Product quality and supply chain

AstraZeneca is committed to high product quality, which underpins the safety and efficacy of its medicines. To help assure compliance and quality, it maintains a comprehensive quality management system.

AstraZeneca's continuous improvement programme allows it to upgrade its systems and minimise environmental impact. By applying lean methodology to its manufacturing plants and supply chain, AstraZeneca has been successful in reducing waste and inventory costs. AstraZeneca has also improved efficiency, quality, lead times, equipment effectiveness and overall customer responsiveness. AstraZeneca continues to establish more efficient processes, with global supply chain experts providing support throughout the organisation.

Regulation and compliance

Manufacturing facilities and processes are subject to rigorous regulatory standards, which continuously evolve and are not harmonised globally. They are also subject to inspections by regulatory authorities who are authorised to mandate improvements to facilities and processes, halt production and impose conditions for production to resume.

In 2015, AstraZeneca hosted 38 independent inspections from 16 regulatory authorities. AstraZeneca reviewed observations from these inspections, together with the outcomes of internal audits, and, where necessary, implemented improvement actions.

AstraZeneca's manufacturing and supply strategy reflects its commitment to maintaining the highest ethical standards and compliance with internal policies, laws and regulations. AstraZeneca reviews and comments upon evolving national and international compliance regulations through its membership of industry associations including the European Federation of Pharmaceutical Industries and Associations ("**EFPIA**") and the Pharmaceutical Research and Manufacturers of America ("**PhRMA**").

AstraZeneca's manufacturing and supply resources

AstraZeneca's principal small molecule manufacturing facilities are in the United Kingdom (Avlon and Macclesfield), Sweden (Gärtuna and Södertälje), the U.S. (Newark, Delaware; Westborough, Massachusetts; West Chester, Ohio; Mount Vernon, Indiana and Coppell, Texas), China (Wuxi and Taizhou), Russia (Vorsino), France (Reims and Dunkerque), Japan (Maihara), Australia (North Ryde), Indonesia (Jakarta), Egypt (Cairo), India (Bangalore), Puerto Rico (Canóvanas), Germany (Wedel), Mexico (Lomas Verdes), Brazil (Cotia) and Argentina (Buenos Aires). The Taizhou supply site won the 2015 Facility of the Year award in the category of Project Execution by the International Society for Pharmaceutical Engineering.

AstraZeneca currently operates sites for the manufacture of active pharmaceutical ingredient ("**APIs**") in the United Kingdom and Sweden, complemented by the efficient use of external sourcing. Its principal tablet and capsule formulation sites are in the United Kingdom, Sweden, Puerto Rico and the U.S. It also has major formulation sites for the global supply of parenteral and/or inhalation products in Sweden, France, Australia and the United Kingdom.

For biologics, AstraZeneca's four principal biologics commercial manufacturing facilities are in the U.S. (Frederick, Maryland and Philadelphia, Pennsylvania), the United Kingdom (Speke), and the Netherlands (Nijmegen) with capabilities in process development, manufacturing and distribution of biologics, including worldwide supply of monoclonal antibiotics ("**MAbs**") and influenza vaccines.

At the end of 2015, approximately 12,500 people at 29 sites in 17 countries were working on the manufacture and supply of AstraZeneca's products.

Working with suppliers

AstraZeneca outsources most of its API manufacturing, which creates a need to ensure an uninterrupted supply of high-quality raw materials. AstraZeneca places great importance on its global procurement

policies and integrated risk management processes. AstraZeneca purchases materials from a wide range of suppliers and works to mitigate supply risks, such as natural or man-made disasters that disrupt supply chains or the unavailability of raw materials. Contingency plans include using dual or multiple suppliers where appropriate, maintaining adequate stock levels and working to mitigate the effect of pricing fluctuations in raw materials.

AstraZeneca also seeks to manage reputational risk. Ethical standards are integral to AstraZeneca's procurement and partnering activities and it continuously monitors compliance through assessments and improvement programmes. AstraZeneca only works with those suppliers whose standards of ethical behaviour are consistent with its own. AstraZeneca will not use suppliers who are unable to meet its standards.

AstraZeneca has an established process for third party risk management. This process, which consists of four steps and applies to all of AstraZeneca's suppliers, downstream supply chain partners and local business development partners, assesses risk based upon defined criteria. These include risks related to bribery and corruption, data privacy, the environment and wages. Each step of the process provides an additional level of assessment, and detailed assessments are conducted on those relationships identified as higher risk. Through this risk mitigation process, AstraZeneca seeks to better understand the partner's risk approach and ensures the partner understands and can meet AstraZeneca's standards. AstraZeneca conducted a total of 11,236 assessments in 2015, taking the total number of assessments to 13,845. Of these, 4,613 were in the Asia Pacific region, followed by 4,115 in Europe and 3,538 in the Americas. The remaining 1,579 assessments relate to global suppliers and those based in the Middle East and Africa.

In addition, AstraZeneca conducted 49 audits on direct materials suppliers to ensure they employ appropriate quality, health and safety practices. 35 per cent. of suppliers met expectations and 65 per cent. implemented improvements to address minor instances of non-compliance. During the due diligence process, AstraZeneca identified and rejected 326 suppliers, including 65 for reputational related concerns.

People

AstraZeneca values the talents and skills of its 61,500 employees in more than 100 countries. Its employees strategy, which supports its strategic priority of being a great place to work, is based on key principles. These principles include acquiring, retaining and developing talent and inspiring and engaging employees in AstraZeneca's purpose and values.

Legal and Arbitration Proceedings

Save as disclosed in Note 27 to the Issuer's consolidated financial statements for the year ended 31 December 2015 on pages 186 to 192 (inclusive) of the Issuer's Annual Report and Form 20-F Information 2015, 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.

Group Structure

The Issuer is the ultimate holding company of the Group. 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 2015, are listed below.

At 31 December 2015	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			
AstraZeneca Dunkerque Production SCS	France	100	Manufacturing
AstraZeneca SAS	France	100	Research, manufacturing, marketing
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
The Americas			
AstraZeneca do Brasil Limitada	Brazil	100	Manufacturing, marketing
AstraZeneca Canada Inc.	Canada	100	Research, marketing
AZ Reinsurance Limited	Cayman Islands	100	Insurance and reinsurance underwriting
IPR Pharmaceuticals Inc.	Puerto Rico	100	Development, manufacturing, marketing
Amylin Pharmaceuticals, LLC	United States	100	Manufacturing
AstraZeneca LP	United States	100	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
AstraZeneca Pharmaceuticals Co., Limited	China	100	Research and development, manufacturing, marketing
AZ (Wuxi) Trading Co., Ltd	China	100	Marketing
AstraZeneca KK	Japan	100	Manufacturing, marketing

Major Shareholdings

At 31 December 2015, 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 or 5.1.5 of the United Kingdom Listing Authority's Disclosure Rules and Transparency Rules:

Shareholder	Number of shares	Date of disclosure to AstraZeneca	Percentage of issued share capital
BlackRock, Inc.	100,885,181	8 Dec 2009	7.98%
Investor AB	51,587,810	2 Feb 2012	4.08%
The Capital Group Companies, Inc.	37,925,813	17 Jul 2015	3.00%

Board of Directors

The Directors and Secretary of the Issuer as at the close of the Annual General Meeting held on 29 April 2016, 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
Pascal Soriot	Executive Director and Chief Executive Officer	
Marc Dunoyer	Executive Director and Chief Financial Officer	

Name	Function within the Issuer	Principal Outside Activity (if any) of Significance to the Issuer
Leif Johansson	Non-Executive Chairman, Chairman of the Nomination and Governance Committee and Member of the Remuneration Committee	Chairman of LM Ericsson Member of the European Round Table of Industrialists and the Chairman of the International Advisory Board of the Nobel Foundation Board member of Ecolean AB and Autoliv, Inc. Chairman of the Royal Swedish Academy of Engineering Sciences
Dr Cornelia Bargmann.....	Non-Executive Director and Member of the Science Committee	Torsten N. Wiesel Professor and head of the Lulu and Anthony Wang Laboratory of Neural Circuits and Behavior at The Rockefeller University, New York. Howard Hughes Medical Institute investigator
Geneviève Berger	Non-Executive Director and Member of the Science Committee	Director of Air Liquide S.A. Chief Research Officer at Firmenich, SA, Geneva, Switzerland. Professor of Medicine at Université Pierre et Marie Curie, Paris
Bruce Burlington	Non-Executive Director, Chairman of the Science Committee and Member of the Nomination and Governance Committee	Non-executive Director of the International Partnership for Microbicides
Ann Cairns.....	Non-Executive Director and Member of the Audit Committee	President, International Markets, at MasterCard
Graham Chipchase.....	Non-Executive Director, Chairman of the Remuneration Committee and Member of the Nomination and Governance Committee	Chief Executive of Rexam PLC. Fellow of the Institute of Chartered Accountants in England and Wales
Jean-Philippe Courtois.....	Non-Executive Director and Member of the Audit Committee	President of Microsoft International. Board member for PlaNet Finance
Rudy Markham.....	Senior Independent Non-Executive Director, Chairman of the Audit Committee and Member of the Remuneration Committee and 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., Standard Chartered PLC and Legal & General plc. Vice Chairman of the Supervisory Board of Corbion NV, a Fellow of the Chartered Institute of Management Accountants and a Fellow of the Association of Corporate Treasurers
Baroness Shriti Vadera	Non-Executive Director, Member of the Audit Committee and Member of the Remuneration Committee	Chairman of Santander UK plc. Senior Independent Director of BHP Billiton
Marcus Wallenberg.....	Non-Executive Director and Member of the Science Committee	Chairman of Skandinaviska Enskilda Banken AB, Saab AB, LKAB and Foundation Asset Management AB. Member of the boards of Investor AB, the Knut and Alice Wallenberg Foundation and Temasek Holdings Ltd
Adrian Kemp	Company Secretary	

The business address of each of the Directors and the Company Secretary referred to above is 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge CB2 0AA.

There are no potential conflicts of interest between the duties to the Issuer of its Directors and the Company Secretary and their private interests and other duties.

Recent Developments

The following paragraphs update the information in the Annual Report and Form 20-F Information 2015, which has been incorporated by reference.

First quarter results

On 29 April 2016, AstraZeneca announced its first quarter results, which included the following:

- Revenue for the first quarter was U.S.$6,115 million, up 5 per cent. at constant exchange rates ("CER") as compared to the first quarter of 2015, driven by significant increase in externalisation.

- The key growth platforms respiratory, Brilinta, diabetes, emerging markets, Japan and new oncology delivered U.S.$3,435 million (+6 per cent. CER) of revenue in the first quarter. Emerging markets grew by 6 per cent. at CER, with revenue in China increasing by 11 per cent. at CER.

- Core earnings per share ("EPS") was U.S.$0.95, down 7 per cent. at CER compared to the first quarter of 2015.

- Reported EPS was U.S.$0.51, up 26 per cent. at CER as compared to the first quarter of 2015.

- Further focus on the main therapy areas to drive greater productivity across the organisation. The prioritisation of investments will be sharpened, enabling the allocation of additional investment to oncology. Alongside this, AstraZeneca will continue to work with others in the opportunity-led parts of the portfolio, such as infection, neuroscience and inflammatory diseases outside respiratory. This focus will streamline further AstraZeneca's operations, primarily in commercial and manufacturing. This together with the drive for greater efficiency, will deliver a material decline in AstraZeneca's Core selling, general and administrative costs in 2016 and 2017.

Pipeline developments

On 1 March 2016, AstraZeneca announced that it has entered into an agreement with ProStrakan Group, a subsidiary of Kyowa Hakko Kirin Co. Ltd., for the rights to Moventig (naloxegol) in the European Union (EU), Iceland, Norway, Switzerland and Liechtenstein. Moventig is the first once-daily, oral peripherally-acting mu-opioid receptor antagonist (PAMORA) approved in Europe for the treatment of opioid-induced constipation (OIC) in adult patients who have had an inadequate response to laxative(s).

On 9 March 2016, AstraZeneca and MedImmune announced that the FDA has granted Orphan Drug Designation for the investigational anti-CD19 monoclonal antibody, MEDI-551, for the treatment of patients with neuromyelitis optica (NMO) as well as neuromyelitis optica spectrum disorders (NMOSD). Developed by MedImmune, MEDI-551 is currently in Phase IIb clinical development for NMO.

On 23 March 2016, AstraZeneca announced the top-line results of the SOCRATES trial, assessing the efficacy of Brilinta/Brilique (ticagrelor) 90mg tablets twice-daily, when compared to aspirin 100mg once-daily in patients with acute ischaemic stroke or transient ischaemic attack (TIA). The primary efficacy endpoint of time to first occurrence of any event from the composite of stroke (ischaemic or haemorrhagic), myocardial infarction (MI, also known as heart attack) and death was not met. Fewer events were observed on Brilinta/Brilique versus the comparator in the overall trial population but the trend did not reach statistical significance.

On 29 March 2016, AstraZeneca announced that the Japanese Ministry of Health, Labour and Welfare (MHLW) has approved Tagrisso (osimertinib, AZD9291) 80mg once-daily tablets for the treatment of patients with epidermal growth factor receptor (EGFR) T790M mutation-positive inoperable or recurrent non-small cell lung cancer (NSCLC) that is resistant to EGFR tyrosine kinase inhibitor (TKI) therapy.

On 8 April 2016, AstraZeneca and Eli Lilly and Company announced that AMARANTH, a Phase II/III study of AZD3293, an oral beta secretase cleaving enzyme (BACE) inhibitor currently in development as a potential treatment for early Alzheimer's disease, will continue into Phase III of the Phase II/III seamless trial.

On 26 April 2016, AstraZeneca announced that the FDA has approved Bevespi Aerosphere (glycopyrrolate and formoterol fumarate) inhalation aerosol indicated for the long-term, maintenance treatment of airflow obstruction in patients with chronic obstructive pulmonary disease (COPD), including chronic bronchitis and/or emphysema.

On 29 April 2016, AstraZeneca announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has issued a positive opinion, recommending the

approval of a new antibiotic, CAZ AVI 2g/0.5g powder. CAZ AVI is being developed to treat a broad range of Gram-negative bacterial infections that are increasingly resistant to antibiotics.

Commercial Developments

On 26 April 2016, AstraZeneca announced that it has entered into a licensing agreement with Ironwood Pharmaceuticals for the exclusive US rights to Zurampic (lesinurad). Zurampic was approved by the FDA in December 2015, in combination with a xanthine oxidase inhibitor (XOI), for the treatment of hyperuricemia associated with uncontrolled gout. Under the terms of agreement, Ironwood Pharmaceuticals will pay AstraZeneca sales-related and other milestone payments of up to U.S.$265 million and tiered single-digit royalties on product sales.

On 3 May 2016, AstraZeneca announced that it had completed the divestment of the global rights to Imdur, outside the US, to China Medical System Holdings Ltd and its associated company, Tibet Rhodiola Pharmaceutical Holding Co. Under the agreement, AstraZeneca will receive $190 million for the rights to Imdur.

On 3 May 2016, AstraZeneca announced that it had completed the acquisition of the core respiratory business of Takeda Pharmaceutical Company Limited ("Takeda"). The agreement includes the expansion of rights to roflumilast (marketed as Daliresp in the US and Daxas in other countries), the only approved oral PDE4 inhibitor for the treatment of chronic obstructive pulmonary disease. AstraZeneca has marketed Daliresp in the US since the acquisition of the rights from Actavis in the first quarter of 2015.

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 16(c) Substitution of the Notes or otherwise and does not consider the tax consequences of any such substitution.

Provision of Information

HMRC have powers to obtain information in relation to interest or payments treated as interest and payments derived from securities which are made by persons in the UK. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International and Morgan Stanley & Co. International plc (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 5 May 2016 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, delivered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

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 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and undertaken that:

(a) ***No deposit-taking in relation to any Notes having a maturity of less than one year***:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion***:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance***:

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations and ministerial guidelines 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 (Winding Up and Miscellaneous Provisions) 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 the Notes have not been and will not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus, the Notes and any material or information contained or incorporated by reference herein in relation to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. Neither this Base Prospectus nor any material or information contained or incorporated by reference herein constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Notes may only be sold to and invested by the PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, the CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

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 most recent update of the Programme was authorised by the Board of Directors of the Issuer on 24 July 2007 and 30 July 2013. 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 27 to the Issuer's consolidated financial statements for the year ended 31 December 2015 on pages 183 to 187 (inclusive) of the Issuer's Annual Report and Form 20-F Information 2015, 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 2015, there has been no material adverse change in the prospects of the Issuer and since 31 March 2016, there has been no significant change in the financial or trading position of the Group.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 31 December 2015 and 31 December 2014 have been audited without qualification by KPMG LLP, independent registered public accounting firm.

Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Principal Paying Agent in London for 12 months from the date of this Base Prospectus:

(a) the Memorandum and Articles of Association of the Issuer;

(b) the unaudited interim financial statements of the Issuer for the 3 months ended 31 March 2016;

(c) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2014 and 31 December 2015;

(d) the Agency Agreement;

(e) the Trust Deed;

(f) the Programme Manual (which contains the forms of the Notes in global and definitive form); and

(g) the Issuer-ICSDs Agreement.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream and, in the case of Renminbi Notes cleared through the CMU, the CMU. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms.

Yield

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

ISSUER

AstraZeneca PLC
1 Francis Crick Avenue
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