BASE PROSPECTUS

AstraZeneca PLC
(incorporated with limited liability in England)

AstraZeneca Finance LLC
(a Delaware corporation)

US$10,000,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed, in the case of Notes issued by AstraZeneca Finance LLC, by AstraZeneca PLC

AstraZeneca PLC and AstraZeneca Finance LLC ("**AstraZeneca Finance**") have established a Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus. Each of AstraZeneca PLC and AstraZeneca Finance shall be referred to herein as an "**Issuer**", and in respect of issues of Notes by AstraZeneca Finance, AstraZeneca PLC shall be a Guarantor (in such capacity, the "**Guarantor**"). Pursuant to the Programme, the Issuers may from time to time issue notes ("**Notes**") up to the maximum aggregate principal amount of US$10,000,000,000.

Notes will be issued in series (each a "**Series**") in bearer form or registered form, as specified in the applicable Final Terms. 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. References in this Base Prospectus to "**relevant Issuer**" shall, in relation to any Tranche of Notes, be references to the Issuer which is, or is intended to be, the Issuer of such Notes as indicated in the applicable 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 24 May 2021 (the "**Trust Deed**") between the Issuers, the Guarantor 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 May 2021 (the "**Agency Agreement**") between the Issuers, the Guarantor, Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**") and ICSD Transfer Agent, Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**"), as CMU transfer agent and as CMU registrar ("**CMU Registrar**"), Deutsche Bank Trust Company Americas as ICSD registrar and Deutsche Bank AG, London Branch as ICSD transfer agent and ICSD paying agent.

This Base Prospectus is a base prospectus issued in compliance with the UK Prospectus Regulation (as defined below) 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. This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuers or the Guarantor, nor as an endorsement of the quality of any Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in such Notes. This Base Prospectus is valid for a period of twelve months from the date of approval. Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange plc (the "**London Stock Exchange**") during the period of twelve months after the date hereof. The Main Market of the London Stock Exchange is a regulated market situated or operating within the United Kingdom for the purposes of the UK Prospectus Regulation.

The Notes 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 abilities of the Issuers and/or the Guarantor, as the case may be, to fulfil their respective obligations under the Notes or the Guarantee (as defined below) as the case may be, are discussed under "Risk Factors" below.

Arranger

MORGAN STANLEY

Dealers

BARCLAYS
BNP PARIBAS
BOFA SECURITIES
CITIGROUP
DEUTSCHE BANK
GOLDMAN SACHS INTERNATIONAL
HSBC
J.P. MORGAN CAZENOVE
MIZUHO SECURITIES
MORGAN STANLEY
SANTANDER
SEB
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

The date of this Base Prospectus is 24 May 2021

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IMPORTANT NOTICES

AstraZeneca PLC accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes AstraZeneca PLC issues or guarantees under the Programme and AstraZeneca PLC declares that, to the best of AstraZeneca PLC's knowledge the information contained in this Base Prospectus and any Final Terms is, in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

AstraZeneca Finance accepts responsibility for the information contained in this Base Prospectus under the heading "Description of AstraZeneca Finance LLC" and the Final Terms for each Tranche of Notes AstraZeneca Finance issues under the Programme and AstraZeneca Finance declares that, to the best of AstraZeneca Finance's knowledge the information contained in this Base Prospectus under the heading "Description of AstraZeneca Finance LLC" and any Final Terms is, in accordance with the facts and this Base Prospectus makes 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 Issuers and/or the Guarantor, as the case may be, 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 Issuers, the Guarantor, the Trustee or any Dealer.

None of the Dealers, any of their respective affiliates, 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 performance or financial position of the Issuers and/or the Guarantor, as the case may be, since the date thereof or, if later, 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 Issuers, the Guarantor 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, neither the Notes nor the Guarantee have been, nor will they be, registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act).

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 Issuers, the Guarantor, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers and/or the Guarantor, as the case may be.

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

The Programme has been rated by S&P Global Ratings UK Limited ("**S&P**") and by Moody's Investors Service Limited ("**Moody's**"), as more fully set out in "*Description of the Programme*" below. Each of S&P and

Moody's is established in the UK and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK CRA Regulation**"). Each of S&P and Moody's appears on the latest update of the list of registered credit rating agencies (as of 21 May 2021) on the FCA's Financial Services Register. The rating S&P has given to the Notes to be issued under the Programme is endorsed by S&P Global Ratings Europe Limited, which is established in the European Economic Area (the "**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). The rating Moody's has given to the Notes to be issued under the Programme is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under the EU CRA Regulation.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme as described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or by a credit rating agency which is certified under the UK CRA Regulation, will be disclosed 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 EU CRA Regulation or (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 EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. In general, UK 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 UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK 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 make its own assessment as to the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

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

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

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

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

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

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**US$**", "**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**" and "**CNY**" are to the lawful currency of the People's Republic of China (for the purpose of this Base Prospectus, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) ("**PRC**").

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

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

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

IMPORTANT EEA RETAIL INVESTORS

If the relevant Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT UK RETAIL INVESTORS

If the relevant Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MIFID II PRODUCT GOVERNANCE/TARGET MARKETS

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

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

UK MIFIR PRODUCT GOVERNANCE/TARGET MARKETS

The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules (as defined below) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

UK BENCHMARKS REGULATION

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by FCA pursuant to Article 36 of the UK Benchmarks Regulation. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuers do not intend to update the Final Terms to reflect any change in the registration status of the administrator.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

The Final Terms in respect of any Notes may include a legend entitled "**Singapore Securities and Futures Act Product Classification**" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (as modified or amended from time to time, the "**SFA**"). The relevant Issuer will make a determination in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for the purposes of section 309B(1)(c) of the SFA.

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. This section constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 as it forms part of domestic law of the UK by virtue of the EUWA. 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.

Issuers:	AstraZeneca PLC. AstraZeneca Finance LLC ("**AstraZeneca Finance**").
Guarantor:	AstraZeneca PLC (only in respect of Notes issued by AstraZeneca Finance).
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of AstraZeneca PLC and AstraZeneca Finance to fulfil their respective obligations under the Notes are discussed under "*Risk Factors*" below.
Arranger:	Morgan Stanley & Co. International plc.
Dealers:	Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, Skandinaviska Enskilda Banken AB (publ), Société Générale and any other Dealer appointed from time to time by the relevant Issuer and the Guarantor, as the case may be, 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 Main Market of the London Stock Exchange.
Clearing Systems:	Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") and/or the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority ("**CMU**"), in relation to any Tranche of Notes.
Initial Programme Amount:	Up to US$10,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuers and the Guarantor 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 be issued in bearer form or registered form, as specified in the applicable Final Terms. Bearer Notes (as defined below) will not be exchangeable for Registered Notes (as defined below) and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Tranche of Bearer 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.

Each Note represented by Global Registered Note will either be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or the Hong Kong Monetary Authority in its capacity as operator of the CMU and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary or lodged with a sub-custodian for the CMU and will be exchangeable for Individual Note Certificates in accordance with its terms or registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream and will be exchangeable for Individual Note Certificates in accordance with its terms.

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.

Status of the Guarantee:	The guarantee of the Notes issued by AstraZeneca Finance given by the Guarantor in the Trust Deed (the "**Guarantee**") is an unsubordinated obligation of the Guarantor.
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 relevant 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 relevant 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 relevant Issuer and Guarantor, as applicable, 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 FSMA by the relevant 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 relevant 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*).
Special Mandatory Redemption:	The Notes may be subject to mandatory redemption by the relevant Issuer in whole, but not in part following a Special Mandatory Redemption Trigger Event, at 101 per cent. of their principal amount together with accrued interest, as described under Condition 9(i) (*Special Mandatory Redemption*).
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 Relevant Jurisdiction(s) (as defined in the Conditions), unless the withholding is required by law. In that event, the relevant Issuer or the Guarantor, as the case may be, will (subject as provided in Condition 12

(*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

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

Ratings: The Programme has been rated as follows by S&P and by Moody's, S&P and Moody's are both established in the UK and registered under the UK CRA Regulation:

S&P Global Ratings UK Limited: BBB+

Moody's Investors Service Limited: A3

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such 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. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed 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 EU CRA Regulation or (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 EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. In general, UK 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 UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

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.

Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the UK, Japan, the People's Republic of China, Hong Kong and Singapore see "*Subscription and Sale*" section on page 138.

Use of Proceeds: The net proceeds from the issue of each Tranche of Notes will be used for the general corporate purposes of the relevant Issuer's business which may include the repayment of debt. If in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Investing in Notes issued under the Programme involves certain risks. Set forth below are risk factors that AstraZeneca believe are the principal risks involved in an investment in the Notes.

For the avoidance of doubt, in these risk factors "**AstraZeneca**" *shall mean (i) if the Transaction (as defined below) is completed, AstraZeneca PLC (as Issuer or as Guarantor, as the case may be) and its subsidiaries including Alexion (as defined below) and its subsidiaries and AstraZeneca Finance, and (ii) if the Transaction is not completed, AstraZeneca PLC (as Issuer or as Guarantor, as the case may be) and its subsidiaries including AstraZeneca Finance. Where a risk is only relevant if the Transaction is completed, the term* "**Combined Group**" *is used to mean AstraZeneca PLC (as Issuer or as Guarantor, as the case may be) and Alexion and their respective subsidiaries.*

Otherwise, 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.

Prospective investors should consider carefully the following:

RISKS RELATING TO FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements about AstraZeneca. AstraZeneca 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 AstraZeneca's control and that may have actual outcomes materially different from AstraZeneca's expectations.

RISKS RELATING TO ASTRAZENECA AND ITS BUSINESS

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

Product Pipeline and Intellectual Property Risks

Failure or delay in the delivery of pipeline or launch of new medicines

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

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

Launch decisions and dates are primarily driven by AstraZeneca's development programmes. Once a development programme is completed and the dossier submitted to health authorities, investments made in the manufacture of pre-launch product stocks, marketing materials and sales force training, may result in excess expenses if the product is not approved.

Various other factors, including adverse findings in pre-clinical or clinical studies, regulatory demands, price negotiation, large-scale natural disasters or global pandemics, competitor activity and technology transfer may significantly delay or prevent launch. Differing complex and stringent regulations govern the manufacturing and supply of biologics products, thus impacting the production and release schedules of such products more significantly.

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

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

Significant delays to anticipated launch dates of new products could have a material adverse effect on AstraZeneca's financial position and/or results of operations. For example, for the launch of products that are seasonal in nature, delays in regulatory approvals or manufacturing difficulties may delay launch to the next season which, in turn, may significantly reduce the return on costs incurred in preparing for the launch for that season. Furthermore, in immuno-oncology for example, speed to market is critical given the large number of clinical trials being conducted by other companies.

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

In addition to developing products in-house, AstraZeneca 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 AstraZeneca to grow and strengthen the business. The success of such arrangements is largely dependent on the technology and other intellectual property ("**IP**") rights AstraZeneca acquires or licenses, and the resources, efforts and skills of its partners. Disputes or difficulties in AstraZeneca's relationship with its collaborators or partners may arise, for example, due to conflicting priorities or conflicts of interest between parties.

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

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

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

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

Failure to meet regulatory or ethical requirements for drug development or approval

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

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

AstraZeneca may be required to generate additional data after a drug's approval because a regulatory authority may have concerns that impact the benefit/risk profile of the drug. For AstraZeneca's marketed drugs, new data or meta-analyses have the potential to drive changes in the approval status or labelling. In addition, recent years have seen an increase in post-marketing regulatory requirements and commitments, an increased call for third-

party access to regulatory and clinical trial data packages for independent analysis and interpretation, and broader data transparency. Such transparency, while important, could lead to inappropriate or incorrect data analyses which may damage the integrity of AstraZeneca's products and its reputation. In 2020, AstraZeneca saw additional transparency challenges with the COVID-19 vaccine trials, due to intense media scrutiny driven by extremely high public interest, as well as information leaks.

Delays in regulatory reviews and approvals could delay AstraZeneca's ability to market its products and may adversely affect its revenue. In addition, post-approval requirements, including additional clinical trials, could result in increased costs.

In anticipation of the United Kingdom (the "**UK**") leaving the European Union (the "**EU**") ("**Brexit**") on 31 January 2020, with a transition period running to 31 December 2020 (see "*Risk Factors - Uncertainty and volatility in relation to the UK's exit from the EU*"), intense work was undertaken to manage Brexit-related changes, identify scenarios for the many uncertainties still to be resolved, and determine the new UK requirements moving forward. This included transferring licences and authorisations for EU markets historically held in the UK to an EU member state and building capability to test medicines in the EU where such testing has in the past been undertaken in the UK for all EU markets. UK licences also needed to be separated out from centrally approved products in the EU. These actions were undertaken to ensure appropriate regulatory requirements can be met both in the EU and UK following the end of the transition period. AstraZeneca's corporate planning assumption was initially for a 'no deal' Brexit and no transition period. This was revised after the Withdrawal Agreement was ratified to no extension of the transition period and no deal. In light of these assumptions, AstraZeneca took steps to protect product supply both in both the UK and EU.

On 24 December 2020 the European Commission and UK Government entered into a Trade and Cooperation agreement which sets out the basis of their relationship following the end of the transition period. Changes in regulatory review and approval processes, and safety surveillance in light of this agreement may have implications on AstraZeneca's resources, ways of working and costs, and could impact the availability and timing of approvals.

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

A pharmaceutical product may be protected from being copied for a limited period of time under certain patent rights and/or related IP rights, such as regulatory data protection or orphan drug status. Typically, products protected by such rights generate significantly higher revenues than those not protected. AstraZeneca's ability to obtain, maintain, defend and enforce patents and other IP rights in relation to its products is an important element in of its ability to protect and recoup its investment in R&D and create long-term value for the business. Some countries in which AstraZeneca operates do not offer robust IP protection. This may be because IP laws are still developing, the scope of those laws is limited or the political environment does not support such legislation. AstraZeneca also recognises increasing use of compulsory licensing in some of the countries in which it operates.

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

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

AstraZeneca also bears the risk that its products may be found to infringe patents owned or licensed by third-parties, including research-based and generic pharmaceutical companies and individuals. These third-parties may seek remedies for patent infringement, including injunctions (for example, preventing the marketing of one of AstraZeneca's products) and damages.

Third-parties may be awarded remedies for alleged infringement of their IP, for example injunctions and damages for alleged patent infringement. In the US, courts may order enhanced (up to treble) damages for alleged wilful infringement of patents. From time to time AstraZeneca may seek to acquire licences, which may not be available on commercially reasonable terms or at all, discontinue activities and/or modify processes

to avoid claims of patent infringement. These steps could entail significant costs and AstraZeneca's revenue and margins could be materially adversely affected.

Commercialisation Risks

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

AstraZeneca's pharmaceutical products compete with other products marketed by research-based pharmaceutical companies and with generic or biosimilar drugs marketed by generic drug manufacturers.

Generic versions of products, including biosimilars, are often sold at lower prices than branded products, as the manufacturer does not have to recoup the significant cost of R&D investment and market development. Expiry or loss of IP rights can materially adversely affect AstraZeneca's revenues and financial condition due to the launch of cheaper generic copies of the product in the country where the rights have expired or been lost. Additionally, the expiry or loss of patents covering other innovator companies' products may also lead to increased competition and pricing pressure for AstraZeneca's own, still-patented products in the same product class due to the availability of lower-priced generic products in that product class.

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

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

As well as facing generic competition upon expiry or loss of IP rights, AstraZeneca 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, AstraZeneca is currently facing challenges from numerous generic drug manufacturers regarding its patents relating to key products, including *Symbicort*, *Brilinta*, *Tagrisso*, *Faslodex* and *Farxiga*.

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

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

Where AstraZeneca 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, AstraZeneca bears the risk that it incurs liabilities to those third-parties.

Approval of competitive products for the same or similar indication as one of AstraZeneca's products may result in immediate and significant decreases in AstraZeneca's revenues.

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

Price controls and reductions

Most of AstraZeneca's key markets have experienced the implementation of various cost control or reimbursement mechanisms in respect of pharmaceutical products. Due to these pressures on the pricing of

AstraZeneca's products, there will continue to be downward pressure on prices globally that will challenge the profitability levels of products in particular markets.

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

In the US, policymakers at the federal and state level continue to consider a range of legislative and regulatory proposals to address the affordability of prescription drugs in addition to reforms to the US healthcare system. Modifications to Medicare and other government programmes, price transparency requirements, reference pricing proposals, policies to permit importation of drugs into the US, and policies aimed at reducing drug list prices and limiting pricing flexibility have also been included in proposed federal legislation and federal agency proposals. It is difficult to predict what specific proposals could be enacted and to determine the implications for the healthcare system and pharmaceutical industry. However, lowering drug costs remains a key bipartisan priority in Congress, the administration and state governments. Proposals that would significantly modify existing laws and regulations, including coverage and reimbursement of drugs in government programmes and policies relating to drug pricing, as well as the economic impact of the COVID-19 public health emergency could affect private health insurance, coverage and reimbursement in Medicare, Medicaid and the health insurance exchange marketplaces, and other facets of the US healthcare market, with potentially significant impacts on the pharmaceutical industry.

Ongoing scrutiny of the US pharmaceutical industry, focused largely on pricing, is placing increased emphasis on the value of medications. This scrutiny will likely continue across many stakeholders, including policymakers and legislators.

Any future expansion or judicial invalidation of the Affordable Care Act ("**ACA**"), or any significant spending reductions or cost controls affecting Medicare, Medicaid or other publicly funded or subsidised health programmes in the US, could adversely affect AstraZeneca's business and financial results. The future of the ACA, entitlement reform and healthcare laws in general in the US could have a material adverse effect on AstraZeneca's results of operations, financial condition or business.

In the US, consolidation among distributors, retail pharmacy chains and other purchasing organisations, including integration across the supply chain, creates concentration of credit risk and increasing potential for large integrated entities to exert more power in negotiations with AstraZeneca, which could result in margin erosion.

AstraZeneca expects that consolidation and integration of drug distributors, retail pharmacy chains, private insurers, managed care organisations and other purchasing organisations may continue to have an effect on pharmaceutical manufacturers, including AstraZeneca.

In Europe, the industry continues to be exposed to various ad hoc cost-containment measures and reference pricing mechanisms which impact prices. There is a trend towards increasing transparency and comparison of prices among EU Member States which may eventually lead to a change in the overall pricing and reimbursement landscape. There is also a continued push across the EU to harmonise the Health Technology Assessment ("**HTA**") review process. This could lead to an environment in the EU where medicines undergo duplicate HTA evaluations, both at an EU level and a country level, it is unlikely organisations such as GBA Pharma in Germany or Haute Autorité Santé in France would make changes to their systems.

The potential duplication of HTA evaluations could result in a delay to times of reimbursement and patient access.

In emerging markets, governments are increasingly controlling pricing and favouring locally manufactured drugs. In addition, the emergence of price referencing has been seen in some markets combined with a call from authorities to provide greater global price transparency. For example, in 2020, China expanded value-

based procurement ("**VBP**"), placing downward pressure on the pricing of products that lost exclusivity in the VBP. China also continues to leverage its purchasing power through the National Reimbursement Drug List ("**NRDL**") which can make pricing negotiations difficult. Notably in the 2020 NRDL, the industry average price decrease was over 50%.

In Japan, the government has relied on drug budget restrictions to restrict increasing social security costs associated with the rapidly ageing society, expanding the scope and degree of price discounts. In April 2018, many new rules were implemented as drug pricing system reforms. Further to that, a cost-effectiveness evaluation was introduced for certain categories of drugs from April 2019. Discussions for further drug budget restrictions are underway at the health ministry.

Concurrently, many markets are adopting the use of 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 increase efficiencies in the use and choice of pharmaceutical products.

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

Economic, regulatory and political pressures

AstraZeneca operates in more than 100 countries and is subject to political, socio-economic and financial factors (including foreign exchange movements) both globally and in individual countries.

A sustained global economic downturn, such as that which is being experienced as a consequence of the COVID-19 pandemic, may further exacerbate pressure from governments and other healthcare payers on medicine prices and volumes of sales in response to pressures on budgets, and may cause a slowdown or a decline in growth in some markets. Those most severely impacted by the economic downturn may seek alternative ways to settle their debts through, for example, the issuance of government bonds which might trade at a discount to the face value of the debt. AstraZeneca's customers may cease to trade, which may result in losses from writing off debts, or a reduction in demand for AstraZeneca's products.

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

In addition, any escalation of the current trade disputes could lead to sanctions such as the unilateral imposition of tariffs, duties, quotas or other non-tariff barriers. While the introduction of such sanctions in relation to medicines is unlikely, it could occur if matters escalate significantly and could therefore adversely impact medicine process and volumes of sales in impacted markets.

AstraZeneca 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.

While AstraZeneca has adopted cash management and treasury policies to manage the risk of not being able to access a sustainable flow of liquid funds, it cannot be certain that these will be as effective as they are intended to be, in particular in the event of a global liquidity crisis. In addition, open positions where AstraZeneca is owed money and investments that AstraZeneca has made in financial and non-financial institutions or money market funds cannot be guaranteed to be recoverable. Additionally, if AstraZeneca 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 AstraZeneca on its debt

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

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

A number of AstraZeneca's existing or future commercial or other agreements, such as borrowings, derivative financial instruments and commercial contracts, utilise or may utilise various London Interbank Offered Rates, known as LIBOR, or other similar rates as benchmark reference rates. LIBOR and other benchmark reference rates are the subject of ongoing national and international regulatory reform, the result of which is expected to see some or all of them partially or fully replaced by alternative reference rates, or cause LIBOR's regulator to determine that it is no longer representative of its underlying market. This may result in potential adjustments or renegotiations being necessary to AstraZeneca's agreements in respect of the commercial terms or mechanisms to set the reference rate in the future. While different alternative reference rates are developing for different currencies, there is a risk that the relevant Issuer fails to renegotiate or adjust its agreements. Any combination of these events could have an adverse effect on the cost, cash flows, value, return on and trading market of AstraZeneca's borrowings, derivative financial instruments, commercial and other agreements, and could increase AstraZeneca's administrative burden if the transition to alternative rates is required or necessary by regulation or market practice. (See also "*Risk Factors - There are risks that certain benchmark rates may be administered differently or discontinued in the future, including the potential phasing-out of LIBOR after 2021, which may adversely affect the trading market for, value of and return on, Notes based on such benchmarks*".)

In addition, the UK's exit from the EU followed by the end of the transition period which occurred on 31 December 2020 could adversely impact the operation of the financial system and the ability of financial institutions to perform certain activities and services upon which AstraZeneca relies if the arrangements, agreed between the UK and EU in the upcoming future negotiations relating to equivalence determinations, do not adequately address such matters and those financial institutions have not implemented plans to mitigate the impact of such an outcome.

Uncertainty and volatility in relation to the UK's exit from the EU

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU. Following Royal Assent of the European Union (Withdrawal Agreement) Act in the UK and ratification of the Withdrawal Agreement by the European Parliament, the UK left the EU on 31 January 2020 with a transition period running to 31 December 2020.

On 24 December 2020 the UK Government and European Commission agreed the terms of a Trade and Cooperation Agreement which sets out the relationship between the UK and the EU following the end of the transition period. Entering into this agreement was provisionally approved by the European Council on 29 December 2020 and the associated UK legislation received Royal Assent on 30 December 2020. The European Parliament is due to formally scrutinise the agreement in the coming months prior to providing its consent to it. The agreement comprises a Free Trade Agreement, rules on governance and dispute resolution, and security cooperation. The Free Trade Agreement provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin; maintains a level playing field in areas such as environmental protection, social and labour rights, tax transparency and State aid, with enforcement and a binding dispute settlement mechanism; and maintains air, road, rail and maritime connectivity but with new customs and passport checks and limitations on haulage operations.

It is still too early to judge the full impact of the new Trade and Cooperation Agreement between the UK and EU. Brexit, implementation of the resulting changes from the new agreement together with the outcome of future negotiations between the UK and EU on matters not fully addressed in it, could materially and adversely affect the tax, tax treaty, currency, operational, legal and regulatory regimes as well as the macro-economic environment in which AstraZeneca operates. Since the referendum, global markets and foreign exchange rates have experienced increased volatility, including a decline in the value of the pound sterling as compared with the euro and US dollar. Following the end of the transition period provided for in the Withdrawal Agreement, among other things, the UK no longer benefits from membership of the single EU market. Travel between the

UK and EU countries now has some increase restrictions and border checks or other regulatory and system constraints may impede the rapid free movement of goods.

AstraZeneca's workforce, and in turn its ability to recruit and retain talent, could be impacted by the new restrictions on the movement of persons. AstraZeneca could face new and greater costs and challenges if UK regulations and policies that govern its business diverge from those of the EU, or if there is any other new or increased friction in AstraZeneca's trading environment.

The longer-term effects of Brexit remain difficult to predict but could include further financial instability and slower economic growth or economic downturn in the UK in particular, but also in Europe and the global economy. Restrictions on the movement of persons, deterioration in market access or trading terms, delay or restrictions to the movement of goods or increased cost and burdens in the form of new or diverging rules and regulations may have a significant adverse impact on AstraZeneca's operations, profitability and business model. Further, uncertainty around the form and timing of any future trading arrangements between the UK and other countries now that benefits of the EU's Free Trade Agreement network are no longer available to the UK could increase volatility and lead to adverse effects on the economy of the UK, other parts of Europe and the rest of the world, which in turn could have an adverse economic impact on AstraZeneca's operations.

Failure or delays in the quality or execution of AstraZeneca's commercial strategies

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

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

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

The commercialisation of biologics is often more complex than for small molecule pharmaceutical products, primarily due to differences in the mode of administration, technical aspects of the product, and rapidly changing distribution and reimbursement environments. Due to the complexity of the commercialisation process for biologics, the methods of distributing and marketing biologics could materially adversely impact AstraZeneca's revenues from the sales of biologic medicines such as *Synagis* and *FluMist/Fluenz*.

AstraZeneca faces particular challenges in emerging markets, including: (i) more volatile economic conditions and/or political environments; (ii) competition from multinational and local companies with existing market presence; (iii) difficulties enforcing and protecting IP; (iv) inadequate protection against crime (including counterfeiting, corruption and fraud); (v) unauthorised or unregulated parallel imports; (vi) the need to impose developed market compliance standards; (vii) the need to meet a more diverse range of national regulatory, clinical, manufacturing and distribution requirements; (viii) potential inadvertent breaches of local and international law and the need to manage sanctions and other restrictions that may be imposed in each jurisdiction; (ix) possible geopolitical risks impacting trade and tariffs across connected markets; (x) recruitment of appropriately skilled and experienced personnel; (xi) difficulty in identifying the most effective sales and marketing channels and routes to market; (xii) intervention by local or national governments or regulators, restricting market access and/or introducing adverse price controls and price referencing; (xiii) difficulty in managing local arrangements such as co-promotion and co-marketing; in terms of performance and adherence to AstraZeneca's compliance standards which are often higher than the market standard; (xiv) difficulties in cash repatriation due to strict foreign currency controls, risk of material currency devaluation and lack of hard currency reserves in some emerging markets; and (xv) complexity derived from direct exports to countries where AstraZeneca does not have a legal entity.

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

AstraZeneca may also seek to acquire complementary businesses or enter into other strategic transactions. For example, on 12 December 2020 AstraZeneca signed a definitive agreement to acquire Alexion Pharmaceuticals, Inc. ("**Alexion**"), subject to regulatory clearances (see also "*Risks relating to the Transaction*" below). 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 integration of new businesses with AstraZeneca's business could result in operational complexities.

The inability to effectively integrate acquired businesses into AstraZeneca's operations may result in significant unexpected expenses or failure to realise anticipated benefits which may materially impact the results of operations.

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

Supply Chain and Business Execution Risks

Failure to maintain supply of compliant, quality medicines

AstraZeneca may experience difficulties, delays and interruptions in the manufacturing and supply of its products for various reasons, including: (i) demand significantly in excess of forecast demand, which may lead to supply shortages (which is particularly challenging before product launch); (ii) supply chain disruptions, including those due to natural or man-made disasters at one of its facilities, at a critical supplier or vendor, or during transit; (iii) delays in construction of new facilities or the expansion of existing facilities, to support future demand for its products, including new modalities of medicine; (iv) the inability to supply products due to a product quality failure or regulatory 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 and adequate supply.

As with the rest of the pharmaceutical industry, AstraZeneca works in a heavily regulated environment which is subject to continued evolution. It is necessary for AstraZeneca to meet all regulations, including compliance with Good Manufacturing Practices ("**GMP**") and Good Distribution Practices and comparable regulatory dossier conditions of approval in other countries in which its products are licensed, manufactured or sold. Regulatory agencies periodically inspect AstraZeneca's manufacturing facilities to evaluate compliance with applicable requirements and may identify potential deficiencies.

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

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

Failure to comply with all manufacturing regulations can result in negative regulatory inspection findings leading to manufacturing cessation, product seizure, debarment or recalls which could have a material adverse effect on AstraZeneca's business, financial condition and results of operations.

Illegal trade in AstraZeneca's medicines

The illegal trade in pharmaceutical AstraZeneca's medicines 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 AstraZeneca's products are found in a market where it did not send them and where they are not approved to be sold). There is a risk to public health when illegally traded products enter the supply chain, as well as associated financial risk. Authorities and the public expect AstraZeneca to help reduce opportunities for illegal trade in AstraZeneca's products through securing its supply chains, surveillance, investigation and supporting legal action against those found to be engaged in illegal trade.

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

Counterfeit and/or illegally diverted products replacing sales of genuine products in a market can have a direct financial impact on AstraZeneca's global markets as well as being a risk to patient safety.

Reliance on third-party goods and services

AstraZeneca spends approximately US$13 billion each year with trade suppliers. This expenditure supports the length of AstraZeneca's value chain from discovery to manufacture and commercialisation of its medicines.

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

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

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

Failure in information technology or cybersecurity

AstraZeneca is dependent on effective IT systems. These systems support key business functions such as its R&D, manufacturing, supply chain and sales capabilities. They provide an important means of safeguarding and communicating data, including critical or strictly confidential information, the confidentiality and integrity of which AstraZeneca relies on. AstraZeneca also relies on the effectiveness of its internal policies, controls and procedures to protect the confidentiality, integrity and availability of information held on its IT systems, as well as the effectiveness of its due diligence, and ongoing oversight of third-party vendors who hold or have access to AstraZeneca's data. In addition, AstraZeneca must ensure that the personal data which it, or third-party vendors operating on its behalf, holds and processes is protected in a manner that complies with increasingly stringent global privacy laws.

Examples of strictly confidential information that AstraZeneca aims to protect include clinical trial records (patient characteristics and treatments), personal information (employee bank details, salary, home address), IP related to manufacturing processes and compliance, and key research science techniques.

The size and complexity of AstraZeneca's IT systems and cloud utilisation, and those of its third-party vendors (including outsource and Software as a Service providers) with whom it contracts, have significantly increased over the past decade. Such systems are potentially vulnerable to service interruptions and security breaches including interruptions or breaches from attacks by malicious third-parties, or from intentional or inadvertent actions by its employees or vendors.

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

AstraZeneca increasingly uses the internet, digital content, social media, mobile applications, the internet of things, artificial intelligence, and other forms of new technology to process its data and to communicate internally and externally. The accessibility and instantaneous nature of interactions with such media may facilitate or exacerbate the risk of unauthorised data loss or other security incidents or beaches from within AstraZeneca. Globalisation also means that it becomes difficult to comply with all local data protection obligations for AstraZeneca's websites and mobile apps (e.g. enhanced cookie banner rules in the EU or higher standards for obtaining valid consent for certain uses of personal data). In addition, increasing regulatory and legal challenges to international transfers of personal information, for example in relation to transfers of personal data from the EU to the rest of the world as a result of a recent European Court of Justice decision, may result in data no longer being available to locations AstraZeneca is present in, with adverse operational impacts. The increased use of artificial intelligence, genomic data and biometric data poses additional risks to the rights and freedoms of individuals and consequently higher reputational and financial risks for AstraZeneca.

Privacy legislation in various jurisdictions includes obligations to report data protection breaches, whether intentional or inadvertent, to regulators, local media and affected individuals within expedited timeframes. Such expedited reporting, often before the nature and impact of a data breach can be fully understood, could cause reputational damage and a loss of public trust that may be disproportionate to the extent of the breach.

Any significant disruption to, or incidents involving, these IT systems (including breaches of data security or cybersecurity, failure to integrate new and existing IT systems) or failure to comply with additional requirements under applicable laws or contractual obligations, could harm AstraZeneca's reputation, result in regulatory penalties or sanctions and materially adversely affect its financial condition or results of operations.

While AstraZeneca invests heavily in the protection of its data and IT, it may be unable to prevent breakdowns, breaches or other incidents affecting its systems or failures of its cybersecurity policies, controls or procedures. Any such breakdown, breach, incident or failure could result in disclosure of confidential or other sensitive information, damage to its reputation, regulatory penalties, or sanctions, financial losses and/or other costs.

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

AstraZeneca and its vendors could be susceptible to third-party or internal attacks on their information security systems. Such attacks are of ever-increasing levels of sophistication, difficult to detect and are made by groups and individuals with a wide range of motives and expertise, including organised criminal groups, 'hacktivists', nation states, employees, and others. Occasionally AstraZeneca experiences intrusions, including as a result of computer-related malware. AstraZeneca may be unable to timely detect and defend against such attacks which could have an adverse effect on its business and could result in significant legal liability, regulatory penalties, including fines or sanctions.

Although AstraZeneca maintains cybersecurity insurance, there can be no assurance that its insurance coverage limits will protect against any future claim or that such insurance proceeds will be paid to AstraZeneca in a timely manner, or that such coverage will continue to be available to AstraZeneca on commercially reasonable terms, if at all.

Inappropriate use of certain media vehicles could lead to the unauthorised or unintentional public disclosure of confidential information (such as personally identifiable information on employees, healthcare professionals or patients), which may damage AstraZeneca's reputation, adversely affect its business or results of operations and expose it to legal risks, penalties or sanctions and/or additional legal obligations. Similarly, the involuntary public disclosure of commercially sensitive information or an information loss could adversely affect AstraZeneca's business or results of operations and could result in regulatory penalties or sanctions. In addition, negative posts or comments about AstraZeneca (or, for example, the safety of any of AstraZeneca's products)

on social media websites or other digital channels could harm AstraZeneca's reputation, brand image or goodwill.

Failure of critical processes

Unexpected events and/or events beyond AstraZeneca's control could result in the failure of critical processes within AstraZeneca or at third-parties on whom AstraZeneca is reliant. AstraZeneca's business faces threats to business continuity from many directions. Examples of material threats include: (i) disruption to AstraZeneca's business or the global markets if there is instability in a particular geographic region, including as a result of war, terrorism, pandemics, armed conflicts, riots, unstable governments, civil insurrection or social unrest; (ii) natural disasters in areas of the world prone to extreme weather events, which may increase in frequency or severity as a result of climate change, and earthquakes; and (iii) cyber threats similar to those detailed in the "*Failure in information technology and cybersecurity*" section above.

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

This may expose AstraZeneca to litigation and/or regulatory action which may result in fines. In addition, failure of critical processes may lead to loss of revenue and have an adverse impact on AstraZeneca's financial results.

The impact of COVID-19 on AstraZeneca's operations is highly uncertain and cannot be predicted with confidence and the extent of any adverse impact on AstraZeneca's operations (including the effects of any governmental or regulatory response to the pandemic) will depend on the global duration, extent and severity of the pandemic. To the extent the pandemic adversely affects AstraZeneca operations and/or performance, it expects it to have the effect of heightening certain risks, such as those relating to the delivery of the pipeline or launch of new medicines, the execution of AstraZeneca's commercial strategy, the manufacturing and supply of medicines and reliance on third-party goods and services.

Failure to collect and manage data in line with legal and regulatory requirements and strategic objectives

As at the date of this Base Prospectus, there is a period of significant change in global privacy laws, with many countries creating new, or strengthening existing, laws relating to how organisations can collect, process, transmit, store, use and share data that relate to individuals (personal data), including the EU General Data Protection Regulation ("**GDPR**"), the UK Data Protection Act, the US California Consumer Privacy Act and California Privacy Rights Act. Such laws require AstraZeneca, among other things, to maintain reasonable and appropriate data security measures and to provide timely notice to individuals and/or regulators in the event that personal data is compromised. Non-compliance with these laws may attract significant and material regulatory sanctions and corresponding reputational damage. For example, under the GDPR, fines of up to €20 million or 4% of a company's worldwide annual revenue of the previous fiscal years (whichever is higher) can be imposed. Further, these laws are subject to differing interpretations, and may be inconsistent from jurisdiction to jurisdiction. Many other countries where AstraZeneca operates are also enforcing their own laws more aggressively and/or adopting tougher new measures, aligning themselves to the updated EU privacy framework. The effects of such laws and regulations are potentially significant and may require AstraZeneca to modify its data processing practices and policies and to incur substantial compliance-related costs and expenses.

AstraZeneca processes significant volumes of personal data, including sensitive data relating to health and genomics, which is subject to heightened protections and may attract increased attention under privacy laws. Personal data is used for drug development, sales and marketing, and managing its employees and contractors. As such, the ability to process personal data in a lawful and compliant manner is essential to achieving AstraZeneca's stated business aims.

Despite AstraZeneca taking measures designed to ensure compliance with the applicable privacy laws by its personnel and associated third parties, non-compliance may still occur, potentially resulting in the imposition of significant penalties, such as fines, orders to cease sharing or using personal data, or legal action on behalf of impacted individuals. Any of these impacts could materially adversely affect AstraZeneca's reputation, business or results of operations, which in turn would further impact patient confidence in sharing further personal data with AstraZeneca. While the management of company-sensitive data (such as intellectual property) is subject to less regulation than personal data, failure to protect such data could similarly lead to a

competitive disadvantage and a loss of trust from partners and other stakeholders, and ultimately prevent AstraZeneca from delivering against its strategic objectives. AstraZeneca or its third-party service providers could be adversely affected if legislation or regulations are expanded to require changes in its own or third-party service providers' business practices, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect its own or third-party service providers' business, financial condition and results of operations.

Failure to attract, develop, engage and retain a diverse, talented and capable workforce

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

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

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

The successful delivery of AstraZeneca's business objectives, including in relation to the proposed acquisition of Alexion, is dependent on high levels of engagement, commitment and motivation of the workforce. With the move to remote working for a large number of its employees in 2020, there is a risk of reduced levels of engagement and collaboration. Failure to engage effectively with its employees could lead to disruption in AstraZeneca's day-to-day operations, reduce levels of productivity and/or increase levels of voluntary turnover, all of which could ultimately materially adversely affect AstraZeneca's business or results of operations.

Legal, Regulatory and Compliance Risks

Failure to adhere to applicable laws, rules and regulations

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

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

Material examples of statutes, rules and regulations impacting business operations include: (i) compliance with GMP; (ii) local, national and international environmental and occupational health and safety laws and regulations; (iii) trade control laws governing AstraZeneca's imports and exports including nationally and internationally recognised trade agreements, embargoes, trade and economic sanctions and anti-boycott requirements; (iv) competition and marketing laws; (v) rules and regulations established to promote ethical supply chain management; (vi) financial regulations related to, external financial reporting, taxation and anti-money laundering; (vii) employment practices; (viii) disclosure of payments to healthcare professionals under The Sunshine Act, relevant US State laws and European Federation of Pharmaceutical Industries and Associations legislation; (ix) appropriate disclosure of community support, patient organisation support and product donations; and (x) compliance with human rights and appropriate environmental practices of third-party contractors around the world including the conflict minerals rule in the US, and the UK Modern Slavery Act.

AstraZeneca has environmental and/or occupational health and safety-related liabilities at some current, formerly owned, leased and third-party sites.

AstraZeneca's failure to comply with applicable laws, rules and regulations; manage its liabilities; or to adequately anticipate or proactively manage emerging policy and legal developments could materially

adversely affect its licence to operate, or results of operations; adversely affect its reputation; cause harm to people or the environment; and/or lead to fines or other penalties.

For example, once a product has been approved for marketing by the regulatory authorities, it is subject to continuing control and regulation, such as the manner of its manufacture, distribution, marketing and safety surveillance. If regulatory issues concerning compliance with environmental, current GMP or Safety monitoring regulations for pharmaceutical products (often referred to as pharmacovigilance) arise, this could lead to product recalls, loss of product approvals, and seizures, and interruption of production, which could create product shortages and delays in new product approvals, and negatively impact patient access. As another example, violation of laws, rules, regulations or policies in countries subject to trade and economic sanctions could lead to loss of import or export privileges, civil or criminal penalties for AstraZeneca or its employees, or potential reputational harm, which could have a material adverse effect on AstraZeneca's results of operations, financial condition or business.

Failure to meet regulatory or ethical expectations on environmental impact, including climate change

The physical risks that climate change poses to AstraZeneca's business have been screened and AstraZeneca expects exposure to periods of extreme heat, floods and water scarcity to become more frequent and severe in some regions where it operates, in the medium to longer term. These will need to be managed if global temperatures continue to rise.

There is an increasing global focus from regulators, investors, healthcare providers and broader society regarding measures needed to transition to a low carbon economy and the impact that this will have on business, i.e. transitional risks. In some markets, regulators or healthcare providers may choose not to approve or reimburse AstraZeneca products if other products with a better carbon footprint are available. In addition, carbon taxes and fees may be imposed on AstraZeneca and its suppliers as a way to reduce greenhouse gas emissions.

Safety and efficacy of marketed medicines is questioned

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

Serious safety concerns or adverse events relating to AstraZeneca's products could lead to product recalls, seizures, loss of product approvals, declining sales and interruption of supply and could materially adversely impact patient access, AstraZeneca's reputation and financial revenues.

Any unforeseen safety concerns or adverse events relating to its products or failure to comply with laws, rules and regulations relating to provision of appropriate warnings concerning the dangers and risks of its products that result in injuries could expose AstraZeneca to large product liability damages claims, settlements and awards, particularly in the US. Adverse publicity relating to the safety of a product or of other competing products may increase the risk of product liability claims.

Significant product liability claims could also arise, which could be costly, divert management attention or damage AstraZeneca's reputation and demand for its products.

Unfavourable resolution of such current and similar future product liability claims could subject AstraZeneca to enhanced damages, consumer fraud and/or other claims, including civil and criminal governmental actions, require it to make significant provisions in its accounts relating to legal proceedings and could materially adversely affect AstraZeneca's financial condition or results of operations, particularly where such circumstances are not covered by insurance.

Adverse outcome of litigation and/or governmental investigations

AstraZeneca may be subject to various product liability, consumer, commercial, anti-trust, environmental, employment or tax litigation or other legal proceedings and governmental investigations, including in relation to the acquisition of Alexion (see also "*Risks relating to the Transaction*" below). Litigation, particularly in the US, is inherently unpredictable and unexpectedly high awards for damages can result from an adverse verdict. In many cases, plaintiffs may claim enhanced damages in extremely high amounts. In particular, the marketing, promotional, clinical and pricing practices of pharmaceutical manufacturers, as well as the manner in which manufacturers interact with purchasers, prescribers and patients, are subject to extensive regulation, litigation and

governmental investigation. Many companies, including AstraZeneca, have been subject to claims related to these practices asserted by federal and state governmental authorities and private payers and consumers, which have resulted in substantial expense and other significant consequences.

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

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

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

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

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

Despite AstraZeneca taking measures to prevent breaches of applicable anti-bribery and anti-corruption laws by its personnel and associated third-parties, breaches may still occur, potentially resulting in the imposition of significant penalties, such as fines, the requirement to comply with monitoring or self-reporting obligations, or debarment or exclusion from government sales or reimbursement programmes, any of which could materially adversely affect AstraZeneca's reputation, business or results of operations.

Economic and Financial Risks

Failure to achieve strategic plans or meet targets or expectations

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

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

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

Failure in financial control or the occurrence of fraud

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

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

Any such deficiency may trigger related investigations (e.g. by the United States Securities and Exchange Commission (the "**SEC**") etc.) and may result in fines being levied against AstraZeneca's individual directors or officers.

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

Unexpected deterioration in AstraZeneca's financial position

In addition to the economic, regulatory and political pressures which have increased as a consequence of COVID-19 (see above), a wide range of financial risks could result in a material deterioration of AstraZeneca's financial position.

As a global business, currency fluctuations can significantly affect AstraZeneca's results of operations, which are reported in US dollars. Approximately 33% and 21% of AstraZeneca's global 2020 product sales were in the US and China respectively, which are expected to remain AstraZeneca's largest two markets for the foreseeable future. Product sales in other countries are predominantly in currencies other than the US dollar, and the Chinese renminbi, including the euro, Japanese yen and pound sterling.

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

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

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

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

Financial liabilities arising due to product liability or other litigation, in respect of which AstraZeneca does not have insurance coverage, or if an insurer's denial of coverage is ultimately upheld, could require AstraZeneca to make significant provisions relating to legal proceedings and could materially adversely affect AstraZeneca's financial condition or results of operations.

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

AstraZeneca's worldwide operations are taxed under laws in the jurisdictions in which they operate. International standards governing the global tax environment regularly change. The Organisation for Economic Co-operation and Development ("**OECD**") has introduced a number of changes under the Base Erosion and

Profit Shifting ("**BEPS**") Action Plans which are now being progressively implemented by tax authorities around the world. During 2019 and 2020, the OECD has undertaken a public consultation setting out alternatives for further potential actions, which would potentially include allocating taxing rights over a higher proportion of profits to end market jurisdictions and the introduction of a global minimum tax and is now working to seek a consensus amongst the Inclusive Framework members on those changes that should be implemented.

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

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

Changes in tax regimes, such as those relating to the US federal tax regime which were effective from 1 January 2018, could result in a material impact on AstraZeneca'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. AstraZeneca represents views to the OECD, governments and tax authorities through public consultations to ensure international institutions and governments understand the business implications of proposed law changes. Specific OECD BEPS recommendations that AstraZeneca expects to impact AstraZeneca include changes to patent box regimes, restrictions of interest deductibility and revised transfer pricing guidelines. (See also: "*The Transaction may affect the application of new or existing tax rules to the Combined Group which could result in a material impact on the Combined Group's cash tax liabilities and tax charge.*" below).

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

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

Reliance upon dividend and interest income and/or loans in order to satisfy payment obligations under the Notes issued by AstraZeneca Finance and the Guarantee.

AstraZeneca Finance has no subsidiaries or operating activities so is reliant upon inter-company loans and interest in order to satisfy its payment obligations under the Notes. It is intended that proceeds received by AstraZeneca Finance from Noteholders will be lent to another subsidiary or subsidiaries of AstraZeneca PLC as inter-company loans and that any interest received from such loans will be used by AstraZeneca Finance to fund payments due to Noteholders. In circumstances where one or more of the risks referred to herein arises and adversely affects the business, financial condition or operational results of AstraZeneca PLC and its subsidiaries' (the "**Group**") there may in turn be an adverse effect on the ability of that member or members of the Group to make dividend and/or interest payments so as to enable AstraZeneca Finance or AstraZeneca PLC or AstraZeneca Finance, as applicable, to satisfy its payment obligations under the Notes, or, as the case may be, under the Guarantee.

RISKS RELATING TO THE TRANSACTION

New risks to AstraZeneca which will be impacted by the Transaction

There is no assurance when or if the Transaction will be completed.

On 12 December 2020, AstraZeneca PLC announced that it and Alexion had agreed the terms of a recommended offer for the acquisition, by a subsidiary of AstraZeneca PLC, of the entire common stock of Alexion which will be effected through a statutory merger pursuant to the laws of Delaware (the "**Transaction**"). Completion of the Transaction for the purposes of the agreement and plan of merger dated 12 December 2020 (the "**Merger Agreement**") was approved by the shareholders of AstraZeneca PLC and Alexion on 11 May 2021 but remains subject to the satisfaction or waiver of a number of conditions as set forth in the Merger Agreement, including, among others:

(a) Antitrust approvals:

(i) antitrust and/or foreign investment approval or expiration or termination of the applicable waiting period in certain other jurisdictions including the EU and the UK;

(b) Admission of new AstraZeneca PLC shares to listing on the London Stock Exchange and new AstraZeneca PLC American Depositary Shares ("**ADSs**") on The Nasdaq Stock Market LLC ("**Nasdaq**"):

(i) approval for admission of the new AstraZeneca PLC shares to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange subject only to the issue of such new AstraZeneca PLC shares upon completion; and

(ii) approval for listing on Nasdaq of the new AstraZeneca PLC ADSs issuable to Alexion shareholders as the share portion of the consideration for the Transaction (subject to official notice of issuance); and

(c) Registration statements declared effective by the SEC:

(i) declaration by the SEC of the effectiveness of the registration statements filed on Form F-4 (with respect to the new AstraZeneca PLC shares) and Form F-6 (with respect to the new AstraZeneca PLC ADSs) to be issued as the share portion of the consideration for the Transaction (and the absence of any stop order suspending the effectiveness of such registration statements or any proceedings seeking such a stop order).

There can be no assurance as to when these conditions will be satisfied or waived, if at all, or that other events will not intervene to delay or result in the failure to complete the transaction. Until the Transaction completes, or it is confirmed the Transaction will not complete, the pendency of the Transaction could adversely affect business, results of operations and financial condition (see "*The announcement and pendency of the Transaction could adversely affect business, results of operations and financial condition*"). If the Transaction does not complete, there is a risk that the substantial transaction fees and costs incurred by AstraZeneca (see "*AstraZeneca will incur substantial transaction fees and costs in connection with the Transaction*" below) cannot be recovered which may have an adverse effect on the financial condition of the Group. In addition, non-completion may frustrate the achievement of AstraZeneca's financial or other targets or expectations and, in turn, materially damage AstraZeneca's brand and materially adversely affect its business, financial position or results of operations (see "*Failure to achieve strategic plans or meet targets or expectations*" above).

The Combined Group may not realise all of the anticipated benefits of the Transaction.

There is a risk that some or all of the expected benefits of the Transaction may fail to materialise or may not occur within the time periods anticipated by AstraZeneca PLC. The realisation of such benefits may be affected by a number of factors, including regulatory considerations and decisions, many of which are beyond the control of AstraZeneca PLC. The challenge of coordinating previously independent businesses makes evaluating the business and future financial prospects of the Combined Group following the Transaction difficult. AstraZeneca and Alexion have operated and, until completion of the Transaction, will continue to operate, independently. The success of the Transaction, including anticipated benefits and cost savings, will depend, in part, on the ability to successfully integrate the operations of both companies in a manner that results

in various benefits, including, among other things, an expanded market reach and operating efficiencies that do not materially disrupt existing customer relationships nor result in decreased revenues or dividends due to the full or partial loss of customers. The past financial performance of each of AstraZeneca and Alexion may not be indicative of their future financial performance. The Combined Group will be required to devote significant management attention and resources to integrating its business practices and support functions. The diversion of management's attention and any delays or difficulties encountered in connection with the Transaction and the coordination of the two companies' operations could have an adverse effect on the business, financial results and financial condition of AstraZeneca following completion. The coordination process may also result in additional and unforeseen expenses.

The substantial additional indebtedness that AstraZeneca will incur in connection with the Transaction could adversely affect AstraZeneca's financial position, including by decreasing AstraZeneca's business flexibility and resulting in a reduction of AstraZeneca's credit rating.

Following completion, the Combined Group will have substantially increased borrowings compared to AstraZeneca's historical level of borrowings. As at 31 March 2021, AstraZeneca's consolidated borrowings, being its interest-bearing loans and borrowings and lease liabilities as set out in the unaudited pro forma net assets statement as at 31 March 2021 ("**Consolidated Borrowings**") were US$20.1 billion and Alexion's Consolidated Borrowings amounted to US$2.8 billion. The Combined Group's unaudited pro forma Consolidated Borrowings as at 31 March 2021 if the Transaction had been completed on 31 March 2021, would have been approximately US$37.0 billion, as the Transaction assumes to raise an incremental US$14.1 billion of Consolidated Borrowings (which includes US$16.5 billion of new borrowings less US$2.4 billion of existing borrowings which will be repaid at completion). Out of the US$37.0 billion of Consolidated Borrowings of the Combined Group, US$16.6 billion would have been at variable rates of interest as at 31 March 2021, before any interest rate risk management the Combined Group may undertake.

This increased level of borrowings could have the effect, among other things, of reducing AstraZeneca's flexibility to respond to changing business and economic conditions and will have the effect of increasing AstraZeneca's interest expense. In addition, the amount of cash required to service AstraZeneca's increased borrowing levels and increased aggregate dividends following completion and thus the demands on AstraZeneca's cash resources will be greater than the amount of cash flows required to service AstraZeneca's borrowings and pay dividends prior to the Transaction. The increased levels of borrowings and dividends following completion could also reduce funds available for AstraZeneca's investments in research and development and capital expenditures and other activities and may create competitive disadvantages for AstraZeneca relative to other companies with lower debt levels, which could impact the financial performance of AstraZeneca over the longer term.

AstraZeneca's credit rating impacts the cost and availability of future borrowings and, accordingly, AstraZeneca's cost of capital. AstraZeneca's credit rating reflects each credit rating organisation's opinion of AstraZeneca's financial and business strength, operating performance and ability to meet AstraZeneca's debt obligations. If AstraZeneca's credit rating is reduced, AstraZeneca may not be able to sell additional debt securities, borrow money, refinance the facilities obtained in relation to the Transaction if drawn or establish alternatives to such facilities in the amounts, at the times or interest rates or upon the more favourable terms and conditions that might be available if AstraZeneca's current credit rating is maintained.

In addition, future borrowings under circumstances in which AstraZeneca's debt is rated below investment grade may contain further restrictions that impose significant restrictions on the way AstraZeneca operates following the Transaction.

While the Merger Agreement is in effect, Alexion, AstraZeneca PLC and their respective subsidiaries' businesses are subject to restrictions on their business activities.

Under the Merger Agreement, AstraZeneca PLC, Alexion and their respective subsidiaries are subject to certain restrictions on the conduct of their respective businesses and generally must operate their respective businesses in the ordinary course prior to completing the transaction (unless AstraZeneca PLC or Alexion obtains the other's consent, as applicable, which is not to be unreasonably withheld, conditioned or delayed), which may restrict AstraZeneca PLC's and Alexion's ability to exercise certain of their respective business strategies. These restrictions may prevent AstraZeneca PLC and Alexion from pursuing otherwise attractive business opportunities, making certain investments or acquisitions, selling assets, engaging in capital

expenditures in excess of certain agreed limits, incurring indebtedness or making changes to AstraZeneca PLC's and Alexion's respective businesses prior to the completion of the transactions or termination of the Merger Agreement, as applicable. These restrictions could have an adverse effect on AstraZeneca PLC's and Alexion's respective businesses, financial results and financial condition.

In addition, the Merger Agreement prohibits AstraZeneca PLC from: (i) soliciting, initiating, knowingly facilitating or knowingly encouraging, subject to certain exceptions set forth in the merger agreement, any inquiry or the making or submission of any proposal or offer that constitutes an acquisition proposal (as defined for each party in the Merger Agreement); (ii) (A) entering into or participating in any discussions or negotiations regarding; (B) providing to any third party any information; or (C) otherwise assisting, participating in, knowingly facilitating or knowingly encouraging any third party, in each case, in connection with or for the purpose of knowingly encouraging or facilitating, an acquisition proposal; or (iii) approving, recommending or entering into (or publicly or formally proposing to approve, recommend or enter into), any letter of intent or similar document, agreement commitment or agreement in principle with respect to an acquisition proposal.

The announcement and pendency of the Transaction could adversely affect business, results of operations and financial condition.

The announcement and pendency of the Transaction could cause disruptions in and create uncertainty surrounding AstraZeneca's business, including affecting AstraZeneca's relationships with its existing and future customers, suppliers and employees, which could have an adverse effect on AstraZeneca's business, results of operations and financial condition. In particular, AstraZeneca could potentially lose important personnel as a result of the departure of employees who decide to pursue other opportunities in light of the Transaction. AstraZeneca could also potentially lose customers or suppliers, and new customer or supplier contracts could be delayed or decreased. In addition, AstraZeneca has expended, and continues to expend, significant management resources in an effort to complete the Transaction, which are being diverted from AstraZeneca's day-to-day operations.

In addition, the failure to complete the Transaction may result in negative publicity or a negative impression of AstraZeneca in the investment community and may affect AstraZeneca's relationship with employees, customers, suppliers and other partners in the business community.

AstraZeneca will incur substantial transaction fees and costs in connection with the Transaction.

AstraZeneca has incurred and expects to incur additional material non-recurring expenses in connection with the Transaction and completion of the Transaction, including costs relating to obtaining required approvals and compensation change in control payments. AstraZeneca has incurred significant financial services, accounting, tax and legal fees in connection with the process of negotiating and evaluating the terms of the Transaction. Additional significant unanticipated costs may be incurred in the course of coordinating the businesses of AstraZeneca PLC and Alexion after completion of the Transaction. Even if the Transaction is not completed, AstraZeneca PLC will need to pay certain costs relating to the transaction incurred prior to the date the transaction was abandoned, such as financial advisory, accounting, tax, legal, filing and printing fees. Such costs may be significant and could have an adverse effect on AstraZeneca PLC's future results of operations, cash flows and financial condition.

Existing risks to AstraZeneca which will be impacted by the Transaction

The Transaction may affect the application of new or existing tax rules to AstraZeneca which could result in a material impact on the Combined Group's cash tax liabilities and tax charge.

Changes in tax regimes, such as those proposed by the new administration in the US that include raising the corporate tax rate and raising the tax rate on global intangible low-taxed income, could result in a material impact on AstraZeneca's cash tax liabilities and tax charge. If the Transaction is completed, the Combined Group would have a greater presence in the US than AstraZeneca PLC and its subsidiaries previously had which means that these changes could have a more significant impact. Such an impact could also arise from changes in the application of existing tax rules, such as UK's controlled foreign company regime, to the Combined Group as a result of the Transaction. In either case, this could result in either an increase or a reduction in financial results depending upon the nature of the change.

RISKS RELATING TO THE NOTES

Notes issued by AstraZeneca PLC will be structurally subordinated to any Notes issued by AstraZeneca Finance and guaranteed by AstraZeneca PLC as to the assets of AstraZeneca Finance.

Notes issued by AstraZeneca PLC will be structurally subordinated to any Notes issued by AstraZeneca Finance and guaranteed by AstraZeneca PLC as to the assets of AstraZeneca Finance. This means that claims of the creditors of AstraZeneca Finance, including the holders of Notes issued by AstraZeneca Finance, will have priority as to the assets of AstraZeneca Finance over AstraZeneca PLC's rights as the sole shareholder of AstraZeneca Finance. Consequently, in the event of AstraZeneca Finance's insolvency, the claims of holders of Notes issued by AstraZeneca PLC will be structurally subordinated to the prior claims of the creditors of AstraZeneca Finance, including the holders of Notes issued by AstraZeneca Finance.

Notes may be subject to Special Mandatory Redemption

If AstraZeneca PLC does not complete the Transaction under the terms of the Merger Agreement on or before 12 March 2022, or if, prior to such date, AstraZeneca PLC notifies the Trustee that it will not pursue the completion of the Transaction, the Special Mandatory Redemption Notes (as defined in Condition 9(i) (*Special Mandatory Redemption*)) will be redeemed at 101 per cent. of their principal amount, together with any accrued and unpaid interest.

If the Special Mandatory Redemption Notes are redeemed, Noteholders may not obtain their expected return on the Special Mandatory Redemption Notes and may not be able to reinvest the proceeds of a special mandatory redemption in an investment that results in a comparable return.

Noteholders of the Special Mandatory Redemption Notes will have no rights to receive any redemption proceeds under the special mandatory redemption provision as long as the Transaction is completed on or prior to 12 March 2022, nor will such Noteholders have any right to require AstraZeneca PLC or AstraZeneca Finance, as applicable, to redeem their Special Mandatory Redemption Notes if, between the issue date of the Notes and the closing of the Transaction, AstraZeneca PLC or Alexion experiences any changes in its business or financial condition or if the terms of the Transaction change.

Whether or not the special mandatory redemption provision is ultimately triggered, it may adversely affect trading prices for the Special Mandatory Redemption Notes prevailing on or prior to the Special Mandatory Redemption Date.

There are risks that certain benchmark rates may be administered differently or discontinued in the future, including the phasing-out of LIBOR after 31 December 2021 or 30 June 2023, which may adversely affect the trading market for, value of and return on, Notes based on such benchmarks

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, the FCA announced on 27 July 2017 that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and confirmed

on 5 March 2021 that most LIBOR benchmark tenors would cease or cease to be representative benchmarks from 31 December 2021 or (in the case of certain tenors of USD LIBOR only) from 30 June 2023. On 5 March 2021, the administrator for LIBOR (the ICE Benchmark Administration or IBA) similarly announced that it would cease the publication of the relevant LIBOR settings on 31 December 2021 or 30 June 2023, unless the FCA exercises its proposed new powers (which are included in the current UK Financial Services Bill as proposed amendments to the UK Benchmarks Regulation) to require the IBA to continue publishing such LIBOR settings using a changed methodology (also known as a "synthetic" basis). Such announcements indicate that LIBOR will not continue in its current form and the FCA announcement of 5 March 2021 indicated that it is currently contemplating that any "synthetic" basis, if adopted, would be limited to a small number of currencies and settings. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its working group on Sterling risk-free rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("SONIA") over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(i) (*Benchmark Discontinuation*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The "*Terms and Conditions of the Notes*" provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or unlawful, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

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.

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

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

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

The Notes may be redeemed prior to maturity

In the event that an Issuer and/or the Guarantor, as the case may be, would be obliged to increase the amounts payable in respect of any Notes or the Guarantee 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 Relevant Jurisdiction(s) (as defined in the Conditions) or any political subdivision thereof or any authority therein or thereof having power to tax, the relevant 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 relevant Issuer's option in certain other circumstances such 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 relevant 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 relevant 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 or in the case of the CMU, to the persons for whose account(s) interests in such Global Notes are credited as being held in the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) as notified by the CMU to the Issuer in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other notification by the CMU. 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, the CMU to receive payments under the relevant Notes. The relevant 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.

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 relevant Issuer and/or the Guarantor, as the case may be. 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 Main 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.

Modification and waivers

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

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

Notes with integral multiples

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

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer, or, as the case may be,

the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Notes denominated in Renminbi are subject to additional risks

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

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

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

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

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

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China ("**PBoC**") in 2018, 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. Despite the Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the crossborder remittance of Renminbi. 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 relevant Issuer and/or, as the case may be, the Guarantor 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 relevant Issuer and/or, as the case may be, the Guarantor's ability to source Renminbi outside the PRC to service Renminbi Notes

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

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

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the relevant Issuer, or, as the case may be, the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the relevant Issuer, or, as the case may be, the Guarantor 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 relevant Issuer, or, as the case may be, the Guarantor cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

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

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

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

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

Investment in the Renminbi Notes is subject to currency risk

If the relevant Issuer, or, as the case may be, the Guarantor 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 relevant Issuer, or, as the case may be, the Guarantor shall be entitled, on giving not less than 10 Hong Kong Banking Days' nor more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be.

Investment in the Renminbi Notes is subject to exchange rate risks

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

Investment in the Renminbi Notes is subject to interest rate risks

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

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

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 37 to 47 of the unaudited "First quarter 2021 Results" of AstraZeneca PLC as at and for the 3 months ended 31 March 2021, Table 8: Total Revenue by disease area on page 11, Table 11: Q1 2020 – Regional Total Revenue on page 17, Table 12: Q1 2021 – Emerging Markets Total Revenue disease-area performance on page 18, Table 13: Q1 2021 – Notable new medicine Total Revenue performances in Emerging Markets on page 18, Table 14: Q1 2021 – Ex-China Emerging Markets Total Revenue on page 18, the definition and reconciliation of reported profit and loss, reported profit before tax to EBITDA, core financial measures, cash flow and net debt set out on pages 19 to 22 and Table 21: Late-stage pipeline on page 26 (available at: https://www.astrazeneca.com/content/dam/az/PDF/2021/q1-2021/Q1_2021_results_announcement.pdf);

- pages 170 to 233 of the "Annual Report and Form 20-F Information 2020" of AstraZeneca PLC (the audited consolidated financial statements of AstraZeneca PLC as at and for the year ended 31 December 2020 together with the notes thereto, prepared in accordance with International Financial Reporting Standards as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and also International Financial Reporting Standards as issued by the International Accounting Standards Board, and the independent auditor's report to the members of AstraZeneca PLC (Group), and the definition and reconciliation of constant exchange rate growth rates and core measures set out on pages 85 and 86) (available at: https://www.astrazeneca.com/content/dam/az/Investor_Relations/annual-report-2020/pdf/AstraZeneca_AR_2020.pdf);

- pages 162 to 226 of the "Annual Report and Form 20-F Information 2019" of AstraZeneca PLC (the audited consolidated financial statements of AstraZeneca PLC as at and for the year ended 31 December 2019 together with the notes thereto, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the independent auditor's report to the members of AstraZeneca PLC (Group), and the definition and reconciliation of constant exchange rate growth rates and core measures set out on pages 81 and 84) (available at: https://www.astrazeneca.com/content/dam/az/Investor_Relations/annual-report-2019/pdf/AstraZeneca_AR_2019.pdf);

- the Terms and Conditions of the Notes as set out on pages 19 to 38 (inclusive) of the base prospectus dated 10 September 2007 relating to the Programme (available at: https://www.astrazeneca.com/content/dam/az/Investor_Relations/debt-investors/pdf/AstraZeneca_EMTN_Prospectus_10_September_2007.pdf);

- the Terms and Conditions of the Notes as set out on pages 30 to 56 (inclusive) of the base prospectus dated 24 June 2014 relating to the Programme (available at: http://www.rns-pdf.londonstockexchange.com/rns/4351K_1-2014-6-24.pdf); and

- the Terms and Conditions of the Notes as set out on pages 31 to 57 (inclusive) of the base prospectus dated 5 May 2016 relating to the Programme (available at: https://www.rns-pdf.londonstockexchange.com/rns/4058X_-2016-5-5.pdf).

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 Issuers' website (www.astrazeneca.com/Investors). For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on any website does not form part of this Base Prospectus. Unless specifically incorporated by reference into this Base Prospectus, information contained on any website does not form part of this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the necessary information which is material to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers and the Guarantor, of the rights attaching to the Notes and the Guarantee and the reasons for the issuance and its impact on the relevant Issuer. In relation to the different types of Notes which may be issued under the Programme the relevant Issuer and the Guarantor, as applicable, have 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, material mistake or material inaccuracy 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 Issuers and the Guarantor will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect 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

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (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.

In the case of each Tranche of Bearer Notes, 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.

AstraZeneca Finance will not issue any Bearer Notes.

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 relevant Issuer and/or the Guarantor, as the case may be 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 Bearer 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 13 (*Events of Default*) occurs.

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

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer and/or the Guarantor, as the case may be 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 relevant Issuer and/or the Guarantor, as the case may be 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 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer and/or the Guarantor, as the case may be 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 Bearer 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.*"

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**"), will be represented by either individual note certificates in registered form ("**Individual Note Certificates**") or a global note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which by Euroclear and Clearstream had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be 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**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the New Safekeeping Structure, registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream and/or the Hong Kong Monetary Authority in its capacity as operator of the CMU and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary or a sub-custodian for the CMU and will be exchangeable in accordance with its

terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Registered Note exchangeable for Individual Note Certificates

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

(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 Global Registered 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 13 (*Events of Default*) occurs.

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, each person having an interest in a Global Registered Note must provide the Registrar or, as the case may be, the CMU Registrar (through the relevant clearing system) with such information as the relevant Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar or, as the case may be, the CMU Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Registered Note at the specified office of the Registrar or, as the case may be, the CMU Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or, as the case may be, the CMU Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate 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 Global Registered Note 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.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit Service of the Hong Kong Monetary Authority for the safe custody and electronic trading between the members of this service

("**CMU Members**") of capital markets instruments ("**CMU Notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorized institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

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 and AstraZeneca Finance LLC ("**AstraZeneca Finance**") (each, if so specified in the relevant Final Terms, the "**Issuer**") have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to US$10,000,000,000 in aggregate principal amount of notes (the "**Notes**"), guaranteed, in respect of Notes issued by AstraZeneca Finance, by AstraZeneca PLC (in such capacity, the "**Guarantor**", and such Notes, the "**Guaranteed 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 24 May 2021 (the "**Trust Deed**") between the Issuers, the Guarantor 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 May 2021 (the "**Agency Agreement**") between the Issuers, the Guarantor, 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), Deutsche Bank Trust Company Americas as ICSD registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as ICSD transfer agent (the "**Transfer Agent**", which expression includes any successor transfer agent appointed from time to time in connection with the Notes), Deutsche Bank AG, Hong Kong Branch as CMU registrar (the "**CMU Registrar**", which expression includes any successor CMU transfer agent appointed from time to time in connection with the Notes to be held in the CMU Service and, together with the Registrar and any successor and the other registrars appointed in respect of any Notes, the "**Registrars**"), Deutsche Bank AG, Hong Kong Branch as CMU transfer agent (the "**CMU Transfer Agent**", which expression includes any successor CMU transfer agent appointed from time to time in connection with the Notes to be held in the CMU) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents, the Registrars and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(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 at https://www.astrazeneca.com/investor-relations/debt-investors/emtn-programme.html.

(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 to Noteholders upon request during normal business hours.

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 AstraZeneca PLC, 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:

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

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:

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

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:

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Guarantee**" and "**Guarantee of the Notes**" each means the Guarantee of the Notes issued by AstraZeneca Finance by the Guarantor in the Trust Deed;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination and Title – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination and Title – Title to Registered Notes*);

"**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 Benchmarks Supplement**" means the ISDA Benchmarks Supplement (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 Pricing Supplement)) published by the International Swaps and Derivatives Association, Inc;

"**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;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination and Title – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination and Title – Title to Registered Notes*);

"**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;

"**Par Redemption Date**" 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 AstraZeneca PLC, and its Restricted Subsidiaries securing Indebtedness of AstraZeneca PLC 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 AstraZeneca PLC 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 AstraZeneca PLC or to any of its Restricted Subsidiaries by AstraZeneca PLC 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 AstraZeneca PLC 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 AstraZeneca PLC 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 AstraZeneca PLC 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 (i) to (xiii) above or of any Indebtedness secured by a Security Interest described in paragraphs (i) to (xiii) 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 AstraZeneca PLC or any of its Subsidiaries; and

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

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

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

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

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

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

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

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

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

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

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

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

"**Regular Period**" means:

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

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

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

"**Relevant Asset**" means any manufacturing plant or facility or any research facility owned by AstraZeneca PLC 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 AstraZeneca PLC'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 AstraZeneca PLC is not materially important to the total business conducted by the Issuer or the Guarantor, as the case may be, 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 AstraZeneca PLC, 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 Jurisdiction**" means the United Kingdom in the case of Notes issued by AstraZeneca PLC and the United States and/or the United Kingdom in the case of Notes issued by AstraZeneca Finance;

"**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 8.3 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 AstraZeneca PLC other than a Wholly-Owned Subsidiary principally engaged in leasing or financing instalment receivables or principally engaged in financing the operations of AstraZeneca PLC 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 AstraZeneca PLC and/or one or more of its Wholly-Owned Subsidiaries, controls, directly or indirectly, all of the stock with ordinary voting power to elect the board of directors of that Person; and

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

(b) ***Interpretation***:

In these Conditions:

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

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

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

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

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

(vii) if an expression is stated in Condition 2(a) (*Interpretation – 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**

(a) *Bearer Notes:* Bearer Notes are 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 Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered

Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership*: 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, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) 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.

(f) *Transfers of Registered Notes*: Subject to Conditions 3(i) (*Closed periods*) and 3(j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with Condition 3(f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status of the Notes and the Guarantee of the Notes**

(a) 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.

(b) The Guarantor has in the Trust Deed unconditionally and irrevocably Guaranteed the due and punctual payment of all sums from time to time payable by AstraZeneca Finance in respect of the Guaranteed Notes. This Guarantee of the Guaranteed Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, 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, AstraZeneca PLC 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 – Bearer Notes*) and Condition 11 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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

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

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

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

7. **Floating Rate Note Provisions**

(a) ***Application***:

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

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

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*) and Condition 11 (*Payments – Registered Notes*). 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 relevant Issuer (or an agent appointed to do so on its behalf) 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) provide such quotations to the Calculation Agent who shall 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, requested and selected by the relevant Issuer (or an agent on its behalf), 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) ***Benchmark Discontinuation***:

(i) If the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall notify the Calculation Agent and shall use its reasonable endeavours to select and appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(i)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(i)(iii)) and any Benchmark Amendments (in accordance with Condition 7(i)(iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor (where applicable), the Trustee, the Paying Agents or the Noteholders for any determination made by it pursuant to this Condition 7(i).

If (i) the Issuer is unable to select and appoint an Independent Adviser or (ii) the Independent Adviser selected and appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(i) prior to the date which is ten Business Days prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Floating Rate Interest Period. For the avoidance of doubt, any adjustment pursuant to this final paragraph of Condition 7(i) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(i).

(ii) If the Independent Adviser determines and notifies the Calculation Agent prior to the date which is ten Business Days prior to the next Interest Determination Date in its discretion that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(i)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(i); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(i)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(i).

(iii) If the Independent Adviser determines and notifies the Calculation Agent prior to the date which is ten business days prior to the next Interest Determination Date in its

discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(iv) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(i) and the Independent Adviser determines in its discretion (A) that amendments to these Conditions, the Trust Deed or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 7(i)(vi), without any requirement for the consent or approval of relevant Noteholders or Couponholders, vary or amend these Conditions, the Trust Deed and the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

(v) The Trustee shall, at the request and expense of the Issuer and without the requirement for any consent or approval of the Noteholders or Couponholders, concur with the Issuer in effecting any Benchmark Amendments as may be required in order to give effect to this Condition 7(i) (which, for the avoidance of doubt, shall not be treated as being within the scope of the Reserved Matters (as defined in the Trust Deed)), subject to receipt by the Trustee of the certificate referred to in Condition 7(i)(vii) below, *provided however*, that neither the Trustee nor the Agents shall be obliged so to concur if in the reasonable opinion of the Trustee or the Agents, doing so would have the effect of (i) exposing the Trustee or the Agents (as applicable) to any liabilities against which it has not been indemnified and/or prefunded and/or secured to their satisfaction or (ii) imposing more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions in these Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any documents supplemental thereto) afforded to the Trustee or the Agents (as applicable). For the avoidance of doubt, none of the Trustee, the Paying Agents or the Calculation Agent will be responsible for determining whether or not a Benchmark Event has occurred.

(vi) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, as determined under this Condition 7(i) will be notified promptly by the Issuer to the Trustee, the Paying Agents, the Calculation Agent and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date, which shall be not less than ten Business Days prior to the next Interest Determination Date, of the Benchmark Amendments, if any.

(vii) No later than notifying the Trustee and the Agents of the same, which shall be not less than ten Business Days prior to the next Interest Determination Date, the Issuer shall deliver to the Trustee and the Agents a certificate signed by an authorised signatory of the Issuer:

(A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(i); and

(B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof.

(viii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) determined in accordance with this Condition 7(i) will (in the absence of manifest error, bad faith or fraud in the determination of the Successor Rate or Alternative Rate, and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Agents ability to rely on such certificate as aforesaid), be binding on the Issuer, the Noteholders, the Trustee, the Paying Agents and the Calculation Agent.

(ix) Without prejudice to the obligations of the Issuer under Conditions 7(i)(i), 7(i)(ii), 7(i)(iii) and 7(i)(iv), the Reference Rate and the fallback provisions provided for in Condition 7(c) (*Screen Rate Determination*) will continue to apply unless and until a Benchmark Event has occurred and only then once the Agents and the Trustee have been notified of the Successor Rate or the Alternative Rate (as the case may be) and any Adjustment spread (if applicable) and Benchmark Amendments (if applicable) in accordance with paragraph (vi) above.

(x) As used in this Condition 7(i):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(C) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 7(i)(ii) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"**Benchmark Amendments**" has the meaning given to it in Condition 7(i)(iv).

"**Benchmark Event**" means:

(A) the Reference Rate ceasing to be published for a period of at least five (5) Business Days or ceasing to exist; or

(B) a public statement by the administrator of the Reference Rate that it will cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or

(C) a public statement by the supervisor of the administrator of the Reference Rate, that the Reference Rate has been or will permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Reference Rate as a consequence of which the Reference Rate will be prohibited from being used either generally, or in respect of the relevant Floating Rate Notes; or

(E) there has taken place (or will otherwise take place, prior to the next following Interest Determination Date) a change in customary market practice in the international debt capital markets applicable generally to floating rate notes denominated in the Specified Currency (determined according to factors including, but not limited to, public statements, opinions and publications of industry bodies and organisations) to refer to a base rate other than the Reference Rate specified in the applicable Final Terms despite the continued existence of such Reference Rate, when any Rate of Interest (or any component part thereof) remains to be determined by reference to the Reference Rate; or

(F) it has become unlawful for the Calculation Agent, the Issuer or any other party to calculate any Rate of Interest using the Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case selected and appointed by the Issuer at its own expense under Condition 7(i)(i).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(j) ***Notifications etc.***:

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

(k) ***Calculation Agent***

Notwithstanding any other provision of this Condition 7, if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any

determination or calculation under this Condition 7, the Calculation Agent shall promptly notify the Issuer and the Guarantor, as the case may be, and the Independent Adviser thereof and the Issuer and the Independent Adviser shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer and the Guarantor, as the case may be, and the Independent Adviser thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

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(k) (*Cancellation*), the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments – Bearer Notes*) and Condition 11 (*Payments – Registered Notes*).

(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 10 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 or (in respect of payments under the Guarantee of the Notes for Guaranteed Notes) the Guarantor, as the case may be, has or will or, in the case of payments under the Guarantee, if a demand was made under the Guarantee, would become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or

amendment to, the tax laws or regulations of the Relevant Jurisdiction(s) 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 or the Guarantor, as applicable 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 an authorised officer 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 or the Guarantor, as the case may be, has or will or, in the case of payments under the Guarantee, if a demand was made under the Guarantee, would 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 10 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 Determination Agent,

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

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

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

The "**Determination Agent**" means the agent specified as such in the relevant Final Terms.

(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*), in the case of Bearer Notes, 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 and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

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

If Clean-Up Call is specified in the applicable Final Terms and 80 per cent. or more in nominal amount of the Notes originally issued (which shall for this purpose include any further Notes issued and which are consolidated and forming a single Series with one or more previous Tranche(s) of Notes) have been redeemed or purchased and cancelled, the Issuer may, having given: (i) not less than 10 nor more than 60 days' notice to the Noteholders in accordance with Condition 20 (*Notices*); and (ii) not less than 10 days (or such shorter notice as such party shall accept) before the giving of the notice referred to in (i), notice to the Trustee, (which notice shall be irrevocable and shall specify the date fixed for redemption) redeem or, at the Issuer's option, purchase (or procure the purchase of) on any Interest Payment Date (if the relevant Note is a Floating Rate Note) or at any time (if the relevant Note is not a Floating Rate Note), all but not some only of the Notes then outstanding at the Clean-Up Redemption Amount specified in the applicable Final Terms together with interest accrued (if any) to (but excluding) the date fixed for redemption.

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

If Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the Holder of a Note must, not less than 10 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which such Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing

Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided**, **however**, **that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

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

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

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

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

(i) the Reference Price; and

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

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

(i) ***Special Mandatory Redemption:***

If Special Mandatory Redemption is specified in the relevant Final Terms as being applicable (the "**Special Mandatory Redemption Notes**") and a Special Mandatory Redemption Trigger Event has occurred (as defined below) the relevant Issuer will be required to redeem all of the Special Mandatory Redemption Notes then outstanding (the "**Special Mandatory Redemption**") at 101 per cent. of their principal amount (the "**Special Mandatory Redemption Price**"), together with any accrued and unpaid interest up to (but excluding) the Special Mandatory Redemption Date (as defined below).

Following the occurrence of the Special Mandatory Redemption the Issuer will promptly, and in any event not more than 5 business days after the date on which a Special Mandatory Redemption Trigger Event has occurred, deliver a notice to the Trustee and Holders of the Special Mandatory Redemption and the date upon which the Special Mandatory Redemption Notes will be redeemed which shall not be less than 10 days nor more than 60 days after the date of the notice of redemption (the "**Special Mandatory Redemption Date**").

A " **Special Mandatory Redemption Trigger Event**" will occur if:

(i) the consummation of the Transaction does not occur on or before 12 March 2022 or;

(ii) AstraZeneca PLC notifies the Trustee that it will not pursue the consummation of the Transaction.

(j) ***Purchase***:

AstraZeneca PLC and AstraZeneca Finance or any of their Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer, cancelled, **provided that** if the Notes are to be cancelled, they are purchased together with all unmatured Coupons relating to them.

(k) ***Cancellation***:

All Notes redeemed and any unmatured Coupons attached to or surrendered with them shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition 9(j) (*Purchase*) above (together with, in respect of Bearer Notes, all unmatured Coupons cancelled with them) 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 – Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

(a) ***Principal***:

Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer 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 Condition 10(h) (*Payments other than in respect of matured Coupons*) 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 Condition 10(a) (*Principal*) 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 Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

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

If the relevant Final Terms specifies that the Fixed Rate Note provisions are applicable and a Bearer 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 Condition 10(a) (*Principal*) 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 and Purchase – Redemption for tax reasons*), Condition 9(f) (*Redemption and Purchase – Redemption at the option of Noteholders*), Condition 9(c) (*Redemption and Purchase – Redemption at the option of the Issuer*), Condition 9(e) (*Redemption and Purchase – Clean-up Call Option*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

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

If the due date for payment of any amount in respect of any Bearer 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 Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 10(c) (*Payments in New York City*) above).

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

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

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

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(k) ***CMU:***

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

"**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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may

be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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;

"**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;

"**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)10 by the Renminbi Calculation Agent, will (in the absence of its gross negligence or wilful misconduct) be binding on the Issuer, the Guarantor, in the case of Guaranteed Notes, the Agents and all Noteholders.

11. **Payments – Registered Notes**

This Condition 11 is only applicable to Registered Notes.

(a) ***Principal*:**

Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, 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 and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) ***Interest*:**

Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, 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) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

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

All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

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

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.

(e) ***Partial payments***:

If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) ***Record date*:**

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the

address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(g) ***CMU*:**

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

(h) ***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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be, 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;

"**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;

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

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

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 11(h) by the Renminbi Calculation Agent, will (in the absence of its gross negligence or wilful misconduct) be binding on the Issuer, the Guarantor, in the case of Guaranteed Notes, the Agents and all Noteholders.

12. **Taxation**

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

All payments of principal (including the Special Mandatory Redemption Price, if applicable) and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor, as the case may be, 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 Relevant Jurisdiction(s) 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 or

the Guarantor, as the case may be, 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:

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

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment 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 or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iii) where such withholding or deduction is required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Internal Revenue Code**"), or is otherwise imposed pursuant to sections 1471 through 1474 of the Internal Revenue Code and any regulations, agreements or undertakings thereunder or official interpretations thereof or other law implementing an intergovernmental approach thereto; or

(iv) in the case of Notes issued by AstraZeneca Finance, presented for payment by or on behalf of (i) any 10 per cent shareholder of AstraZeneca Finance within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code, (ii) any controlled foreign corporation related to AstraZeneca Finance within the meaning of Section 864(d)(4) of the Internal Revenue Code or (iii) any bank whose acquisition of Notes constitutes an extension of credit pursuant to a loan agreement entered into in the ordinary course of its business, or (iv) any tax, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder, if required, to comply with certification, identification or information reporting or any other requirements under United States income tax laws and regulations, without regard to any tax treaty, with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the holder or a beneficial owner of such Note or Coupon, if such compliance is required by United States income tax laws and regulations, without regard to any tax treaty, as a precondition to relief or exemption from such tax, assessment or governmental charge, including, failure of the holder or of the beneficial owner of such Note or Coupon, to provide a valid U.S. IRS Form W-8 (or successor form) or other documentation as permitted by official IRS guidance.

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

If the Issuer or the Guarantor, as the case may be, becomes subject at any time to any taxing jurisdiction other than the Relevant Jurisdiction(s), references in these Conditions to the Relevant Jurisdiction(s) shall be construed as references to the Relevant Jurisdiction(s) and/or such other jurisdiction.

13. **Events of Default**

If any of the following events occurs and is continuing:

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

If default is made in the payment 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 or the Guarantor, as the case may be, does not comply in all material respects with any of its other obligations under or in respect of the Notes, the Guarantee 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 and, in the case of Guaranteed Notes, the Guarantor; 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 the Guarantor, as applicable or any Restricted Subsidiaries; or

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

(i) the Issuer or the Guarantor, as the case may be, or any Restricted Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the Guarantor, as the case may be or any Restricted Subsidiaries or all or substantially all of the undertaking, assets and revenues of the Issuer or the Guarantor, as the case may be or any Restricted Subsidiaries is appointed, (iii) the Issuer or the Guarantor, as the case may be, or any 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 the Guarantor, as the case may be or any 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 or the Guarantor, as the case may be, 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 or the Guarantor, as the case may be (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 and the Guarantor, in the case of Guaranteed Notes, 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 or the Guarantor, as the case may be, to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed,

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 and, in the case of Guaranteed Notes, the Guarantor, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

14. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note, Note Certificate 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, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (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 or Transfer Agent in any particular place, a Paying Agent or Transfer 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, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer or the Guarantor as the case may be, and/or any of their 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 the Guarantor as the case may be, or any of their 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 and the Guarantor 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 Agents and their initial Specified Offices are set out below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor, as the case may be, reserve the right at any time, with the prior written consent of the Trustee, to vary or terminate the appointment of any Agent or Calculation Agent and to appoint a successor principal paying agent, CMU lodging and paying agent or registrar or calculation agent and additional or successor paying agents; **provided**, **however**, **that**:

(a) the Issuer and the Guarantor, as the case may be, shall at all times maintain a Principal Paying Agent, a Registrar and a CMU Lodging and Paying Agent; and

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor, as the case may be, 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 and/or a Transfer Agent in any particular place, the Issuer and the Guarantor, as the case may be, shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

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

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

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, or in the case of the Guaranteed Notes, the Guarantor 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, the Notes 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, the Notes 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 20 (*Notices*).

Additionally, the Issuer may in accordance with Condition 7(i) (*Floating Rate Note Provisions – Benchmark Discontinuation*), vary or amend these Conditions, the Trust Deed and/or the Agency Agreement to give effect to certain amendments without any requirement for the consent or approval of Noteholders or Couponholders, as described in Condition 7(i) (*Floating Rate Note Provisions – Benchmark Discontinuation*) and the Trustee shall agree to such variations or amendments subject to the terms of Condition 7(i) (*Floating Rate Note Provisions – Benchmark Discontinuation*), or as otherwise notified to Noteholders and Couponholders.

(c) ***Substitution***:

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

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 12 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

18. **Enforcement**

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer or the Guarantor, as the case may be, as it thinks fit to enforce any obligation, condition or provision binding on the Issuer or the Guarantor, as the case may be, 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 or, in the case of the Guaranteed Notes, the Guarantor unless the Trustee, having become bound to proceed as aforesaid, fails to do so within a reasonable time and such failure is continuing.

19. **Further Issues**

The Issuers may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuers may from time to time with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

20. **Notices**

(a) **Bearer Notes:**

(i) Valid Notices:

Notices to the Noteholders of Bearer Notes 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).

(ii) Other Methods:

Notwithstanding Condition 20(a)(i) (*Valid Notices*) 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.

(iii) Couponholders:

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

(b) **Registered Notes:**

Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

21. **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.

22. **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.

(c) ***Process Agent*:**

In the Trust Deed, AstraZeneca Finance has agreed that the documents which start any Proceedings or any other documents required to be served in relation to those Proceedings may be served on it by being delivered to AstraZeneca PLC which is presently at 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge CB2 0AA for the time being and undertakes that, in the event of AstraZeneca PLC ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England. Nothing in this paragraph shall affect the right of the Trustee or, failing the Trustee, any Noteholder, to serve process in any other manner permitted by law.

FORM OF FINAL TERMS

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

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

[UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")/ distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products "]/["capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

Final Terms dated [•]

AstraZeneca PLC
Legal Entity Identifier (LEI): PY6ZZQWO2IZFZC3IOL08

AstraZeneca Finance LLC
Legal Entity Identifier (LEI): 549300C3HATU4Q460S18

unconditionally and irrevocably guaranteed, in the case of Notes issued by AstraZeneca Finance LLC, by AstraZeneca PLC

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US$10,000,000,000
Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 24 May 2021 [and the supplemental base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the UK Prospectus Regulation (as defined below). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus in order to obtain all relevant information.

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated [10 September 2007] [24 June 2014] [5 May 2016] and which are incorporated by reference in the Base Prospectus dated 24 May 2021. This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation (as defined below) and must, in order to obtain all relevant information, be read in conjunction with the Base Prospectus dated 24 May 2021 [and the supplemental base prospectus dated [•]], which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the UK Prospectus Regulation, save in respect of the Conditions which are set forth in the base prospectus dated [10 September 2007] [24 June 2014] [5 May 2016] and are incorporated by reference in 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 [•]].]

In these Final Terms, the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law in the UK by virtue of the EUWA.

1.	[(i)]	Issuer:	[AstraZeneca PLC/AstraZeneca Finance LLC]
	[(ii)	Guarantor:	[AstraZeneca PLC in respect of Notes issued by AstraZeneca Finance LLC]
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)	Status of the Guarantee:	Senior]
	[(iii)]	[Date [Board] approval for issuance of Notes [and Guarantee respectively] 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:	[•]
		• ISDA Benchmarks Supplement:	[Applicable/Not Applicable]

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

PROVISIONS RELATING TO REDEMPTION

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

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	**Bearer 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]. **Registered Notes**: [Global Registered Note exchangeable for Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Global Registered Note]] [[and]] [Global Registered Note [(U.S.$/Euro [•] nominal amount)] registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure).]]
23.	New Global Note Form:	[Applicable/Not Applicable]

24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[•]]
25.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No.]
26.	[Consolidation provisions:	[Not Applicable]

Signed on behalf of the Issuer:

By: ……
Duly authorised

[Signed on behalf of the Guarantor:

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 Main Market of the London Stock Exchange plc with effect from [•].
(ii)	Estimate of total expenses related to admission to trading:	[•]

2. **RATINGS**

Ratings: The Notes to be issued [have been/are expected to be] rated:

[S&P Global Ratings UK Limited ("**S&P**"): [•]]

[Moody's Investors Service Limited ("**Moody's**"): [•]]

[Not Applicable]

[[Each of] [S&P] [and] [Moody's] is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**"). [Each of] [S&P] [and] [Moody's] appears on the latest update of the list of registered credit rating agencies (as of [•]) on the FCA's Financial Services Register.]

[The rating S&P has given to the Notes is endorsed by S&P Global Ratings Europe Limited, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").]

[The rating Moody's has given to the Notes is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").]

[[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended, although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority]. [The rating [•] has given to the Notes is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018/EUWA] (the "**UK CRA Regulation**").]/[[•] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018/EUWA] (the "**UK CRA Regulation**)".]/[[•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018/EUWA] (the "**UK CRA Regulation**)" and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the CRA Regulation (UK).]

[[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended.] [The rating [•] has given to the Notes is endorsed by [•], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018/EUWA] (the "**UK CRA Regulation**").]/[[•] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018/EUWA] (the "**UK CRA Regulation**)".]/[[•] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018/EUWA] (the "**UK CRA Regulation**)" and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the CRA Regulation (UK).

[[•] is not established in the EEA or in the UK but the rating it has given to the Notes is endorsed by [•], which is established in the EEA or in the UK and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") [and][Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**")]

[[•] is not established in the EEA or in the UK but is certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**")][and][Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**")]

[[•] is not established in the EEA or in the UK and is not certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") or Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in either the EEA and registered under the EU CRA Regulation or in the UK and registered under the UK CRA Regulation.]

[*For Notes with a different credit rating to the Programme, include disclosure as to ratings definitions.*]

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 [and the Guarantor are] [is] aware, no person involved in the offer of the Notes has an interest material to the offer.]/[•]/[Not Applicable]

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

Indication of yield: [•]

5. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

[FISN	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively source from the responsible National Numbering Agency that assigned the ISIN /Not Applicable / Not Available]
[CFI Code	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively source from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available] (*If the FISN and/or CFI code is not required or requested, it/they should be specified to be "Not Applicable"*)
[CMU Instrument Number]	[•]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable / [•]]
New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	[Not Applicable] [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 registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes]] 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):	[•]
Relevant Benchmark[s]:	[[*specify benchmark*] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue

	of the EUWA]/ [As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA]/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA apply, such that [*name of administrator*] is not currently required to obtain authorisation/registration (or, if located outside the UK, recognition, endorsement or equivalence)]/ [Not Applicable]
Prohibition of Sales to EEA Retail Investors:	[Applicable / Not Applicable]
Prohibition of Sales to UK Retail Investors:	[Applicable / Not Applicable]
TEFRA:	[Not Applicable/The [C/D] Rules are applicable]
Reasons for the Offer:	[•] / [See ["*Use of Proceeds*"] in the Base Prospectus]
Estimated Net Amount of Proceeds of the Offer:	[•]

6. **[THIRD PARTY INFORMATION]**

[[•] has been extracted from [•]. The Issuer [and the Guarantor] confirm[s] 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

In relation to any Tranche of Notes represented by a Global Note in bearer form, 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.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream and/or a sub-custodian for the CMU and/or any other relevant clearing system, will be that depositary or sub-custodian or common depositary or common safekeeper or a nominee for that depositary or sub-custodian or common depositary or common safekeeper, as the case may be.

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

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or a Global Registered Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Registered Note and the Issuer and the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer and/or the Guarantor in respect of such Global Note or Global Registered 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 relevant 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 relevant 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 relevant 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.

Exchange of Global Registered Notes

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the relevant Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within 30 business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the relevant Indenture and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Conditions applicable to Global Notes and Global Registered Notes

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

Payments*:*

All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon 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 or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer and the Guarantor, as the case may be, in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note or Global Registered Note, the relevant Issuer and/or the Guarantor, as the case may be, shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream.

Exercise of put option*:*

In order to exercise the option contained in Condition 9(f) (*Redemption and Purpose – Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the holder of a Global Registered 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 or Global Registered 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.

Payment Record Date:

Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

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

In connection with an exercise of the option contained in Condition 9(c) (*Redemption and Purpose – Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the relevant 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 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or Global Registered Note is (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system (other than the CMU) 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 20 (*Notices*) on the date of delivery to Euroclear, Clearstream and/or any other relevant clearing system or (ii) deposited with the CMU, notices to Noteholders may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Registered Note.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for the general corporate purposes of the relevant Issuer's business which may include the repayment of debt. If in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF ASTRAZENECA

Introduction

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

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

Principal Activities

AstraZeneca is a global, science-led, patient-focused, pharmaceutical company delivering medicines to patients in three main Therapy Areas: oncology, cardiovascular, renal & metabolism ("**CVRM**") and respiratory & immunology. AstraZeneca is also selectively active in the areas of infection, neuroscience and gastroenterology.

AstraZeneca has activities in over 100 countries worldwide, with three strategic Research & Development ("**R&D**") centres in Sweden, the UK and the US and operations sites in 16 countries. As at 31 December 2020, it employed approximately 76,100 people (approximately 31 per cent. in Europe, 44 per cent. in Emerging Markets (as defined in the Annual Report and Form 20-F Information 2020), 18 per cent. in the US and 7 per cent. in Australia and New Zealand, Canada and Japan (the "**Established Rest of World**")).

Key Products

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

Oncology medicines

AstraZeneca's key marketed oncology products include:

- *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 ("**NSCLC**");

- *Lynparza* (olaparib), an oral ADP-ribose polymerase inhibitor that blocks DNA damage response in cells/tumours harbouring a deficiency in homologous recombination repair, such as mutations in BRCA1 and/or BRCA2. It is indicated for platinum-sensitive relapsed ovarian cancer, regardless of BRCA status; first-line maintenance treatment of BRCAm advanced ovarian cancer; for gBRCAm HER2-negative, metastatic breast cancer; for gBRCAm metastatic pancreatic cancer; and for HRR gene-mutated metastatic castration-resistant prostate cancer. It was also approved in the European Union (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 US for the treatment of patients with germline BRCA-mutated advanced ovarian cancer who have been treated with three or more prior lines of chemotherapy;

- *Imfinzi* (durvalumab), a human monoclonal antibody that blocks PD-L1 interaction with PD-1 and CD80 on T-cells, countering the tumour's immune-evading tactics and inducing an immune response. It was approved by the US Food and Drug Administration ("**FDA**") for the treatment of (i) locally advanced or metastatic urothelial carcinoma, (ii) unresectable Stage III NSCLC and (iii) extensive-stage small cell lung cancer ("**ES-SCLC**") in combination with chemotherapies;

- *Calquence* (acalabrutinib), a selective inhibitor of Bruton's tyrosine kinase indicated for the treatment of chronic lymphocytic leukaemia ("**CLL**") and mantle cell lymphoma ("**MCL**") and in development for the treatment of multiple B-cell malignancies. It was approved for the treatment of adult patients

with CLL in the US, Canada and Australia, and approved for previously treated patients with MCL in 12 countries, including the US, Canada, Australia, Brazil, Qatar, the United Arab Emirates, Israel, Mexico, Argentina, Singapore, Chile and India;

- *Enhertu* (trastuzumab deruxtecan), a HER2-directed proprietary antibody-drug conjugate, approved in the US for the treatment of adult patients with unresectable or metastatic HER2-positive breast cancer who have received two or more prior anti-HER2 based regimens in the metastatic setting;

- *Koselugo* (selumetinib), approved in the US for the treatment of paediatric patients two years of age and older with neurofibromatosis type 1 who have symptomatic, inoperable plexiform neurofibromas. Regulatory review is also under way in the EU for this indication;

- *Lumoxiti* (moxetumomab pasudotox-tdfk), a CD22-directed cytotoxin and a first-in-class treatment in the US for adult patients with relapsed or refractory;

- *Equidacent* (bevacizumab biosimilar), approved in the EU for metastatic colorectal cancer, metastatic breast cancer, advanced NSCLC, advanced renal cell cancer, epithelial ovarian, fallopian tube or primary peritoneal cancer, and advanced cervical cancer. Regulatory review is also under way in the US;

- *Zoladex* (goserelin acetate implant), a luteinising hormone-releasing hormone agonist used to treat prostate cancer, breast cancer and certain benign gynaecological disorders;

- *Faslodex* (fulvestrant), an injectable oestrogen receptor antagonist used for the treatment of hormone receptor positive advanced breast cancer that has progressed following treatment with prior endocrine therapy;

- *Iressa* (gefitinib), an epidermal growth factor receptor-tyrosine kinase inhibitor that acts to block signals for cancer cell growth and survival in NSCLC;

- *Arimidex* (anastrozole), an aromatase inhibitor for the treatment of breast cancer; and

- *Casodex* (bicalutamide), an anti-androgen therapy for the treatment of prostate cancer.

In 2020, AstraZeneca saw strong continued growth, underpinned by the performance of its new oncology medicines and its established products. AstraZeneca's late-stage pipeline also received a positive response with regard to each of AstraZeneca's four strategic tumour types.

Cardiovascular, renal and metabolism medicines

AstraZeneca's key marketed CVRM products include:

- *Farxiga/Forxiga* (dapagliflozin), a selective inhibitor of human sodium-glucose co-transporter 2 (SGLT-2 inhibitor) indicated as monotherapy, and as part of combination therapy, adjunct to diet and exercise to improve glycaemic control in adult patients with Type 2 diabetes mellitus. It has been approved in 100 countries;

- *Brilinta/Brilique* (ticagrelor), an oral P2Y12 platelet inhibitor for acute coronary syndromes ("**ACS**") ticagrelor 90mg) or continuation therapy in high-risk patients (ticagrelor 60mg) with a history of myocardial infarction. It has been approved in more than 110 countries for ACS and more than 70 countries for high-risk patients with history of heart attack;

- *Onglyza* (saxagliptin), an oral dipeptidyl peptidase 4 inhibitor for Type 2 diabetes mellitus. It has been approved in more than 85 countries;

- *Bydureon* (exenatide XR injectable suspension), a once-weekly injectable glucagon-like peptide-1 (GLP-1) receptor agonist available as a single-dose tray, a single-dose pen or autoinjector device indicated as monotherapy and as part of combination therapy adjunct to diet and exercise to improve glycaemic control in adults with type-2 diabetes. It is approved in more than 58 countries;

- *Lokelma* (sodium zirconium cyclosilicate), an insoluble, non-absorbed silicate, formulated as a powder for oral suspension, that acts as a highly selective potassium-removing agent for the treatment of hyperkalaemia. It has been approved with launches under way in the US, EU, Canada and China;

- *Byetta* (exenatide injection), a twice-daily injectable GLP-1 receptor agonist indicated to improve glycaemic control in adults with Type 2 diabetes mellitus;

- *Qtern* (saxagliptin and dapaglifozin), a once-daily oral treatment indicated as an adjunct to diet and exercise to improve glycaemic control in adults with Type 2 diabetes who have inadequate control with dapagliflozin or who are already treated with dapaglozin and saxagliptin;

- *Symlin* (pramlintide acetate), an injected amylin analogue for Type 1 and Type 2 diabetes mellitus in patients with inadequate glycaemic control on meal time insulin;

- *Crestor* (rosuvastatin calcium), for the treatment of dyslipidaemia and hypercholesterolemia;

- *Seloken/Toprol-XL* (metoprolol succinate), for the treatment of hypertension, heart failure and angina; and

- *Atacand/Atacand HCT/Atacand Plus* (candesartan cilexitil), an angiotensin II receptor blocker for the first-line treatment of hypertension and symptomatic heart failure.

AstraZeneca's aim is to grow its portfolio of medicines that address the multiple risk factors and co-morbidities across the spectrum of CVRM diseases. AstraZeneca's CVRM strategy includes rigorous clinical programmes evaluating the use of its medicines in large patient populations.

AstraZeneca completed the divestment of commercial rights to *Atacand* (candesartan cilexetil) and *Atacand Plus* (a fixed-dose combination of candesartan cilexetil and hydrochlorothiazide) in around 70 countries globally to Cheplapharm in 2020. Cheplapharm will pay AstraZeneca a total of US$400 million in non-contingent consideration, US$250 million of which was received in 2020 and the remainder is due in the first half of 2021.

Respiratory and Immunology Medicines

AstraZeneca's key marketed respiratory products include:

- *Symbicort* (budesonide/formoterol), a combination of an inhaled corticosteroid and a fast-onset LABA for maintenance treatment of asthma and chronic obstructive pulmonary disease ("**COPD**") either as Symbicort Turbuhaler or Symbicort pMDI (pressurised metered-dose inhaler);

- *Pulmicort* (budesonide), an inhaled corticosteroid used for maintenance treatment of asthma;

- *Fasenra* (benralizumab), approved in November 2017 in the US, a monoclonal antibody for add-on maintenance treatment of patients with severe asthma aged 12 years and older, and with an eosinophilic phenotype, which directly targets and depletes eosinophils by recruiting natural killer cells and inducing apoptosis (programmed cell death);

- *Daliresp/Daxas* (roflumilast), an oral phosphodiesterase-4 inhibitor for adults with severe COPD to decrease their number of exacerbations;

- *Duaklir (*aclidinium/formoterol), a fixed-dose combination of a long-acting muscarinic antagonist ("**LAMA**") and a long-acting beta2-agonist ("**LABA**") for the maintenance treatment of COPD;

- *Tudorza/Eklira* (aclidinium), a LAMA for the maintenance treatment of COPD;

- *Bevespi* (glycopyrrolate and formoterol fumarate), a combination of a LAMA and a LABA used for the long-term maintenance treatment of airflow obstruction in COPD; and

- *Breztri* (budesonide/glycopyrrolate/formoterol), a fixed-dose triple combination of an inhaled corticosteroid, a LAMA and a LABA, used for the maintenance treatment of COPD.

AstraZeneca's aim is to lead the science of respiratory medicine to transform the treatment of asthma and COPD by eliminating preventable asthma attacks across disease severities and removing COPD as a leading cause of death through earlier, biology-led treatment. In immunology, AstraZeneca is following the science and its expertise in key inflammatory pathways that are relevant in other immune-mediated conditions, with the ambition of achieving disease control and durable remission in areas of high unmet medical need.

AstraZeneca's other medicines

AstraZeneca has medicines and vaccines in other disease areas that have an important impact for patients. As such, AstraZeneca is selectively active in the areas of infection, neuroscience and gastroenterology, where it follows an opportunity-driven approach and often work through collaborations.

Infection medicines

AstraZeneca's key marketed infection products include:

- *Synagis* (palivizumab), a humanised monoclonal antibody used to prevent serious lower respiratory tract disease caused by respiratory syncytial virus ("**RSV**") in paediatric patients at high risk of acquiring RSV disease; and

- *Fluenz Tetra / FluMist Quadrivalent* (live attenuated influenza vaccine), indicated for active immunisation for the prevention of influenza disease caused by influenza A subtype viruses and type B viruses contained in the vaccine.

Neuroscience medicines

AstraZeneca's key marketed neuroscience products include:

- *Seroquel IR/Seroquel XR* (quetiapine fumarate), for the treatment of schizophrenia, bipolar disease major depressive disorder and, on a more limited basis, for generalised anxiety disorder;

- *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 in adult patients.

In 2020, AstraZeneca sublicensed global rights to *Movantik* (naloxegol), excluding Europe, Canada and Israel, to RedHill Biopharma ("**RedHill**"). Movantik is a peripherally acting mu-opioid receptor antagonist indicated for the treatment of opioid-induced constipation. RedHill made an upfront payment of US$52.5 million to AstraZeneca on closing and will make a further non-contingent payment of US$15 million in 2021.

Gastrointestinal medicines

AstraZeneca's key marketed gastrointestinal products include:

- *Nexium* (esomeprazole), the first proton pump inhibitor ("**PPI**") for the treatment of acid-related diseases to offer clinical improvements over other PPIs and other treatments; and

- *Losec/Prilosec* (omeprazole), used for the short-term and long-term treatment of acid-related diseases.

COVID-19

In April 2020, AstraZeneca announced an agreement with the University of Oxford to develop, manufacture and supply a potential vaccine to prevent COVID-19. Both parties shared a commitment to delivering it in a broad, equitable and timely way, and at no profit during the pandemic.

The vaccine was co-invented by the University of Oxford and its spin-out company, Vaccitech, and is a nonreplicating, recombinant adenoviral vector vaccine containing the genetic material of the SARS-CoV-2 virus spike protein. After vaccination, the surface spike protein is produced, priming the immune system to attack the virus if it later infects the body. The adenoviral vector vaccine is infected into 'producer' cells derived

from a human cell line created more than 50 years ago, which rapidly divides, making copies of the potential vaccine and producing large amounts of the viral vector vaccine. After cell manufacture, the vaccine product is filtered and purified and undergoes a number of quality checks before the 'fill and finish' stage where the vaccine is packaged into multi-dose vials.

The first authorisation for the vaccine occurred on 30 December 2020, when the UK Medicines and Healthcare products Regulatory Agency authorised *COVID-19 Vaccine AstraZeneca* for emergency supply in the UK for the active immunisation of individuals 18 years or older. The vaccine received conditional marketing authorisation ("**CMA**") in the European Union on 29 January 2021. By February 2021, the vaccine had been granted a CMA or emergency use approval in more than 50 countries spanning four continents, including Brazil, India and South Africa, for the active immunisation of adults.

Business Environment

Global pharmaceutical sales grew by 3.8 per cent. in 2020 to US$1,070 billion (Source: IQVIA Solutions HQ Limited ("**IQVIA**"), IQVIA Star Q3 2020, IQVIA Midas Quantum Q3 2020 (including US data)). Established Markets saw an average revenue increase of 3.8 per cent and Emerging Markets revenue grew at 3.7 per cent. The US, Japan, China, Germany and France are the world's top five pharmaceutical markets by 2020 sales. In 2020, the US had 48 per cent. of global sales (2019: 47.7 per cent.) (Source: IQVIA, IQVIA Star Q3 2020, IQVIA Midas Quantum Q3 2020 (including US data)).

Impact of global trends

The global economy has undergone a shock

COVID-19 has triggered the deepest global recession in decades. Although the global economy is growing again after a 4.3 per cent. contraction in 2020, the World Bank noted, in January 2021[1], that the pandemic has caused a heavy toll of deaths and illness, plunged millions into poverty, and may depress economic activity and incomes for a prolonged period.

China has been faster to recover than expected, but the global economy's recovery to pre-pandemic levels of activity remains prone to setbacks. In the longer term, economic growth is shifting east: India, China, Africa and Southeast Asia will drive 50 per cent. of global economic growth over the next 10 years.

Growing and ageing populations

The world's population is growing and life expectancy is increasing. By 2050, the number of people aged 60 and above is expected to reach 2.1 billion; and 80 per cent. will be living in developing regions[2]. As the number of older people grows faster than the number of people in all younger age groups, so does the incidence of non-communicable diseases ("**NCDs**").

Increasing burden of chronic disease

While communicable diseases continue to pose a threat, especially in emerging markets, chronic and NCDs are increasing with the impact of urban lifestyle choices, including smoking, diet and a lack of exercise. Disability caused by NCDs, rather than early death, has become an increasingly large share of the global disease burden. IQVIA estimates that NCDs kill 41 million people each year, equivalent to 71 per cent. of all deaths globally.

Digital and technical breakthroughs

Data management in healthcare is moving beyond storing data, to focusing on extracting insights on population health management and value-based care to improve health outcomes and personalised healthcare.

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[1] Source: https://www.worldbank.org/en/news/press-release/2021/01/05/global-economy-to-expand-by-4-percent-in-2021-vaccine-deployment-and-investment-key-to-sustaining-the-recovery

[2] Source: UN and Grayline Group (https://www.un.org/en/development/desa/population/publications/pdf/ageing/WPA2017_Highlights.pdf page 1).

Innovations in technology are allowing people to monitor their own health and become active participants in managing their healthcare. For example, Internet of Things applications and technologies are influencing patient engagement strategies and improving patient interactions with healthcare systems.

The impact of COVID-19 on a changing world

COVID-19 has highlighted challenges and accelerated change within the healthcare sector. It has left people living with NCDs more vulnerable and highlighted the need for health systems to better respond to those diseases. It has also accelerated the adoption of digital and social tools as health care practitioners sought virtual channels to continue patient engagement.

Additionally, the pandemic has encouraged the development and use of localised supply chains, particularly around medical supplies and pharmaceuticals.

Opportunities and challenges for the sector

Innovation

Scientific innovation is critical to addressing unmet medical need but enhancing R&D productivity is a constant challenge for the sector.

R&D models are therefore changing in an effort to be more productive. For example, scientific and technological breakthroughs in the next generation of therapeutics have the potential to help accelerate innovation and are leading to new treatment options. Such advances include new scientific modalities, such as proteolysis targeting chimera ("**ProTAC**s"), in vivo biologics and cell therapy; new technologies, such as OMICs (a field of study in biology ending in "omics" such as genomics, proteomics or metabolomics); and new biology, such as the microbiome. These have already resulted in significant numbers of FDA Priority Reviews and Breakthrough Therapy Designations. Innovation can also be accelerated through the use of large volumes of data from disease biology and genomics, which is driving precision medicine, while advances in data management and integration can improve the speed and quality of clinical trials. Additionally, a better understanding of disease biology can assist the delivery of new medicines and new approaches to health, including improved methods of prevention.

Regulatory environment

The public's expectation of safe, effective and high-quality medicines is reflected in a highly regulated biopharmaceutical industry. Increased health authority scrutiny and requirements for more testing and documentation may prolong the approval process for new medicines. However, government policies and regulations have been implemented by health authorities to stimulate innovation in drug development and accelerate patient access to transformative medicines. In addition, continued advances in the harmonisation of international of regulatory requirements will contribute to faster access to new medicines for patients and promote public health.

The COVID-19 pandemic has accelerated health authority consideration and implementation of innovative approaches that may transform drug development in the future. These approaches include: decentralised trials; digital health technology applications in the conduct of clinical trials to facilitate remote patient monitoring and eConsent; the use of real-world data/evidence in regulatory decision making; risk-based oversight of manufacturing facilities; expedited review and approval pathways; remote data and site monitoring; remote audits and inspections; and heightened collaboration between global health authorities.

There are uncertainties and challenges, including how the UK will work with the EU regulatory system following the UK's exit from the EU in 2020 and the approach the UK will take to establish its own regulatory system outside the EU. Additionally, the relocation of the EMA from London to Amsterdam has created some disruption and delay to regulatory processes. China continues to evolve its regulatory requirements at a rapid pace, impacting drug development for that country and globally.

The release of the EU Health Strategy in November 2020 is the first step of an initiative to build a 'European Health Union'. This strategy will form the basis of the new pharmaceutical legislative framework targeted for 2023 that will define how the EU pharmaceutical industry will be regulated. In addition, the EU Clinical Trials Regulation which is intended to create a favourable environment for conducting clinical trials while maintaining high standards for patient safety, is expected to be implemented by the end of 2021.

Identification of Medicinal Products ("**IDMP**") international standards, intended to uniquely identify medical products to facilitate public safety through the exchange of information in the context of pharmacovigilance and supply chain traceability, are under consideration by global health authorities. EMA regulations require adoption of IDMP standards, presenting a significant challenge to industry as the requirements are complex.

The regulatory requirements for biosimilar medicines are better defined, but significant regulatory policies are still evolving including transparency of data regarding the level of evidence to support approval of biosimilarity labelling claims, standards for interchangeability and pharmaceutical substitution, and traceability of pharmacovigilance reports through naming conventions that permit differentiation of medicines.

Increased transparency of data used for regulatory decisions in the EU and Canada requires public disclosure of patient-level data, significantly increasing regulatory burdens to ensure privacy laws are met during disclosure. Increased transparency policies continue to be evaluated by other regulatory authorities globally.

Pricing of medicines

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

The need and desire for payers to manage healthcare expenditure has been heightened by the shift over the last decade from a primary care to a specialty care focus. Specialty medicines are used for the treatment of complex, chronic or rare conditions such as cancers, and pricing for these products reflects the higher value they bring to patients and payers, as well as the smaller patient numbers as a result of targeted treatment options.

Pricing controls and transparency measures remain a priority in key markets such as China, where the National Reimbursement Drug List ("**NRDL**") was updated in December 2020. According to the Chinese National Healthcare Security Administration, 119 medicines will be added to the NRDL from March 2021 with an average price reduction of 50 per cent. Also in China, value-based procurement ("**VBP**"), was expanded in 2019, placing downward pressure on the pricing of medicines and products that have lost exclusivity in the VBP. In Europe, governments continue to implement and expand price control measures for medicines, and the EU has committed to introducing a harmonised health technology ("**HTA**") assessment review. In other markets, there has been a trend towards rigorous and consistent application of pricing regulations, including reference pricing and group/alliance purchasing.

There is also pressure on pricing in the US. For example, federal and state policymakers are considering legislative and regulatory efforts to lower drug prices and to implement transparency measures. President Biden has conceptually supported proposals aimed at prescription drug pricing that include allowing the government's Medicare programme to negotiate costs, limiting launch prices through the use of international reference pricing and other tools, encouraging importation and limiting price increases beyond inflation. The Democrat majority in Congress increases the potential for drug pricing legislation and executive authorities could also become a vehicle for policies. This environment could create further downward pressure on pricing.

Loss of exclusivity and genericisation

Patent protection for pharmaceutical products is finite and, after protection expires, payers, physicians and patients gain greater access to generic alternatives (both substitutable and analogue) in many important drug classes. These generic alternatives are primarily lower priced because generic manufacturers are largely spared the costs of R&D and market development. As a result, demand for generics is high. For prescriptions dispensed in the US in 2020, generics constituted 85.3 per cent. of the market by volume (2019: 84.8 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. Biologics

typically retain exclusivity for longer than traditional small molecule pharmaceuticals, with less generic competition.

Trust

Organisations are no longer valued or trusted solely on the quality of products and services, and financial performance. It also depends on their engagement with employees, customers, communities and society as a whole, as well as the way in which they address sustainability issues, such as the environment or human rights. Therefore, to be trusted, companies need to address both how their operations are impacted by these issues and how their operations impact stakeholders. For example, the shift in focus of healthcare systems to prevention and early intervention, as well as treatment, presents an opportunity for the sector to enter into health management. But if it is to do so successfully, healthcare professionals and patients need to trust that the industry has their best interests at heart.

Historically, the pharmaceutical industry has faced challenges in building and maintaining its reputation and the trust of its stakeholders. This was as a result of improper sales and marketing practices by some companies and related inquiries and investigations carried out by government and regulatory authorities in connection with, for example, the selling of opioid pain relievers and improper pricing practices, including price gouging.

The industry's response to the COVID-19 pandemic and the quick mobilisation of resources to develop a vaccine appears to have contributed to a slight increase in public trust. To build on this, the sector will need to commit to affordable access, be transparent, and measure outcomes in trials that have real-world implications.

There is also increasing recognition and concern about healthcare disparities by race, region, and socioeconomic status, in particular, the growing prevalence of NCDs and the human symptoms of climate change. An emphasis on public health, screening and early intervention that is designed with the engagement of civil society, patient organisations and government is critical. Additionally, it is important to recognise that by exacerbating social, economic and demographic inequalities, climate change is further undermining progress on public health.

To address these challenges, companies are seeking to operate in a way that meets the stakeholders' expectations by, for example: (i) embedding a culture of ethics and integrity; (ii) adopting higher governance standards; (iii) setting ambitious sustainability targets; (iv) partnering across sectors; and (v) improving relationships with employees, shareholders and other stakeholders.

Strategy

AstraZeneca refreshed its strategic priorities in 2019, enhancing its focus on growth through innovation – fostering a patient-centric culture and embedding it across its organisation, doing more with technology, digital and data, and advancing cutting-edge science. The strategic priorities support the next phase of AstraZeneca's strategy:

1. Accelerate innovative science
2. Deliver growth and therapy area ("**TA**") leadership
3. Be a great place to work

1. *Accelerate innovative science*

   This pillar focuses on how AstraZeneca can bring through the next wave of innovation from its industry-leading pipeline by:

   - Delivering the next wave of its innovative pipeline and ensuring the sustainable delivery of new products.
   - Pursuing the next wave of disruptive R&D platforms with new scientific modalities, such as ProTACs and cell therapies; new technologies, such as OMICs; and new biology, such as epigenetics, oligonucleotides and antibody drug conjugates.

- Driving R&D productivity through clinical trial excellence and the use of artificial intelligence, data science and digital technology, that enable new insights, accelerated processes and an improved patient experience and adherence.

2. *Deliver growth and TA leadership*

The second strategic pillar focuses on delivering the potential of already-developed medicines and aims to ensure that AstraZeneca is in a leadership position in each of its main TAs by 2025 by:

- Meeting its growth and profitability goals by driving growth through successful innovation and commercial excellence and creating sustainable profitability.

- Transforming healthcare delivery through a focus on: (i) patients, impacting and improving the whole patient experience, from disease prevention and awareness, diagnosis, treatment, post-treatment to wellness; (ii) data analytics, omnichannel and go-to-market models; and (iii) innovative value strategies for pricing that focus on the outcomes AstraZeneca's medicines deliver to patients and healthcare systems.

- Implementing AstraZeneca's plans for "smart factories" and next-generation manufacturing technologies.

3. *Be a great place to work*

This pillar is carried forward from the 2013 strategy and AstraZeneca believes that there is always room to improve further by:

- Contributing to the enterprise, with a focus on inclusion and diversity, as well as lifelong learning and development.

- Contributing to society by improving access to healthcare, environmental protection, and ethics and transparency, as well as delivering its Ambition Zero Carbon programme.

- Living its values and behaviours.

Organisation

AstraZeneca's operating model includes its R&D and Commercial functions, together with its Enabling Units.

AstraZeneca's way of working in 2020 benefited from the organisational changes AstraZeneca implemented in 2019 that were designed to support continued scientific innovation and commercial success. They did so by integrating R&D, and accelerating decision making and the launches of new medicines. AstraZeneca also enhanced AstraZeneca's commercial functions to increase collaboration with its R&D organisation, enabling greater commitment to AstraZeneca's main therapy areas.

AstraZeneca is committed to operating in a way that recognises the interconnection between business growth, the needs of society and the limitations of our planet.

Since 2007, AstraZeneca has made significant efforts to restructure and reshape its business to control costs and improve long-term competitiveness.

R&D

AstraZeneca has therapy area-focused R&D organisations that are responsible for discovery through to late-stage development – one for Oncology and one for BioPharmaceuticals (CVRM and Respiratory & Immunology). These are designed to enable it to follow the science by accelerating promising early-stage assets and life-cycle management programmes, as well as providing new opportunities for combinations.

AstraZeneca's has three strategic R&D centres: Gaithersburg, Maryland, US; Gothenburg, Sweden; and Cambridge, UK.

Commercial

AstraZeneca's sales and marketing functions are grouped into regions. Two commercial units, one for Oncology and one for BioPharmaceuticals, align product strategy and commercial delivery across AstraZeneca's US and Europe-Canada regions and focus on its main therapy areas. In addition, AstraZeneca's International region comprises Emerging Markets, including China, Australia and New Zealand. Japan reports separately.

AstraZeneca's Operations function plays a key role in development, manufacturing, testing and delivery of its medicines to its customers. AstraZeneca also has Business development, Intellectual Property as well as Information technology and information services resources.

Responsible sales and marketing

AstraZeneca is committed to employing high ethical standards of sales and marketing practice worldwide, in line with its Code of Ethics and supporting requirements. AstraZeneca maintains a robust compliance programme in its efforts to ensure compliance with all applicable laws, regulations and adopted industry codes. AstraZeneca's compliance programme is delivered by dedicated compliance professionals who advise on and monitor adherence to its policy framework. These professionals also support AstraZeneca's line managers locally in ensuring that their staff meet its ethical standards. A network of nominated signatories reviews AstraZeneca's promotional materials and activities against applicable requirements to ensure AstraZeneca abides by the applicable regulations and codes of practice and share accurate, balanced and non-misleading information about its products. AstraZeneca's Internal Audit Services, in partnership with external audit experts, also conduct compliance audits on selected marketing companies.

In 2020, AstraZeneca identified 14 confirmed breaches of external sales and marketing regulations or codes (2019: eight). There were 2,113 instances, most of them minor, of non-compliance with the AstraZeneca's policy framework in its Commercial Business Units, including instances by employees and third parties (2019: 2,597). AstraZeneca removed a total of 108 employees and third parties from their roles as a result of these breaches (a single breach may involve more than one person). AstraZeneca also formally warned 861 others and provided further guidance or coaching on its policies to 2,099 more. The Audit Committee are provided with the breach statistics on a quarterly basis. Further commentary on the more serious breaches and corresponding remediation is also provided to the Audit Committee.

The total number of incidents has increased since the last financial year, driven by increasing numbers of low impact incidents. This may be attributable to many factors, including the growth in AstraZeneca's employee base, stronger first-line oversight, more targeted monitoring with data analytics, the strengthening of 'Speak Up' culture and evolving external regulations and enforcement priorities (e.g. data privacy globally and human genetic resources in China). Regardless of cause(s), AstraZeneca sees increased reporting of low impact incidents (as opposed to medium or high impact), a positive trend that enables the enterprise to learn and intervene early before non-compliance escalates or leads to systemic issues.

Anti-bribery and anti-corruption

AstraZeneca does not tolerate bribery or any other form of corruption. AstraZeneca conveyed its commitment to ethical behaviour in the 2020 annual Code training, reinforced through anti-bribery/anti-corruption training materials delivered and made available to relevant employees and third parties, including mandatory, periodic training for selected business units and roles.

Bribery and corruption remains a business risk as AstraZeneca launches new medicines in markets across the globe and enters into collaborations and the risk is a focus of AstraZeneca's third-party risk management process, as well as its Business Development due diligence procedures. It is also a focus of its monitoring and audit programmes. The majority of marketing company audits include anti-bribery/anti-corruption work programmes.

Transparency reporting

AstraZeneca is committed to the highest standards of conduct in all its operations, including the disclosure of payments to healthcare practitioners, healthcare organisations and patient organisations, with full transparency where recipients have provided consent and in accordance with all current obligations covering the 46 markets with reporting requirements. For the 2020 disclosure period (of 2019 data), AstraZeneca disclosed 974,000

payments totalling US$899 million in payments or transfers of value to 174,000 unique covered recipients. AstraZeneca is continuing to monitor the external landscape to ensure that it is prepared to meet new obligations and is progressively heading towards increased disclosure in additional markets globally and, in all locations, it is committed to ensuring that payments are justified and reasonable.

People

AstraZeneca aims to recruit, retain and develop talented people which it does by being a great place to work.

Sustainability

AstraZeneca wants to be valued and trusted by its stakeholders as a sustainable source of great medicines over the long term. AstraZeneca delivers its business strategy sustainably and in a way that broadens access to its medicines, minimises the environmental footprint of its products and processes, and ensures that ethics and transparency underpin everything AstraZeneca does.

Restructuring

In 2016, AstraZeneca announced plans to advance its strategy through sharper focus by streamlining operations, primarily in Commercial and Manufacturing, to redeploy investment to key therapy areas, particularly Oncology. Restructuring costs associated with this programme were initially forecast to be US$1.5 billion by the end of 2017 and generate net annualised benefits of US$1.1 billion by 2018. The total cost estimate is now US$1.3 billion to be incurred by the end of 2021, with benefits expected to be US$1.1 billion in 2021.

In addition to the 2016 plan, there are two further active programmes. The first is the continuation of the Phase 3 restructuring that was announced in 2012, superseded by Phase 4 in 2013 and subsequently expanded in 2014. This initiative consists of centralisation of AstraZeneca's global R&D footprint into three strategic centres, transformation of the IT organisation, closure of a number of manufacturing facilities and other activities to simplify and streamline the organisation. At the time of the announcement, the Phase 4 programme was estimated to incur US$3.2 billion of costs and deliver US$1.1 billion of annualised benefits by 2016. By the end of 2020, the Phase 4 programme had incurred costs of US$3.6 billion, creating headroom for investment in AstraZeneca's pipeline and launch capability. Management believe that the 2021 opening of AstraZeneca's Cambridge R&D facility will enable it to successfully deliver on the vision of centralising AstraZeneca's leading research in strategic locations, while building upon the numerous pioneering projects and scientific collaborations already underway in Cambridge. The Phase 4 programme is now expected to conclude in 2023, upon completion of the ongoing consolidation of AstraZeneca's sites and occupation of the Cambridge R&D facility. Total Phase 4 programme costs are estimated to be US$3.8 billion with annualised benefits of US$1.2 billion. Out of that total, an estimated US$716 million of costs are associated with the R&D transition to the new Cambridge footprint.

The second step was initiated in 2016 and relates to multi-year transformation programmes within SG&A functions (principally finance and human resources) with anticipated costs by the end of 2018 of US$270 million. By the end of 2020, these programmes had incurred costs of US$471 million with total expected costs rising to US$551 million. An estimated US$116 million of annualised benefits are expected to be delivered in 2021.

In 2020, AstraZeneca initiated the Global Post-Pandemic New Ways of Working programme in response to the changing business environment, accelerated by the current COVID-19 pandemic. This programme is expected to run until the end of 2022 and incorporates the increasing utilisation of digitisation and technology, as well as the new ways of working that reflect in the size, nature and footprint of commercial teams, enabling functions, R&D and operations. This programme is already underway in various regions including North America and Japan, with US$72 million of costs incurred in 2020. The aggregate restructuring charge incurred in 2020 across all AstraZeneca's restructuring programmes was US$251 million (2019: US$347 million). Final estimates for programme costs, benefits and headcount impact in all functions are subject to completion of the requisite consultation in the various areas.

Approach to Sustainability

AstraZeneca's approach to sustainability is aligned with its purpose, business strategy and stakeholder engagement, allowing it to maximise the benefit for its patients, its business, broader society and the planet.

AstraZeneca has a global sustainability strategy that integrates sustainability practices throughout its operations and is based on a structured materiality assessment that engages external and internal stakeholders.

1. *Access to healthcare*

   AstraZeneca aims to improve lives by increasing access to healthcare. It has identified the following priority areas: (i) disease prevention and treatment; (ii) responsible R&D; (iii) investments in health systems; (iv) environment's impact on health; and (v) affordability.

2. *Environmental protection*

   AstraZeneca strives to reduce environmental impacts on human health and the natural world. It has identified the following priority areas: (i) product environmental stewardship; (ii) greenhouse gas reduction; (iii) pharmaceuticals in the environment; (iv) water stewardship and (v) waste management.

3. *Ethics and transparency*

   AstraZeneca has committed to furthering ethics and transparency in everything it does. It has identified the following priority areas: (i) ethical business culture; (ii) inclusion & diversity; (iii) talent & workforce evolution; (iv) workforce wellbeing and safety; (v) responsible supply chain; and (vi) human rights.

Business Review

Innovative Science

AstraZeneca is using its distinctive scientific capabilities to deliver a pipeline of life-changing medicines.

During 2020, AstraZeneca:

- Accelerated innovation in response to pandemic to ensure more than 80 per cent. of AstraZeneca's clinical trials continued;
- Published 123 manuscripts in 'high-impact' journals;
- Using genomics to better predict the right target for AstraZeneca's therapy areas;
- At the end of 2020, 30 per cent. of AstraZeneca's early pipeline comprised new drug modalities;
- Trialling identification of patients at high risk of recurrence of lung cancer;
- Digital transformation helping quicker launch of clinical trials, such as CALAVI; and
- Bioethics Advisory Group met eight times in 2020 and extended scope to include, for example, guidance on employee testing for COVID-19.

Transforming the science

Throughout 2020 AstraZeneca responded to the challenges posed by the COVID-19 pandemic by working to ensure the continuity of its research projects. By accelerating key elements of AstraZeneca's clinical and digital innovation programmes, more than 80 per cent. of its clinical trials continued. Maintaining and improving the experience of patients was a particular priority.

AstraZeneca's unified approach across its R&D organisations in 2020 was guided by its "5Rs" (right target, right patient, right tissue, right safety, right commercial potential) framework which champions quality over quantity. This focus on quality is exemplified by AstraZeneca's research publications in 'high-quality' and 'high-impact' journals, a critical aspect for accelerating innovative science, and recruiting and retaining the best people. In 2020, AstraZeneca's scientists published 123 manuscripts in 'high-impact' peer-reviewed journals, each with an impact factor exceeding 15 (Thomson Reuters 5yr IF score). The increase from the (revised) number of 111 in 2019, continues to reflect the drive to share AstraZeneca's science, which also resulted in 890 publications in total, increasing from 870 in 2019.

Enhancing AstraZeneca's understanding of disease

AstraZeneca is determined to advance its understanding of disease biology to uncover novel drivers for the diseases it aims to treat, prevent and, in the future, even cure. Selecting the right target remains the most important decision AstraZeneca makes in the drug discovery process and it is investing in multiple approaches to improve this.

AstraZeneca's Centre for Genomics Research is aligning genetic variants with clinical, biomarker and other disease-associated characteristics or phenotypes to provide new disease insights. One recent study using a cloud-based platform analysed more than three billion datasets within 24 hours and identified more than 8,700 disease associations within 330 distinct genes. This type of analysis has provided new disease understanding and resulted in the selection of new targets into our Respiratory & Immunology discovery portfolio for idiopathic pulmonary fibrosis.

To support the validation of novel targets, AstraZeneca continues to build complex models of disease. For example, AstraZeneca is working to improve CRISPR gene editing accuracy and specificity, and develop an inducible CRISPR system for rapid and sustainable creation of cellular and animal disease models. AstraZeneca is pairing these approaches with bioinformatics and artificial intelligence to analyse the data generated from screening to help improve target identification.

AstraZeneca is also progressing its understanding of epigenomics and the potential of modulating epigenetic processes to deliver the next generation of cancer therapies. Many haematological and paediatric cancers are driven through epigenetic aberrations and AstraZeneca is focused on a next generation of epigenetic cancer therapeutics.

Designing the next generation of therapeutics

In AstraZeneca's quest to transform disease, AstraZeneca is continuing to design new ways to target the drivers of disease and create the next generation of therapeutics. At the end of 2020, 30 per cent. of AstraZeneca's early pipeline consisted of new drug modalities including oligonucleotide, antibody drug conjugate, and cell therapy approaches.

Following AstraZeneca's 2019 collaboration with Daiichi Sankyo to develop and commercialise the ADC, now known as *Enhertu*, AstraZeneca's commitment to these next-generation therapeutics continued with its 2020 collaboration with Daiichi Sankyo to develop and commercialise DS-1062, second generation TROP2-targeted ADC.

AstraZeneca's growing oligonucleotide platforms offer a range of new opportunities through the specific inhibition of protein expression. Antisense oligonucleotide approaches include AZD2373, developed in collaboration with Ionis Pharmaceuticals, which aims to reduce podocyte injury, decrease proteinuria and slow renal function decline in patients with APOL1 nephropathy. The oligonucleotide platform was supplemented in 2020 with a collaboration with Silence Therapeutics, which aims to discover, develop and commercialise small interfering RNA therapeutics.

AstraZeneca formed cross-functional Cell Therapy departments in 2020 to harness and maximise the therapeutic potential of existing and emerging technology platforms, including stem cell technologies and new modalities. In Oncology R&D, AstraZeneca is rapidly building a new CAR-T portfolio, focused on the potential of lymphocytes as powerful, living drugs. The most advanced of AstraZeneca's BioPharmaceuticals R&D stem cell programmes is in collaboration with Procella Therapeutics AB and aims to treat heart failure patients using human ventricular progenitor cells which have demonstrated therapeutic potential by forming heart muscle de novo in preclinical models.

Better predicting clinical success

In AstraZeneca's efforts to improve its ability to predict the clinical success of its candidate drug molecules, AstraZeneca is adopting a range of cutting-edge technologies. AstraZeneca is developing advanced cellular models of disease, such as a bone marrow 'organ-chip' that replicates clinically-observed toxicities, as well as a renal micro-organoid model which allows high-throughput drug screening and, potentially, regenerative medicine.

Mass spectrometry imaging is now embedded as an advanced imaging technology to help interrogate complex disease profiles, such as the first mechanistic description of how metabolites generated by the gut microbiome can play a role in neurological conditions like Parkinson's or new insights into the mechanism of nutrient sensing and utilisation in lung metastasis and colorectal cancer.

Breaking new ground in circulating tumour DNA monitoring, in 2020 AstraZeneca initiated a trial to evaluate treatment outcomes in patients with lung cancer through detection of minimal residual disease following surgery. The trial, in collaboration with ArcherDX, Inc., is designed to identify patients with high risk of recurrence and enable early interventions to improve long-term survival/ curative intent. It is anticipated that two-year DNA monitoring will identify nearly 80 per cent. of patients prior to clinical relapse.

Bioethics

'Bioethics' refers to the range of ethical issues that arise from the study and practice of biological and medical science. AstraZeneca is committed to working in a transparent and ethical manner across all its bioethics subject matter areas. Its Global Standard on Bioethics Policy sets out its principles which apply to all of AstraZeneca's scientific activity, whether conducted by it or by third parties acting on its behalf.

AstraZeneca's Bioethics Advisory Group ("**BAG**") is sponsored by the Chief Medical Officer and oversees the operation of the Global Standard on Bioethics. BAG met eight times in 2020. BAG continued to be involved with ethical discussions on traditional topics, for example, animal research and human biological samples as well as emerging topics, for example, Artificial Intelligence. In 2020, BAG expanded its scope to include guidance on employee testing for SARS-CoV-2, potential employee screening for early cancer detection, employee participation in AstraZeneca clinical trials and governance decisions in the exception process for payments to participants for involvement in AstraZeneca research.

Research use of human biological samples

The use of human biological samples, such as solid tissue, biofluids and their derivatives, plays a vital role in developing a deeper understanding of human diseases.

AstraZeneca is committed to minimising the use of fetal tissue by exploring technological alternatives. Fetal tissue is used to provide invaluable data to advance novel treatments for serious diseases of unmet medical need and only when no other scientifically reasonable alternative is available. In 2020, two additional new research proposals that include use of human fetal tissue ("**hFT**"), or cells derived from hFT were approved; one was required to meet regulatory requirements. Four projects using hFT had progressed as at 31 December 2020 and three projects were ongoing. An additional three projects using human embryonic stem cells ("**hESC**") were approved in 2020, resulting in 13 projects using 24 different hESC lines or derived cells having been approved as at 31 December 2020. Seven projects are ongoing.

Animal research

Technology has not yet advanced to the stage where all animal use can be eliminated from research and development. In addition, some animal studies are required by international regulators before medicines progress to human trials. Animal studies therefore remain a small, but necessary, part of the process of developing new drugs.

Development Pipeline

During 2020, AstraZeneca delivered clinical trial data and submissions that resulted in 29 approvals for new medicines in the US, EU, China and Japan. AstraZeneca's pipeline includes 171 projects, of which 145 are in the clinical phase of development. It is making significant progress in advancing its late-stage programmes through regulatory approval with 24 NME or major life cycle management ("**LCM**") regulatory submissions in the US, EU, China and Japan during 2020.

At the end of the 2020 financial year, AstraZeneca had ten NME projects in pivotal trials or under regulatory review (covering 16 indications), compared with eight at the end of 2019.

Also, in 2020, 18 NMEs progressed to their next phase of development and 22 projects were discontinued: 12 for poorer than anticipated safety and efficacy results; and 10 as a result of a strategic shift in the environment or portfolio prioritisation.

Accelerating the pipeline

AstraZeneca is prioritising its investment in specific programmes, focusing on scientific innovation. As a result, it had numerous positive trial readouts in 2020 including the presentation of scientific rationale that resulted in 14 regulatory designations for Breakthrough Therapy, Priority Review or Fast Track for new medicines which offer the potential to address unmet medical need in certain diseases. It also secured Orphan Drug Designation for the development of six medicines to treat very rare diseases.

Delivering growth

Sales and marketing

AstraZeneca's Commercial teams, which comprised around 43,400 employees at the end of 2020, are active in more than 100 countries. In most countries, AstraZeneca sells its medicines through wholly-owned local marketing companies. AstraZeneca also sells through distributors and local representative offices. It markets its products largely to primary care and specialty care physicians.

Total revenue, comprising product sales and collaboration revenue, increased by 9 per cent. in 2020 (10 per cent. at a constant exchange rate ("**CER**")) to US$26,617 million. Product Sales grew by 10 per cent. (11 per cent. at CER) to US$25,890 million, driven primarily by the performances of the new medicines across Oncology and BioPharmaceuticals, including *Tagrisso* and *Farxiga*.

In the financial year ended 31 December 2020, total revenue included US$2m of *COVID-19 Vaccine AstraZeneca* Product Sales within Other Medicines.

The ongoing COVID-19 pandemic had a significant impact on every aspect of life in 2020. The largest direct impacts of COVID-19 on the AstraZeneca's portfolio of medicines included reduced sales of *Pulmicort* in China on fewer nebulisation-centre visits and reduced elective surgery, and less use globally of infused and injectable medicines, such as *Imfinzi* and *Fasenra*.

There was also a decline in the number of hospital admissions around the world for the treatment of heart attacks and lower levels of elective percutaneous coronary intervention, adversely impacting sales of *Brilinta*.

Some medicines, however, may benefit from shifts in patient care and behaviours, including oral medicines such as Calquence, which saw an element of benefit from the substitution from infused-chemotherapy regimens.

Additional investment in new medicines continued to fuel AstraZeneca's growing Oncology and BioPharmaceuticals therapy areas. *Tagrisso's* future was enhanced with its first regulatory approval in early, potentially-curable lung cancer and further national reimbursement in China in advanced disease. *Farxiga* expanded its potential beyond diabetes, while tezepelumab promised hope for patients suffering from severe asthma.

Pricing and delivering value

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

access programmes that are aligned with the patient's ability to pay and a healthcare system's ability to respond. AstraZeneca is committed to the appropriate use of managed entry schemes and the development of real-world evidence and it is investigating innovative approaches to the pricing of medicines, such as payment for outcomes received by the patient and healthcare system.

US

As the sixteenth largest prescription-based pharmaceutical company in the US[3], AstraZeneca has a 2.7 per cent. market share of US pharmaceuticals by sales value. In the year ended 31 December 2020, product sales in the US increased by 12 per cent. to US$8,638 million (2019: US$7,747 million).

The US healthcare system is complex with multiple payers and intermediaries exerting pressure on patient access to branded medicines through regulatory rebates in government programmes and voluntary rebates paid to managed care organisations and pharmacy benefit managers for commercially insured patients, including Medicare Part D patients. In the Medicare Part D programme, branded pharmaceutical manufacturers are also statutorily required to pay a percentage of the patient's out-of-pocket costs during the 'coverage gap' portion of their benefit design. In 2020, the overall measurable reduction in AstraZeneca's profit before tax for the year due to discounts on branded pharmaceuticals in the Medicare Part D Coverage Gap and an industry-wide HealthCare Reform Fee was US$590 million (2019: US$547 million; 2018: US$432 million).

In the US, there is significant pricing pressure driven by payer consolidation, restrictive reimbursement policies and cost control tools, such as exclusionary formularies and price protection clauses. Many formularies, employ 'generic first' strategies and/or require physicians to obtain prior approval for the use of a branded medicine where a generic alternative exists. These mechanisms can be used to limit use of branded products and pressure manufacturers to reduce net prices. In 2020, 85.3 per cent. of prescriptions dispensed in the US were generic (2019: 84.8 per cent.). In addition, patients continue to see changes in the design of their health plan benefits and may experience increases, in both premiums and out-of-pocket payments for branded medications. There is a growing trend towards high deductible health plans which may require patients to pay the full list price until they meet certain out-of-pocket thresholds.

Ongoing scrutiny of the US pharmaceutical industry, focused largely on affordability, has been the basis of multiple policy proposals in the US. Over the course of 2020, Congress and the Trump administration issued several proposals designed to increase generic competition, reform coverage and reimbursement of drug therapies, reduce list prices and out-of-pocket costs, limit price increases, and increase regulatory rebate liability, among other topics. While the attention of Congress necessarily shifted in order to respond to the COVID-19 public health emergency, Management expects a focus on drug pricing proposals to continue into 2021. AstraZeneca is actively supporting solutions that provide access and affordability while continuing to support scientific innovation.

In addition, lawmakers at both the federal and state levels have sought increased drug pricing transparency and have proposed and implemented policies that include measures relating to the submission of proprietary manufacturer data, establishment of price parameters that are indexed to certain federal programmes and reporting of changes in pricing beyond certain thresholds. Though widespread adoption of a broad national price control scheme in the near future is unlikely, AstraZeneca continues to comply with new state-level regulations in this area. It recognises the sustained potential for substantial changes to laws and regulations regarding drug pricing that could have a significant impact on the pharmaceutical industry.

AstraZeneca a number of resources and programmes in the US that can help increase patients' access to medication and reduce their out-of-pocket costs.

[3] Statement based upon published statistical sales data for the 12 months ended 30 September 2020 obtained from IQVIA Inc.

Europe

The total European pharmaceutical market was worth US$211 billion in 2020. AstraZeneca is the thirteenth largest prescription-based pharmaceutical company in Europe with a 2.0 per cent. market share of pharmaceutical sales by value[4].

In 2020, AstraZeneca's product sales in Europe increased by 16 per cent. at actual rate of exchange (15 per cent. at CER) to US$5,059 million (2019: US$4,350 million). AstraZeneca continued to launch and saw sustained performance of innovative medicines in particular with *Tagrisso, Imfinzi, Lynparza, Forxiga and Fasenra.* Oncology sales in Europe grew by 36 per cent. (35 per cent. at CER), driven increased use of *Tagrisso* for the treatment of patients in the first-line EGFR7-mutated non-small cell lung cancer setting, as well as continued strong levels of demand in the 2nd-line setting. *Imfinzi* sales reflect a growing number of reimbursements. *Lynparza* sales benefited from the increasing levels of reimbursement and BRCA-testing rates. *Forxiga* sales growth of 36 per cent. (35 per cent. at CER) was accompanied by *Fasenra* sales increase of 72 per cent. (70 per cent. at CER). With the increased focus on flu vaccination programmes, *FluMist* sales saw a significant increase of 135 per cent. (126 per cent. at CER).

Despite the overall growth, AstraZeneca experienced a decline in *Iressa* sales due to the uptake of *Tagrisso*, coupled with the ongoing impact of divestments, mainly *Losec* and *Seroquel XR*.

Established Rest of World

Japan remains an attractive market for innovative pharmaceutical companies, positioned as the third largest pharmaceutical market for R&D-driven companies[5]. In 2020, there was continued pressure on healthcare spend and, being an even year, the biennial government-induced price control measurements were in place.

Total revenue in Japan was US$2,620 million for the year ended 31 December 2020. AstraZeneca was the sixth largest prescription-based pharmaceutical company in Japan for the 12 months ended 30 September 2020 with a 3.5 per cent. value market share of pharmaceutical sales by value[6]. Revenue has been kept flat versus 2019 (US$2,591 million) outperforming the negative market growth despite challenges linked to COVID-19, regular biennial price cut in April, repricing for *Imfinzi* and *Faslodex*, and generic entry for *Symbicort* (December 2019) and *Pulmicort* (January 2020). Results have been driven by strong performance from Oncology brands *Tagrisso*, *Imfinzi* and *Lynparza*, as well as *Fasenra*, *Breztri* and *Forxiga*. AstraZeneca successfully launched *Lokelma* in May and *Imfinzi* for small-cell lung cancer in August. *Forxiga* was approved for heart failure treatment in November and *Lynparza* was approved in three new indications in December (advanced ovarian, prostate and pancreatic cancers).

Product Sales in Canada increased by 29 per cent. at actual rate of exchange (31 per cent, at CER) in 2020. This was primarily driven by strong sustained growth of AstraZeneca's new medicines, particularly *Imfinzi*, *Tagrisso*, *Lynparza* and *Fasenra* coupled with *Symbicort* sales benefiting from the regulatory approval to use the product as an anti-inflammatory reliever as-needed in mild asthma coupled with improved adherence related to COVID-19.

Decline of *Onglyza* was accompanied by the impact of divestments, particularly *Losec*. There continues to be pricing pressure from both public and private payers. AstraZeneca remains committed to exploring innovative value-based pricing solutions that benefit patient outcomes.

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[4] Statement based upon published statistical sales data for the 12 months ended 30 September 2020 obtained from IQVIA Inc. The term "Europe" used here does not include those countries for which IQVIA data is not available, or countries for which AstraZeneca does not subscribe for IQVIA quarterly data. These countries are set out at page 280 of the Annual Report and Form 20-F Information 2020: Albania, Bosnia and Herzegovina, Cyprus, Estonia, Iceland, Israel, Latvia, Lithuania, Luxembourg, Malta, Portugal, Serbia and Montenegro, Slovakia and Slovenia.

[5] Statement based upon published statistical sales data for the 12 months ended 30 September 2020 obtained from IQVIA Inc.

[6] Statement based upon published statistical sales data for the 12 months ended 30 September 2020 obtained from IQVIA Inc.

AstraZeneca's sales in Australia and New Zealand increased by 8 per cent. at actual rate of exchange (10 per cent. at CER) in 2020. This was primarily due to growth in key brands such as *Symbicort* (which benefited from a strong LABA/ICS class growth from the impact of the bushfires earlier in the year and then COVID-19), *Tagrisso*, *Lynparza* and *Forxiga*. These were supplemented by strong growth in Fasenra in its first full year after reimbursement and an earlier than expected Pharmaceutical Benefits Scheme listing of *Imfinzi*. The decline in older, non-patent protected brands such as *Crestor* and *Nexium* continued but were more than offset by the growth brands. Australia remains a predominantly HTA reimbursed market with products aiming to be reimbursed needing to show a clear level of cost effectiveness and benefit to patients versus existing standard of care. Within this context, the Group pipeline of new assets and indications provide good opportunities for continued future growth.

Emerging Markets

Emerging Markets comprise various countries with dynamic, growing economies. These countries represent a major growth opportunity for the pharmaceutical industry due to high unmet medical need and sound economic fundamentals. Emerging Markets are not immune, however, to economic downturn. Market volatility is higher than in Established Markets and various political and economic challenges exist. These include regulatory and government interventions. In selected markets, governments are encouraging local manufacturing and investment by offering more favourable market access conditions and pricing is increasingly controlled by payers through price referencing regulations in addition to cost effectiveness and cost minimisation approaches.

Growth drivers for Emerging Markets include new medicines across AstraZeneca's Oncology, CVRM and Respiratory & Immunology portfolios. To educate physicians about AstraZeneca's broad portfolio, it is selectively investing in sales capabilities where opportunities from unmet medical need exist. AstraZeneca is also expanding its reach through multi-channel marketing and external partnerships.

AstraZeneca was the fourth largest multinational pharmaceutical company, as measured by prescription sales, and the second fastest-growing top 10 multinational pharmaceutical company in Emerging Markets in 2020[7]. For the financial year ended 31 December 2020, AstraZeneca had total revenues of US$8,711 million (2019: US$8,171 million). Despite the impact of COVID-19 across all geographies AstraZeneca saw growth across all major areas including Latin America at zero per cent. (18 per cent. at CER), Russia & Eurasia at 26 per cent. (39 per cent. at CER), Middle East & Africa down four per cent. (up one per cent. at CER) and Asia Area at five per cent. (seven per cent. at CER).

China

In China, AstraZeneca is the largest pharmaceutical company by value in the hospital sector, as measured by sales[8]. Sales in China in 2020 increased by 10 per cent. at actual rate of exchange (11 per cent. at CER) to US$5,345 million (2019: US$4,880 million). Despite the significant impact of COVID-19 in the first half of 2020 especially, AstraZeneca delivered sales growth above the growth rate of the hospital market sector through strategic brand investment, systematic organisational capability improvements and long-term channel expansion programmes in main therapy areas. *Tagrisso*, *Breztri*, *Bevespi*, *Lynparza*, *Zoladex* and *Linzess* were listed or renewed in the NRDL. Pricing practices remain a priority for regulators, and new national regulations, in addition to provincial and hospital tenders, continue to put increasing pricing pressures on pharmaceutical companies in China. The introduction of the Generics Quality Consistency Evaluation in 2018 has had an impact on pharmaceutical company budgets and pricing through setting new standards for bioequivalence that generic products must adhere to as part of participation in the process called Value Based Procurement ("**VBP**") that covers up to 70 per cent. of anticipated hospital volumes in all areas. This evaluation is being applied retrospectively, so several existing generic products may fail and be withdrawn which could lead to a consolidation in the sector. This would leave fewer, higher-quality generics in the market thereby putting pressure on any originator brand price premiums and driving a reduction in overall medical costs.

In 2018, the first round of VBP, which involved *Crestor* and *Iressa*, was announced with implementation from early 2019. In 2020, *Losec*, *Brilinta* and *Arimidex* were included within the latest VBP cycle with none of the

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[7] Statement based upon published statistical sales data for the 12 months ended 30 September 2020 obtained from IQVIA Inc.

[8] Statement based upon published statistical sales data for the 12 months ended 30 September 2020 obtained from IQVIA Inc.

AstraZeneca brands successfully winning any of the tendered volumes. Consequently the growth of these brands was significantly impacted in the latter part of the year. As the implementation of VBP accelerates it is expected that more AstraZeneca brands will be impacted in 2021. COVID-19 has had a major effect on growth rates in all channels across China and for AstraZeneca in the Respiratory & Immunology therapy area. In particular, the nebulised brands such as *Pulmicort*, *Fluimucil* and *Bricanyl* were most heavily impacted as nebulisation centres were initially closed; when opened, demand was slow to return to pre-pandemic levels.

The industry-wide growth rate is expected to be 4.4 per cent. over the next five years, following the updates of the NRDL and expanding health insurance coverage. Nevertheless, the healthcare environment in China remains dynamic. Opportunities are arising from incremental healthcare investment, in-licensing, strong underlying demand for AstraZeneca's more established medicines and the emergence of innovative medicines such as *Tagrisso Lynparza*, *Breztri* and roxadustat.

Several initiatives announced in the latter part of 2019 to support transformation of healthcare in China were further progressed in 2020. These included the creation of a global R&D centre in Shanghai. A new AI Innovation Centre, also in Shanghai, will be established to capitalise on the latest digital technology in R&D, manufacturing, operations and commercialisation to help accelerate the delivery of medicines to patients in China and globally. A healthcare investment fund jointly set up with CICC, one of China's leading investment banks, has executed funding agreements with other investors and the initial deployment of capital is expected to be made in the early part of 2021 following regulatory approval of the fund. An internet hospital venture with Hillhouse Capital which also includes an in-house pharmacy distribution was executed in 2020 and expected to close in early 2021.

Emerging market healthcare

AstraZeneca continues to make its medicines affordable to more people on a commercially and socially sustainable basis. As, on average, almost half of healthcare expenditure in emerging markets is paid for by the patient or their families, AstraZeneca bases its approach in these markets on an understanding of their economic circumstances and the burden placed on them by healthcare costs. AstraZeneca is aiming to enable its Emerging Markets to deliver better and broader patient access through innovative and targeted equitable pricing strategies and practices which include patient assistance programmes, such as FazBem in Brazil which offer products at a discounted cost.

Operations

AstraZeneca's manufacturing and supply function has continued to support its growth by delivering every new launch on time and in full, and sustaining strong customer service and product lead-time reductions. 2020 marks the completion of AstraZeneca's Operations 2020 plan designed to enhance supply capabilities to respond better to the expanding patient and market needs. In 2020 AstraZeneca delivered 91 successful market launches and 3 pre-registration launches. AstraZeneca will further evolve its manufacturing and supply capabilities through the launch of its new Operations 2025 plan, aligned to AstraZeneca's company strategy. AstraZeneca's Operations 2025 plan will focus on scaling its capabilities to support the continued growth of AstraZeneca's portfolio, combined with leveraging the benefits of new manufacturing technology and digital innovation across AstraZeneca's end-to-end supply chains.

Quality, regulation and compliance

AstraZeneca is committed to high product quality, which underpins the safety and efficacy of its medicines. AstraZeneca maintains a comprehensive quality management system to assure compliance and quality. Similarly, AstraZeneca sets strict standards for safety, health and environment at each of its sites. During 2020, AstraZeneca's site safety protocols were updated in response to the global outbreak of COVID-19 to reduce the risk of workplace transmission. Manufacturing facilities and processes are subject to rigorous and continuously evolving regulatory standards. They are subject to inspections by regulatory authorities, which are authorised to mandate improvements to facilities and processes, halt production and impose conditions for production to resume.

To ensure compliance with global Good Manufacturing Practice regulations, AstraZeneca's Operations Quality team continuously reviews and strengthens the Quality Systems at its manufacturing sites through internal audit programmes, external intelligence and sharing learnings between sites. In 2020, these measures helped AstraZeneca successfully achieve zero critical observations from 14 independent inspections. AstraZeneca

reviews observations from these inspections together with the outcomes of internal audits and, where necessary, implements improvement actions.

AstraZeneca is committed to maintaining the highest ethical standards and compliance with internal policies, laws and regulations. AstraZeneca reviews and comments upon evolving national and international compliance regulations through its membership of industry associations, including International Federation of Pharmaceutical Manufacturers and Associations, European Federation of Pharmaceutical Industries and Associations and Pharmaceutical Research and Manufacturers of America.

Responsible supply chain

Every employee and contractor who sources goods and services on behalf of AstraZeneca is expected to follow responsible business processes, which are embedded into its Global Standard for the Procurement of Goods and Services. All of AstraZeneca's procurement professionals receive training on its Code of Ethics which contains AstraZeneca's expectations on responsible procurement. AstraZeneca monitors compliance through assessments and improvement programmes and will not use suppliers who are unable to meet its standards.

In 2020, AstraZeneca conducted 48 audits on high-risk suppliers (external manufacturing partners), seeking to ensure that they employ appropriate practices and controls. 6 per cent. of these suppliers fully met AstraZeneca's expectations, with a further 94 per cent. implementing improvement plans to address minor instances of non-compliance. Through AstraZeneca's due diligence process, no high-risk engagements were rejected.

Manufacturing capabilities

AstraZeneca's principal tablet and capsule formulation sites are in the UK, Sweden, China, Puerto Rico and the US, with local/regional supply sites in Russia, Japan, Indonesia, Egypt, India, Germany, Mexico and Brazil. AstraZeneca also has major formulation sites for the global supply of parenteral and/or inhalation products in the US, Sweden, France, Australia and the UK. Most of the manufacture of APIs is delivered through the efficient use of external sourcing that is complemented by internal capability in Sweden.

In January 2020, AstraZeneca re-acquired the Reims packing and distribution centre from Avara Reims Pharmaceutical Services. This transaction saw the site and former Avara Reims employees transfer to AstraZeneca. The transition of the Reims site into the AstraZeneca network, including full IT systems integration, remains on schedule for completion in early 2021.

In September 2019, AstraZeneca announced its intention to exit its manufacturing facility at Wedel in Germany by late 2021, and it remains on track to exit the facility to plan.

For biologics, AstraZeneca's principal commercial manufacturing facilities are in the US (Frederick, Maryland; Greater Philadelphia, Pennsylvania), the UK (Speke), and the Netherlands (Nijmegen) with capabilities in process development, manufacturing and distribution of biologics, including global supply of mAbs and influenza vaccines. In Sweden, AstraZeneca has continued to complete extensive qualification of its new biologics drug product manufacturing facility. AstraZeneca have commenced good manufacturing practice manufacturing activity ahead of seeking regulatory approval in 2021 in order to begin commercial supply. In 2020, AstraZeneca announced a long-term supply agreement with Samsung Biologics to provide large-scale commercial manufacturing for drug substance and drug product. This new collaboration enables AstraZeneca to expand its global biologics manufacturing capability into Asia Pacific.

Intellectual property

The principal economic safeguard in the pharmaceutical industry is a well-functioning system of patent and related protection that recognises AstraZeneca's efforts and rewards innovation with appropriate protection – and allows time to generate the revenue AstraZeneca needs to reinvest in pharmaceutical innovation. Patent rights are limited by territory and duration.

A significant portion of a patent's term can be spent during R&D, before it is possible to launch the protected medicine. Therefore, AstraZeneca commits significant resources to establishing and defending its patent and related IP protection for inventions.

Patent process

AstraZeneca files patent protection applications for its inventions through government patent offices around the world 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'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 patents 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 around in the world and there can be no guarantee of success for either party in patent proceedings.

The basic term of a patent is typically 20 years from the filing of the patent application with the relevant patent office. However, a product protected by a pharmaceutical patent may not be marketed for several years after filing, due to the duration of clinical trials and regulatory approval processes. Patent Term Extensions ("**PTEs**") are available in certain major markets, including the EU and the US, 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 (US) from the first marketing authorisation.

Other exclusivities

Regulatory data protection ("**RDP**" or 'data exclusivity') is an important additional form of exclusivity which is separate from, but runs in parallel with, patent exclusivity. RDP arises in respect of data which is required to be submitted to regulatory authorities to obtain marketing approvals for AstraZeneca's medicines. Significant investment is required to generate such data (for example, through conducting global clinical trials) and these proprietary data are protected from use by third parties (such as generic manufacturers) for a number of years in a limited number of countries. The period of such protection, and the extent to which it is respected, differs significantly among countries and varies depending on whether an approved drug is a small molecule or biologic compound. RDP is an important protection for AstraZeneca's products, and it strives to enforce its rights to it, particularly as patent rights are increasingly being challenged.

The RDP period starts from the date of the first marketing approval from the relevant regulatory authority and runs parallel to any patent protection. 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 right protecting a product from being copied. Generic manufacturers, AstraZeneca believes, 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 US, new chemical entities are entitled to a period of five years of RDP under the Federal Food, Drug and Cosmetic Act. This period of RDP runs parallel to any pending or granted patent protection and starts at the approval of the new application. Further, under the Biologics License Application process, the FDA will grant 12 years' data RDP for a new biologic to an innovator manufacturer. In the EU, the RDP period is eight years followed by two years' market exclusivity.

Under Orphan Drug laws in the EU and US, market exclusivity is granted to an innovator who gains approval for a pharmaceutical product developed to treat a rare disease. What qualifies as a rare disease differs between the EU and US. Qualifying orphan drugs are granted 10 years' market exclusivity in the EU and seven years' market exclusivity in the US.

Compulsory licensing and access

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 Organisation'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.

More generally, AstraZeneca is committed to expanding access to healthcare through intellectual property and to providing transparency about where its patents are filed and enforced.

Be a great place to work

People

AstraZeneca's growth and prosperity is supported by the recruitment, retention and development of talented people. Innovation, entrepreneurship and high performance are encouraged and rewarded. In 2020 AstraZeneca: (i) removed performance ratings and shifted its focus to coaching, development and contribution; (ii) saw a four percentage point increase in its employee survey question addressing effective collaboration between teams; (iii) AstraZeneca made a substantial investment in a global online learning platform providing on-demand access to a comprehensive library of educational resources; (iv) updated its values to clearly reflect AstraZeneca's commitment to inclusion and diversity; (v) developed a comprehensive plan to ensure that the actions AstraZeneca takes to address racial equity are meaningful, sustainable and impactful; (vi) saw significant progress in the representation of women in senior roles; and (vii) was encouraged that, through the COVID-19 pandemic, 91 per cent. of employees stated that they were getting the support that they needed during this time.

Performing as an enterprise team

AstraZeneca ensures that all its business areas have robust workforce plans to ensure that it can attract and develop the critical capabilities required to deliver AstraZeneca's strategic priorities. These plans are underpinned by predictive analytics, meaning workforce decisions are data-driven. AstraZeneca also uses workforce analytics to ensure that it manages its global workforce in an optimum way and continue to implement a significant number of automation and digital initiatives, to allow AstraZeneca's workforce to spend a higher proportion of their time on higher-value activity. AstraZeneca has also developed a Digital & Data Hub to build capability and to support our ambition to accelerate the use of digital technology across our value chain.

AstraZeneca's graduate and apprentice programmes are critical to attract early-career talent, and to ensure that AstraZeneca builds the capabilities it will need in the future, as well as investing in internships and recruitment opportunities globally. AstraZeneca also offers an MBA Development programme in its US Commercial Business, providing business rotations to give its future leaders breadth of experience, as well as a 12-week internship opportunity for business school students to contribute to key initiatives in its Oncology therapy area.

Developing a culture of lifelong learning

AstraZeneca encourages employees to take ownership of their own development and expect leaders to spend time supporting their employees' development. In early 2019, AstraZeneca decided to review how it supports the learning and development of its people and this continued through 2020. This work involved a substantial investment to develop a culture of lifelong learning and support the up-skilling and re-skilling of AstraZeneca's people. This included a new operating model and global team, and the implementation of a global online learning platform providing on-demand access to a comprehensive library of educational resources. Over 600,000 resources have been accessed since launch.

AstraZeneca's Women as Leaders programme aims to encourage more women into senior roles. Approximately 800 women had completed the programme by the end of 2020, with continuing feedback that it is providing positive career outcomes for the participants. In addition, AstraZeneca has developed women's networks in most countries, continued to hold empowerment summits in various locations around the world and to support mentoring relationships, for example, introducing mentoring by senior women for emerging talent in Operations.

AstraZeneca continues to offer its 'Rising Leaders Experience', a development programme aimed at emerging talent who demonstrate the potential to reach senior leadership roles, and in 2020 AstraZeneca supplemented this with its 'Accelerate' programme, designed to develop AstraZeneca's talent from Emerging Markets.

Champions of inclusion and diversity

To foster innovation, AstraZeneca seeks to harness different perspectives, talents and ideas as well as ensuring that employees reflect the diversity of the communities in which AstraZeneca operates. AstraZeneca focuses on inclusive leadership at all levels, creating a culture where people feel able to speak their mind, as well as building a diverse leadership and talent pipeline. AstraZeneca's values are supported by a clear set of

behavioural statements. In 2020, AstraZeneca updated these statements to reflect more clearly its commitment to inclusion and diversity.

AstraZeneca has implemented numerous initiatives across its global population, such as unconscious bias training, and has encouraged and supported the formation of various employee resource groups (such as a neurodiversity network) and updated recruitment standards to ensure diverse candidate lists and selection panels. To help ensure that AstraZeneca's people feel safe and empowered to speak their mind, it introduced 'Meeting of Minds', a framework for conducting meetings that enables constructive challenge and active listening.

Code of Ethics

AstraZeneca is committed to employing high ethical standards when carrying out all aspects of its business globally. AstraZeneca's Code of Ethics (the "**Code**") is based on AstraZeneca's company Values, expected behaviours and key policy principles. It empowers employees to make decisions in the best interests of the Group and the people AstraZeneca serves, now and in the long term, by outlining AstraZeneca's commitments in simple terms and focusing on why these commitments matter. The Code guides employees on how to make the best day-to-day choices and how to act in a consistent, responsible way, worldwide. There are two mandatory training courses dedicated to the Code: one is for new starters; the second is the annual training for all employees, reminding them of the key commitments. In 2020, 100 per cent. of all active employees completed the annual training on the Code.

The Code includes four high-level Global Policies covering Science, Interactions, Workplace and Sustainability. These Global Policies continue to be complemented by underlying Global Standards which define the global requirements AstraZeneca follows to deliver its business consistent with the values, behaviours, commitments and principles embodied in its Code and Global Policies. AstraZeneca's policy framework also includes additional requirements at the global, local and business unit level to support employees in their daily work.

Safety, health and wellbeing

AstraZeneca works to promote a safe, healthy and energising work environment for employees and partners. AstraZeneca's standards apply globally and are stated in its Code of Ethics. AstraZeneca has des established and monitors a set of safety, health and wellbeing targets aimed at supporting AstraZeneca's people and keeping it among the sector leasers in performance. AstraZeneca's reporting in this area is assured by Bureau Veritas.

AstraZeneca made further progress against its strategic targets in 2020, achieving a 46 per cent. reduction in vehicle collision rate and a 64 per cent. reduction in the work-related injury rate from the 2015 baseline. In addition, there were no work-related fatalities during 2020. Building on its previous success in establishing a culture of health and wellbeing, AstraZeneca is continuing to focus on active health promotion. AstraZeneca has programmes to address all four essential health activities – healthy eating and drinking, physical activity, tobacco cessation and mental wellbeing – at 86 per cent. of its sites.

Sustainability

Access to healthcare

AstraZeneca is working towards its 2025 ambition by:

- Innovating – to deliver life-changing medicine;
- Partnering – to improve access and affordability; and
- Transforming – for the future of healthcare.

Some of AstraZeneca's key access to healthcare programmes and initiatives are set out below.

Healthy Lung

The Healthy Lung initiative aims to support increased awareness and prevention; earlier diagnosis; improved treatment and disease management; and establishing standards of care in line with international best practice for asthma and COPD.

Healthy Heart

Healthy Heart Africa ("**HHA**") is AstraZeneca's innovative programme committed to tackling hypertension (high blood pressure) and the increasing the burden of cardiovascular disease across Africa. To achieve this, HHA supports local health systems by increasing awareness of the symptoms and risks of hypertension and by offering education, screening, treatment where appropriate, and control. The programme is currently active in both East and West Africa.

Young Health Programme

The Young Health Programme ("**YHP**") is a NCD prevention programme focused on young people aged 10 to 24 and delivered in partnership with Plan International UK, Project Hope and more than 30 other not-for-profit organisations around the world. In 2020, UNICEF joined YHP as its newest partner, expanding advocacy activities in Angola, Belize, Brazil, Indonesia, Jamaica and South Africa. Together with UNICEF, YHP aims to reach five million young people, train 1,000 youth advocates and positively shape public policy around the world through 2025.

In 2020, AstraZeneca directly reached more than one million young people with health information on NCDs and risk behaviours and trained more than 54,000 peer educators and healthcare workers. AstraZeneca launched new programmes in Bulgaria, Colombia, Egypt, France, Slovenia and the UK and, in line with its goal to support the development of young leaders, AstraZeneca offered 20 scholarships in partnership with One Young World.

The COVID-19 pandemic had a significant impact on young people around the world. AstraZeneca adapted its health education programming to reach more than two million young people digitally and, where appropriate, included COVID-19 information. AstraZeneca provided grants to support hygiene and education programmes to UNICEF, Plan International and Project Hope to support their humanitarian relief efforts. AstraZeneca also provided Johns Hopkins Bloomberg School of Public Health with a grant to support a new 18-month research project to understand the challenges and implications of the pandemic on young people living in urban poor communities in 11 cities around the world.

Environmental protection

AstraZeneca follows the science to protect the planet by managing its impact on the environment across its value chain, from R&D activities, its own operations, into its supply chain and customer use of its products. AstraZeneca's 2020 targets (against a 2015 baseline) included: (i) reducing its Scope 1 and Scope 2 greenhouse gas footprint by 50 per cent. to 314 ktCO_2e; (ii) limiting the increase in its energy consumption to no more than 6 per cent. to 1,938 GWh; (iii) limiting the increase in its waste generation to less than 24 per cent. to 38,173 tonnes; and (iv) reducing water use by 10 per cent to 3.89 million m^3.

In 2020, approximately US$19 million (2019: US$15 million) was invested in natural resource efficiency projects at AstraZeneca's manufacturing and R&D sites, and a further US$28 million has been committed for 2021.

Contributing to society

AstraZeneca aims to make a significant financial and non-financial contribution to the communities in which it operates. This comprises its medicines for patients and a focus on sustainability for people and the environment. As a science-led, patient-focused pharmaceutical company, AstraZeneca's innovative medicines impact millions of lives annually. But its contribution to society extends beyond this to include its wider efforts to benefit people and the planet. Additionally, wherever AstraZeneca works in the world, it aims to make a positive impact on its communities, making financial contributions, supporting healthcare and STEM education programmes, volunteering, and through product donations.

Community investment

AstraZeneca's Global Standard on External Funding encompasses community investment and provides guidance to ensure a consistent, transparent and ethical approach around the world, based on local need. AstraZeneca's activities are focused on healthcare in the community and supporting science education. They include financial and non-financial contributions. In 2020, AstraZeneca gave more than US$76 million (2019: US$72 million) through its community investment activities to more than 1,300 non-profit organisations in 88 countries. The amount includes more than US$20 million (2019: US$27.4 million) for product donations that were given in support of public health needs and disaster relief. In addition to these community investments, AstraZeneca also donated more than US$1.6 billion (2019: US$801 million) of medicines in connection with patient assistance programmes around the world, the largest of which is its AZ&Me programme in the US. The increase reflects a larger number of patients enrolled in AstraZeneca's programme and the mix of products donated.

In 2020, AstraZeneca's Step Up! Young Health Global Grants Programme provided a total of US$198,000 to help 20 small, youth focused non-profit organisations deliver innovative health promotion programmes in 15 countries around the world. In 2020, AstraZeneca reached over 1.25 million students and educators with engaging and accessible STEM education, including its Ask a Scientist video series which generated more than 375,000 views, and our virtual STEM festivals achieved registration of over 150,000 STEM enthusiasts around the world. AstraZeneca's signature initiative Generation Health: How Science Powers Us reached more than one million students and has become a steadfast resource for teachers and parents in the US and around the world, as they look for resources to support at-home learning.

AstraZeneca continues to support Connections for Cardiovascular Health^{SM} ("**CCH**"), a programme of the AstraZeneca HealthCare Foundation that was launched in 2010 to address heart health in the US. In 2020, CCH marked its tenth anniversary and launch CCH Next Generation by providing US1.02 million in grants to nine non-profit organisations for programmes that aim to help prevent, better manage and reduce cardiovascular disease.

Making a positive impact on AstraZeneca's communities is also about volunteering. AstraZeneca encourages its employees to volunteer and support their efforts with one day's leave for community service. In 2020, AstraZeneca's employees volunteered more than 28,000 hours on community projects in countries around the world.

Legal and Arbitration Proceedings

In April 2021, the European Commission (acting on behalf of the European Union and its member states) initiated legal proceedings against AstraZeneca AB in two separate matters in Brussels. The proceedings relate to an Advance Purchase Agreement between the parties dated 27 August 2020 (the "**APA**") for the supply of AZD1222. The allegations include claims that AstraZeneca AB has failed to meet certain of its obligations under the APA and the European Commission is seeking, among other things, a Court order to compel AstraZeneca AB to supply a specified number of doses before the end of the second quarter of 2021 and potential damages (the "**EC Proceedings**").

Save as disclosed (i) above regarding the EC Proceedings, (ii) in Note 29 to AstraZeneca's consolidated financial statements for the year ended 31 December 2020 on page 229 of AstraZeneca's Annual Report and Form 20-F Information 2020 and (iii) in Note 5 to AstraZeneca's 2020 Q1 Results dated 29 April 2021, which, in the case of (ii) and (iii), have been incorporated by reference into this Base Prospectus there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which AstraZeneca is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of AstraZeneca PLC and its Subsidiaries.

Group Structure

AstraZeneca PLC is the ultimate holding company of the Group. The principal subsidiaries of AstraZeneca PLC, being those subsidiaries which account for more than (i) 10 per cent. of the Group's operating income; or (ii) 10 per cent. of the Group's assets; or (iii) if the Group's total investment in the subsidiary exceeds 10 per cent. of the Group's assets as at 31 December 2020, are listed below.

At 31 December 2020	Country	Percentage of Voting Share Capital Held (per cent.)
United Kingdom		
AstraZeneca Intermediate Holdings Limited	England	100
AstraZeneca UK Limited	England	100
AstraZeneca Treasury Limited.....	England	100
Continental Europe		
AstraZeneca AB	Sweden	100
AstraZeneca Biotech AB.....	Sweden	100
AstraZeneca International Holdings AB	Sweden	100
The Americas		
IPR Pharmaceuticals Inc.	Puerto Rico	100
AstraZeneca Pharmaceuticals LP.....	United States	100
MedImmune, LLC.....	United States	100
China		
AstraZeneca (Wuxi) Trading Co. Ltd	China	100

Major Shareholdings

As at 21 May 2021, the following had disclosed an interest in the issued ordinary share capital of AstraZeneca PLC 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 PLC	Percentage of issued share capital
			(per cent.)
BlackRock, Inc.....	100,885,181	4 Dec 2009	7.68
Investor AB.....	51,587,810	3 April 2019	3.93
The Capital Group Companies, Inc.....	63,802,495	17 July 2018	4.86
Wellington Management Group LLP	65,120,892	21 July 2020	4.96
Wellington Management Company LLP	65,118,411	21 July 2020	4.96

Board of Directors

The Directors and Secretary of AstraZeneca PLC as at 21 May 2021, their functions in AstraZeneca PLC and their principal outside activities (if any) of significance to AstraZeneca PLC are as follows:

Name	Function within AstraZeneca PLC	Principal Outside Activity (if any) of Significance to AstraZeneca PLC
Pascal Soriot.....	Executive Director and Chief Executive Officer	
Marc Dunoyer	Executive Director and Chief Financial Officer	Director of Orchard Therapeutics Plc
Leif Johansson.....	Non-Executive Chairman, Chairman of the Nomination and Governance Committee and member of the Remuneration Committee	Member of the European Round Table of Industrialists. Board member of Ecolean AB and Autoliv, Inc. Member of the Royal Swedish Academy of Engineering Sciences. Member of the Council of Advisors, Boao Forum for Asia
Philip Broadley.....	Senior Independent Non-Executive Director, Chairman of the Audit Committee, and member of the Remuneration Committee and the Nomination and Governance Committee	Senior Independent Director and Audit Committee Chairman of Legal & General Group plc. Treasurer of the London Library. Chairman of the Board of Governors of Eastbourne College
Euan Ashley……	Non-Executive Director and member of the Science Committee.	Associate Dean, Professor of Biomedical Data Science and Professor of Cardiovascular Medicine and Genetics at Stanford University, California
Michel Demaré……	Non-Executive Director, Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination and Governance Committee.	Non-Executive director of Vodafone Group Plc. Chairman of IMD Business School in Lausanne. Deputy Chairman of Louis Dreyfus Company Holdings BV. Chairman of Nomoko AG
Deborah DiSanzo	Non-Executive Director and member of the Audit Committee	Director of Novanta, Inc. President of Best Buy Health for Best Buy Co, Inc. Serves on the board of Project Hope a global health and humanitarian relief organisation. Teaches at Harvard T.H. Chan School of Public Health
Diana Layfield	Non-Executive Director	President, EMEA Partnerships and Vice-President, 'Next Billion Users' & Product Management at Google. Council Member of the

Name	Function within AstraZeneca PLC	Principal Outside Activity (if any) of Significance to AstraZeneca PLC
		London School of Hygiene & Tropical Medicine and member of the Growth Advisory Council of Duco Technology Limited
Tony Mok.....	Non-Executive Director and member of the Science Committee	Non-Executive Director of Hutchinson China MediTech Limited, co-founder and Chairman of Sanomics Limited and co-founder and director of Aurora Tele-Oncology Ltd.
Sheri McCoy	Non-Executive Director and member of the Audit Committee and the Remuneration Committee	Member of the board of Stryker Corporation, Kimberly-Clark, NovoCure and Galderma S.A. Industrial Advisor for EQT Partners where she chairs Certara and Aldevron LLC.
Nazneen Rahman.....	Non-Executive Director, Chairman of the Science Committee and Member of the Nomination and the Governance Committee	Founder of YewMaker Ltd. and director of Yewmaker Medicines Ltd.
Marcus Wallenberg	Non-Executive Director and Member of the Science Committee	Chairman of Skandinaviska Enskilda Banken AB, Saab AB, and Foundation Asset Management AB. Member of the boards of Investor AB, and the Knut and Alice Wallenberg Foundation
Adrian Kemp.....	Company Secretary	None

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

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

Pipeline developments

On 6 January 2021, AstraZeneca announced that its drug *Farxiga* (dapagliflozin) had been granted Priority Review in the US for the treatment of new or worsening chronic kidney disease in adults with and without type-2 diabetes.

On 15 January 2021, AstraZeneca announced that its drug *Imfinzi* (durvalumab) had been approved in the European Union and the UK for an additional dosing option, a 1,500mg fixed dose every four weeks, in locally advanced, unresectable non-small cell lung cancer in adults whose tumours express PD-L1 on at least 1 per cent. of tumour cells and whose disease has not progressed following platinum-based chemoradiation therapy.

On 18 January 2021, AstraZeneca and Daiichi Sankyo Company Limited ("**Daiichi Sankyo**") announced that their drug *Enhertu* (trastuzumab deruxtecan) had been approved in the US for the treatment of adult patients with locally advanced or metastatic HER2-positive gastric or gastroesophageal junction adenocarcinoma who have received a prior trastuzumab-based regimen.

On 20 January 2021, AstraZeneca and Daiichi Sankyo announced that their drug *Enhertu* (trastuzumab deruxtecan) had been granted conditional approval in the European Union as a monotherapy for the treatment of adult patients with unresectable or metastatic HER2-positive breast cancer who have received two or more prior anti-HER2-based regimens.

On 25 January 2021, AstraZeneca announced that positive high-level results from the ELEVATE-RR Phase III trial showed that its drug *Calquence* (acalabrutinib) met the primary endpoint demonstrating non-inferior progression-free survival for adults with previously treated, high-risk chronic lymphocytic leukaemia compared to ibrutinib.

On 25 January 2021, AstraZeneca also announced that its drug *Calquence* (acalabrutinib) had been approved in Japan for the treatment of adult patients with relapsed or refractory chronic lymphocytic leukaemia (including small lymphocytic lymphoma).

On 26 January 2021, AstraZeneca announced that its drug *Symbicort Turbuhaler* (budesonide/formoterol 160/4.5mcg) had been approved in China as an anti-inflammatory reliever to be taken as-needed in response to symptoms to achieve asthma control in patients with mild asthma aged 12 years and older.

On 29 January 2021, AstraZeneca announced that its COVID-19 vaccine had been recommended for conditional marketing authorisation in the European Union for active immunisation to prevent COVID-19 caused by SARS-CoV-2, in individuals 18 years of age and older.

On 1 February 2021, AstraZeneca announced that its COVID-19 vaccine had been granted a conditional marketing authorisation in the European Union for active immunisation to prevent COVID-19 caused by SARS-CoV-2, in individuals 18 years of age and older.

On 4 February 2021, AstraZeneca announced that its drug *Forxiga* (dapagliflozin) had been approved in China to reduce the risk of cardiovascular death and hospitalisation for heart failure in adults with heart failure (NYHA class II-IV) with reduced ejection fraction.

On 5 February 2021, AstraZeneca announced that the KESTREL Phase III trial for its drug *Imfinzi* (durvalumab) did not meet the primary endpoint of improving overall survival ("**OS**") versus the EXTREME treatment regimen (chemotherapy plus cetuximab), a standard of care, in the 1st-line treatment of patients with recurrent or metastatic head and neck squamous cell carcinoma whose tumours expressed high levels of PD-L1. Also, the combination of *Imfinzi* plus *tremelimumab* did not indicate an OS benefit in 'all-comer' patients, a secondary endpoint.

On 17 February 2021, AstraZeneca and Merck & Co., Inc., Kenilworth, NJ, US announced that the OlympiA Phase III trial for their drug *Lynparza* will move to early primary analysis and reporting following a recommendation from the Independent Data Monitoring Committee ("**IDMC**"). Based on the planned interim analysis, the IDMC concluded that the trial crossed the superiority boundary for its primary endpoint of invasive disease-free survival and demonstrated a sustainable, clinically relevant treatment effect for *Lynparza* versus placebo for patients with germline BRCA-mutated high-risk human epidermal growth factor receptor 2 (HER2)-negative early breast cancer, and recommend primary analysis now take place.

On 22 February 2021, AstraZeneca announced the voluntary withdrawal of the *Imfinzi* (durvalumab) indication in the US for previously treated adult patients with locally advanced or metastatic bladder cancer. This decision was made in consultation with the FDA.

On 2 March 2021, AstraZeneca and FibroGen, Inc. announced that the FDA informed FibroGen that it will convene a meeting of the Cardiovascular and Renal Drugs Advisory Committee to review the new drug application for *Roxadustat*. *Roxadustat* is under regulatory review for the treatment of anaemia of chronic kidney disease.

On 3 March 2021, it was announced that the US District Court for the Northern District of West Virginia had decided in favour of AstraZeneca in litigation against Mylan Pharmaceuticals Inc and Kindeva Drug Delivery

L.P., determining that asserted claims in three of AstraZeneca's patents protecting *Symbicort* (budesonide/formoterol) in the US are not invalid.

On 16 March 2021, AstraZeneca announced that it had modified an existing agreement with the US Government to supply up to 500,000 additional doses of AZD7442, a long-acting antibody combination which is in late-stage development for the prevention and treatment of COVID-19.

On 22 March 2021, AstraZeneca announced that the US Phase III trial of its vaccine AZD1222 demonstrated statistically significant vaccine efficacy of 79 per cent. at presenting symptomatic COVID-19 and 100 per cent. efficacy at preventing severe disease and hospitalization.

On 25 March 2021, AstraZeneca announced that positive high-level results from the primary analysis of the Phase III trial of its vaccine AZD1222 in the US have confirmed vaccine efficacy consistent with the pre-specified interim analysis announced on Monday 22 March 2021.

On 12 April 2021, AstraZeneca and Saint Luke's Mid America Heart Institute announced high-level results of the primary analysis from the DARE-19 Phase III trial assessing the potential of *Farxinga* (dapagliflozin) to treat patients hospitalised with COVID-19 who are at risk of developing serious complications.

On 14 April 2021, AstraZeneca announced that its drug *Tagrisso* (osimertinib) had been approved in China for the adjuvant treatment of patients with early-stage (IB, II and IIIA) epidermal growth factor receptor-mutated non-small cell lung cancer after tumour resection with curative intent, with or without adjuvant chemotherapy as recommended by the patient's physician. *Tagrisso* is indicated for epidermal growth receptor-mutated ("**EGFRm**") patients whose tumours have exon 19 deletions or exon 21 (L858R) mutations.

On 26 April 2021, AstraZeneca announced that the MELODY Phase III trial for nirsevimab met its primary endpoint of a statistically significant reduction in the incidence of medically attender lower respiratory tract infections caused by respiratory syncytial virus ("**RSV**") compared to placebo in healthy late preterm and term infants (35 weeks or more) during their first RSV season.

On 26 April 2021, AstraZeneca announced that its drug *Tagrisso* (osimertinib) had been recommended for approval in the EU for the adjuvant treatment of patients with early-stage EGFRm NSCLC after complete tumour resection with curative intent. The Committee for Medicinal Products for Human Use of the European Medicines Agency based its positive opinion on results from the ADAURA Phase III trial. In the trial, *Tagrisso* demonstrated a statistically significant and clinically meaningful improvement in disease-free survival in the primary analysis population of patients with Stage II and IIIA EGFRm NSCLC, and in the overall trial population of patients with Stage IB-IIIA disease.

On 26 April 2021, AstraZeneca and MSD announced that that their drug selumetinib had been recommended for approval in the EU for the treatment of symptomatic, inoperable plexiform neurofibromas in paediatric patients with neurofibromatosis type 1 aged three years and above.

On 4 May 2021, AstraZeneca announced that its drug *Farxiga* (dapagliflozin), a sodium-glucose cotransporter 2 inhibitor, has been approved in the US to reduce the risk of sustained estimated glomerular filtration rate decline, end-stage kidney disease, cardiovascular death and hospitalisation for heart failure in adults with chronic kidney disease at risk of progression.

On 7 May 2021, AstraZeneca announced that its drugs *Imfinzi* (durvalumab) and tremelimumab with chemotherapy demonstrated overall survival benefit in POSEIDON trial for 1st-line Stage IV NSCLC. POSEIDON was a Phase III trial of AstraZeneca's *Imfinzi* plus platinum-based chemotherapy or *Imfinzi*, tremelimumab and chemotherapy versus chemotherapy alone in the first-line treatment of patients with Stage IV (metastatic) NSCLC.

On 21 May 2021, AstraZeneca announced that their COVID-19 vaccine *Vaxzevria* (ChAdOx1-S (Recombinant)), formerly AZD1222, had been granted a special approval for emergency use in Japan for active immunisation of individuals aged 18 years and older. The Japanese Ministry of Health, Labour and Welfare granted the approval based on positive Phase III efficacy and safety data from the Oxford University-led clinical trial programme in the UK, Brazil and South Africa, and a Phase I/II trial in Japan.

Commercial developments

On 4 January 2021, AstraZeneca announced that it had completed the divestment of commercial rights to *Atacand* (candesartan cilexetil) and *Atacand Plus* (a fixed-dose combination of candesartan cilexetil and hydrochlorothiazide) in over 70 countries to Cheplapharm Arzneimittel GmbH ("**Cheplapharm**"). Under the terms of the agreement AstraZeneca received a payment of US$250m from Cheplapharm. AstraZeneca will receive further non-contingent payments equal to US$150m during the first half of 2021.

On 1 February 2021, AstraZeneca also announced that it had agreed, subject to certain limited exceptions, to divest its 26.7 per cent. ownership in Viela Bio, Inc. ("**Viela**"), as part of the proposed acquisition of Viela by Horizon Therapeutics plc ("**Horizon**"). On 16 March 2021, AstraZeneca announced that it had completed the divestment of its 26.7 per cent. ownership. AstraZeneca received cash proceeds and profit of around US$760-US$780m upon closing for the sale of the holding, which will be recorded in Reported and Core Other Operating Income and Expense in the Company's financial statements.

On 10 February 2021, AstraZeneca announced that it had completed the divestment of the rights to the drug Crestor (rosuvastatin) and associated medicines in over 30 countries in Europe to Grünenthal GmbH. Rights in the UK and Spain were not included in the agreement.

On 16 April 2021, AstraZeneca announced that its proposed acquisition of Alexion Pharmaceuticals, Inc had achieved an important step toward completion, having cleared US Federal Trade Commission review. This follows the conclusion of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act.

On 11 May 2021, AstraZeneca announced that its shareholders had voted in favour of the proposed acquisition of Alexion, with a 99.89 per cent majority.

On 11 May 2021, AstraZeneca announced the results of their annual general meeting, where all resolutions proposed were passed.

DESCRIPTION OF ASTRAZENECA FINANCE LLC

General

AstraZeneca Finance is a direct wholly owned subsidiary of AstraZeneca Finance and Holdings Inc. which is a direct wholly owned subsidiary of AstraZeneca PLC.

AstraZeneca Finance was formed as a limited liability company on 6 May 2021 in the state of Delaware, United States of America with registered number 5899410 and 1209 Orange Street, Wilmington, Delaware DE 19801, United States of America as its registered address. Its telephone number is +1 800 236 9933. The operating agreement of AstraZeneca Finance is governed by Delaware law. AstraZeneca Finance was formed to operate as a finance vehicle for the Group.

The issued capital of AstraZeneca Finance is US$350,000,010 consisting 100 per cent. of the AstraZeneca's Finance membership interest.

Organisational Structure

The management of AstraZeneca Finance is made up of three directors and six officers who manage the business of AstraZeneca Finance subject to constitutional and legislative restrictions.

As at 21 May 2021, the directors of AstraZeneca Finance are:

Name	*Function*	*Principal other activities outside AstraZeneca Finance*
Mariam Koohdary	Director	Director of AstraZeneca Rare Disease Holdings Inc., AstraZeneca Finance and Holdings Inc., Amylin Ohio LLC, Aktemix Nine Inc, Aktemix Ten Inc., Zeneca Holdings Inc., Zeneca Inc., Corpus Christi Holdings Inc., Ardea Biosciences, Inc., Omthera Pharmaceuticals, Inc., Pearl Therapeutics, Inc., MedImmune Ventures, Inc., Optein, Inc., Zeneca Wilmington Inc., Amylin Pharmaceuticals, LLC, BMS Holdco, Inc., Delta Omega Sub Holdings LLC 2, Delta Omega Sub Holdings Inc. 1 and ZS Pharma, Inc.
Thomaz Bonato	Director	Director of AstraZeneca Rare Disease Holdings Inc., AstraZeneca Finance and Holdings Inc., Amylin Ohio LLC, Aktemix Nine Inc., Aktemix Ten Inc., Zeneca Holdings Inc., Zeneca Inc, Corpus Christ Holdings Inc., Omthera Pharmaceuticals, Inc., Pearl Therapeutics, Inc., MedImmune, LLC, MedImmune Ventures, Inc., Optein, Inc., Zeneca Wilmington Inc., Amylin Pharmaceuticals, LLC, BMS Holdco, Inc., Delta Omega Sub Holdings LLC 2 and Delta Omega Sub Holdings Inc. 1, ZS Pharma, Inc.
David E. White	Director	Director of AstraZeneca Rare Disease Holdings Inc., AstraZeneca Finance and Holdings Inc., Amylin Ohio LLC, Aktemix Nine Inc, Aktemix Ten Inc., Zeneca Holdings Inc., Zeneca Inc., Corpus Christi Holdings Inc., Ardea Biosciences, Inc., Omthera Pharmaceuticals, Inc., Pearl Therapeutics, Inc., MedImmune Ventures, Inc., Optein, Inc., Zeneca Wilmington Inc., Amylin Pharmaceuticals, LLC, BMS Holdco, Inc., Delta Omega Sub Holdings LLC 2, Delta Omega Sub Holdings Inc. 1 and ZS Pharma, Inc.

As at 21 May 2021, the officers of AstraZeneca Finance are:

Name	*Function*
Mariam Koohdary	President & Secretary
Richard J. Kenny	Assistant Secretary
David E. White	Treasurer
Kevin Durning	Assistant Treasurer
Keith Burns	Assistant Treasurer
Theresa Rogler	Assistant Treasurer

The business address of each of the directors and officers referred to above is 1800 Concord Pike, Wilmington, DE 19803, United States of America.

The directors and officers referred to above have no potential conflicts of interest between any duties owed to AstraZeneca Finance and their private interests or other duties.

DESCRIPTION OF THE TRANSACTION

*In this section, references to "**AstraZeneca**" mean AstraZeneca PLC and its subsidiaries as at the date of this Base Prospectus (and therefore not including Alexion), "**Combined Group**" has the same meaning as in the risk factors: AstraZeneca PLC, Alexion and their respective subsidiaries.*

1. Introduction

On 12 December 2020, AstraZeneca PLC announced that it and Alexion had reached an agreement for the acquisition, by a subsidiary of AstraZeneca PLC, of the entire common stock of Alexion (the "**Alexion Shares**"), which will be effected through a statutory merger pursuant to the laws of Delaware (the "**Transaction**").

Under the terms of the Transaction, shareholders of Alexion ("**Alexion Shareholders**") will receive US$60 in cash and 2.1243 AstraZeneca PLC American Depositary Shares ("**AstraZeneca ADSs**") (each new AstraZeneca ADS representing one-half of one (1/2) AstraZeneca PLC ordinary shares ("**AstraZeneca Shares**")), as evidenced by American Depositary Receipts ("**ADRs**") for each Alexion Share (the "**Merger Consideration**"). If they elect, Alexion Shareholders may receive their allocation of new AstraZeneca ADSs in the form of a corresponding number of AstraZeneca Shares in addition to the cash consideration.

Owing to its size, the Transaction constitutes a class 1 transaction for the purposes of the UK Listing Rules, and therefore required the approval of AstraZeneca PLC's shareholders which was obtained on 11 May 2021. The Transaction is conditional on certain other conditions as described further below.

Alexion was incorporated in the state of Delaware and Alexion Shares are listed on The Nasdaq Stock Market LLC (the "**Nasdaq Stock Exchange**"). Alexion is therefore not subject to the UK Listing Rules. Pursuant to the terms of the Merger Agreement (as defined below), and, in accordance with Delaware law, the Transaction was also conditional on Alexion Shareholder approval which was obtained on 11 May 2021.

2. Background to and reasons for the Transaction

Both AstraZeneca and Alexion share the same dedication to science and innovation to deliver life-changing medicines. The capabilities of both organisations are expected to create a company with great strengths across a range of technology platforms, with the ability to bring innovative medicines to millions of people worldwide. The Combined Group is expected to also have an enhanced global footprint and broad coverage across primary, speciality and highly specialised care.

Scientific leadership - accelerated presence in immunology

AstraZeneca has built a growing scientific presence in oncology, and in cardiovascular, renal and metabolism, and respiratory diseases, with a focus on organ protection. AstraZeneca has developed a broad range of technologies, initially focused on small molecules and biologics and with a growing focus in precision medicine, genomics, oligonucleotides and epigenetics. More recently, AstraZeneca has increased its efforts in immunology research and the development of medicines across a range of modalities for immune-mediated diseases, including for rare disorders. (For more information see "*Description of AstraZeneca*").

Many immune disorders are caused by the over-activation of an individual's own immune system against specific normal proteins or components, causing damage to cells, tissues and/or organs that express these proteins or components. In some of these disorders the damage is caused in whole or part by the over-activation of the complement arm of the immune system.

Alexion has pioneered complement inhibition for a broad spectrum of immune-mediated rare diseases caused by uncontrolled activation of the complement system. The complement system is a critical component of the innate immune system, which is typically the first line of defence against invading pathogens. The complement system consists of several plasma proteins that work together to destroy and remove foreign and infected cells, and cause inflammation of the surrounding tissue to recruit additional mediators of the immune system. The complement proteins usually circulate in the blood

and extracellular fluid in an inactivated state. Activation by an appropriate signal sets off a chain reaction where each complement protein triggers the activation of the next protein in the cascade.

Complement activation occurs through three different routes, based on the type of activating signal:

(a) the classical pathway is activated by antibodies bound to the surface of a microbe or other structure, or, in the case of an immune-mediated disorder, one of the patient's own proteins;

(b) the alternative pathway is triggered when the complement protein C3 directly recognises certain microbial surface structures. A key protein involved in the activation of the alternative pathway is Factor D; and

(c) the lectin pathway is activated by the plasma protein mannose-binding lectin (MBL), which recognises specific molecular structures on microbial surfaces.

All three pathways converge to activate C3, which then splits into two fragments, C3a and C3b. The smaller C3a fragment promotes inflammation, thus enhancing the immune response, while the larger C3b fragment binds to the surface of a human or microbial cell to form the C5 convertase. The latter splits the terminal complement protein C5, triggering the formation of the membrane attack complex (MAC), a structure that forms on the membranes of cells and pokes holes, causing the cellular contents to leak and the cells to die.

Uncontrolled complement activation can lead to life-threatening conditions, including systemic inflammation, dysregulation of coagulation (blood clotting) and fibrinolysis, and auto-aggression. It therefore needs to be tightly regulated.

Alexion's franchise includes *Soliris* (eculizumab), a first-in-class anti-complement component 5 (C5) monoclonal antibody. The medicine is approved in many countries for the treatment of patients with paroxysmal nocturnal haemoglobinuria ("**PNH**"), atypical haemolytic uremic syndrome, generalised myasthenia gravis and neuromyelitis optica spectrum disorder. More recently, Alexion launched *Ultomiris* (ravulizumab), a second-generation C5 monoclonal antibody with a more convenient dosing regimen that has the potential to address a broader range of potential immune disorders.

Alexion's expertise extends to other targets both within and beyond the complement cascade. Its deep pipeline includes Factor D small-molecule inhibitors that modulate the alternative pathway of the complement system, an antibody blocking the neonatal Fc receptor ("**FcRn**"), and a bi-specific mini-body targeting C5, among others. The FcRn binds to and recycles immunoglobulin G ("**IgG**") antibodies, therefore extending their half-life. Blocking the FcRn reduces the amount of circulating antibodies, including pathogenic autoantibodies. Beyond complement, Alexion has successful commercial Metabolic (Strensiz and Kanuma) and Critical Care (Andexxa) franchises, as well as a number of non-complement-focused assets in development.

If the Transaction is completed, AstraZeneca, with Alexion's R&D team, are expecting to work to build on Alexion's pipeline of 11 molecules across more than 20 clinical development programmes across the spectrum of indications, in rare diseases and beyond.

Alexion's leading expertise in complement biology is expected to accelerate AstraZeneca's growing presence in immunology. The Transaction adds a new technology platform to AstraZeneca's science and innovation-driven strategy. The complement cascade is pivotal to the innate immune system. It plays a crucial role in many inflammatory and autoimmune diseases across multiple therapy areas, including haematology, nephrology, neurology, metabolic disorders, cardiology, ophthalmology and acute care. In contrast, AstraZeneca's capabilities in genomics, precision medicine and oligonucleotides can be utilised to develop medicines targeting less-frequent diseases. Combining AstraZeneca's capabilities in precision medicine and Alexion's expertise in rare disease development and commercialisation is expected to enable the new company to develop a portfolio of medicines addressing the large unmet needs of patients suffering from rare diseases.

The Combined Group is expected to bring together two complementary, patient-centric models of care delivery with combined strengths in immunology, biologics, genomics and oligonucleotides to drive future medicine innovation. AstraZeneca intends to establish Boston, Massachusetts, US as its headquarters for rare diseases, capitalising on talent in the greater Boston area.

Enhanced geographical presence and broad coverage across primary, specialised and highly specialised care

AstraZeneca's acquisition of Alexion, with its strong commercial portfolio and robust pipeline, will support its long-term ambition to develop novel medicines in areas of immunology with high unmet medical needs. Alexion achieved strong revenue growth over the last few years, with revenues of US$6 billion in 2020 (22 per cent. year-on-year growth). Alexion has exhibited skilful commercial execution in building its 'blockbuster' C5 franchise. The success of the franchise is demonstrated by the effective transition of over 70 per cent. of PNH patients from *Soliris* to *Ultomiris* in less than two years of launch in its key markets, including the US, Japan and Germany, as well as the strong pipeline of additional indications for *Ultomiris*.

Rare diseases is a high-growth therapy area with rapid innovation and significant unmet medical need. Over 7,000 rare diseases are known today, and only c.5 per cent. have US Food and Drug Administration-approved treatments. The global rare disease market is forecasted to grow by a low double-digit percentage in the future.

AstraZeneca intends to build on its geographical footprint and extensive emerging markets presence to accelerate the worldwide expansion of Alexion's portfolio.

The combination of the two companies' laboratories is complementary to each of their respective capabilities. AstraZeneca's board of directors (the "**Board**") believes that, on the one hand, Alexion's complement technology will benefit from AstraZeneca's wider knowledge base to pursue medicines for indications other than rare diseases whilst, on the other, AstraZeneca will be able to move forward with potential medicines in rare diseases which were otherwise side-lined.

The Transaction strengthens AstraZeneca's industry-leading growth, underpinned by its broad portfolio of medicines, which will enable the new company to bring innovative medicines to a broad range of healthcare practitioners in primary, speciality and highly specialised care.

Enhanced core operating margin and cash-flow generation

The Transaction is expected to improve the Combined Group's profitability, with the core operating margin significantly enhanced in the short term, and with continued expansion thereafter. AstraZeneca expects to generate significant value from the Transaction by extending Alexion's commercial reach through leveraging AstraZeneca's global presence and accelerating the development of Alexion's pipeline.

The Transaction also strengthens AstraZeneca's cash-flow generation, providing additional flexibility to reinvest in R&D and rapid debt reduction, with an ambition to increase the dividend.

Value-enhancing acquisition, in line with stated capital allocation priorities

The Transaction is consistent with AstraZeneca's capital allocation priorities. The Combined Group is expected to maintain a strong, investment-grade credit rating. The Transaction represents a significant step in AstraZeneca's strategic and financial-growth plans.

3. **Summary information on Alexion**

Alexion is a global biopharmaceutical company focused on serving patients and families affected by rare diseases and devastating conditions through the discovery, development and commercialisation of life-changing medicines. Alexion has developed and commercialises two approved complement inhibitors to treat patients with PNH and atypical haemolytic uremic syndrome, as well as the first and only approved complement inhibitor to treat anti-acetylcholine receptor antibody-positive generalised myasthenia gravis and neuromyelitis optica spectrum disorder. Alexion also has two highly innovative enzyme replacement therapies for patients with life-threatening and ultra-rare metabolic disorders, hypophosphatasia and lysosomal acid lipase deficiency as well as the first and only approved Factor Xa inhibitor reversal agent. In addition, Alexion is developing several mid-to-late-stage therapies, including a copper-binding agent for Wilson disease, FcRn antibody for rare IgG-mediated diseases and an oral Factor D inhibitor as well as several early-stage therapies, including one for light chain amyloidosis, a second oral Factor D inhibitor and a third C5 inhibitor. Alexion focuses its research

efforts on novel molecules and targets in the complement cascade and its development efforts on haematology, nephrology, neurology, metabolic disorders, cardiology, ophthalmology and acute care.

4. **Summary financial information on Alexion**

The following selected consolidated financial data prepared in accordance with US GAAP has been extracted without material adjustment from Alexion's audited consolidated financial statements as of 31 December 2020 and 2019, for the years ended 31 December 2020, 2019 and 2018 included at pages F-1 to F-68 (inclusive) of this Base Prospectus and the financial quarter as of and for the three-month period ended 31 March 2021 included at pages F-69 to F-104 (inclusive) of this Base Prospectus.

	As of and for the year ended 31 December		As of and for the three months ended 31 March 2021
	(US$ millions, except number of shares and per share information)		
	2019	**2020**	**2021**
Statement of operations data:			
Total revenue	4,991	6,070	1,637
Total costs and expenses	(2,871)	(5,438)	(1,001)
Operating income	2,120	632	636
Other income/(expense)	59	(63)	(34)
Income before income taxes	2,179	569	602
Income tax benefit/(expense)	225	34	(113)
Net income	2,404	603	489
Per share data			
Basic weighted average number of ordinary shares, in millions	223	220	220
Basic earnings per share (US$)	10.77	2.74	2.89
Balance sheet data:			
Assets:			
Current assets	5,076	5,833	6,453
Total assets	17,545	18,103	18,650
Liabilities:			
Current liabilities	1,194	1,625	1,426
Total liabilities	6,273	6,452	6,219
Total stockholders' equity	11,272	11,651	12,431
Cash flow data:			
Net cash provided by operating activities	2,085	3,003	638
Net cash (used in)/provided by investing activities	10	(2,100)	(134)
Net cash used in financing activities	(739)	(612)	(19)

Further detailed information on the financial information for Alexion for the years ended 31 December 2020 and 31 December 2019 and the financial quarter ended 31 March 2021 is provided at pages F-1 to F-104 (inclusive) of this Base Prospectus.

5. **Summary of the terms of the Transaction**

The Transaction will be undertaken through a US statutory merger in which Alexion Shareholders will receive US$60 in cash and 2.1243 new AstraZeneca ADSs listed on the Nasdaq Stock Exchange for each of their Alexion Shares. If they elect, Alexion Shareholders may receive their allocation of new AstraZeneca ADSs in the form of a corresponding number of AstraZeneca Shares in addition to the cash consideration.

Based on AstraZeneca's reference average ADR price of US$48.42 on 7 April 2021, this implies:

(a) a total value of US$36.1 billion for the Alexion Shares, comprised of approximately US$13.3 billion in cash and US$22.8 billion in new AstraZeneca Shares (some of which will be represented by new AstraZeneca ADSs); and

(b) total consideration to Alexion Shareholders of US$162.86 per share, which represents a premium of 34.6 per cent. over the closing price of Alexion Shares on 11 December 2020 (being the last day prior to the announcement of the Transaction).

The Transaction will take place by way of a statutory merger under the laws of Delaware, pursuant to which Merger Sub I, a Delaware corporation and an indirect wholly owned subsidiary of AstraZeneca, will merge with and into Alexion, with Alexion surviving the merger. Alexion will then merge with and into Merger Sub II, a Delaware limited liability company and an indirect wholly owned subsidiary of AstraZeneca, with Merger Sub II surviving as an indirect wholly owned subsidiary of AstraZeneca. The Merger Agreement was entered into on 12 December 2020.

Assuming the satisfaction or waiver of all conditions to the Transaction, completion is expected to take place in the third quarter of 2021.

6. **Synergies and integration**

The Board expects costs synergies to be achieved in the following main areas:

- the majority of the synergies are expected to come from non-manpower savings, including:
    - third party savings (including procurement, removing duplications and aligning policies for select external services); and
    - in-sourcing (e.g. select R&D and manufacturing activities) and better utilisation of existing production facilities (e.g. network optimisation); and
- the remaining synergies are expected to come from optimisation of facilities and capabilities within corporate functions, R&D, commercial and operations.

These synergies are expected to be primarily achieved by utilising the scale and global footprint of the Combined Group, integrating common corporate functions, taking full advantage of best practices and operational capacity that currently exists in each business, and sharing of resources in commercial and R&D to support Alexion as the rare diseases business unit in the Combined Group.

In addition to the cost synergies, the Board further expects that the Combined Group will be able to realise substantial revenue synergy opportunities through utilising AstraZeneca's global infrastructure to increase sales volumes of Alexion products, including *Andexxa*, *Soliris*, *Ultomiris* and metabolic products. The additional geographic cover will also lead to an increase of sales revenues in emerging markets and in countries with distributorships.

The Board expects these anticipated synergies to accrue as a direct result of the Transaction and that they would not otherwise be achieved on a standalone basis and does not expect any material dis-synergies to arise in connection with the Transaction.

The Board is confident that the integration of Alexion can be achieved without causing any material disruption to the underlying operations of the two businesses. As at the date of this Base Prospectus, preparatory integration planning is being undertaken by an integration leadership team comprising members of senior management of both AstraZeneca and Alexion. Specific integration teams have been established across each functional division, and are working together to produce detailed integration plans that will be implemented immediately following completion. There can be no assurance that any particular amount of such savings or synergies will be achieved following completion or that they will be achieved in the expected time frame.

7. **Summary of Unaudited Pro Forma Financial Information for the Combined Group**

Unaudited pro forma financial information for the Combined Group is provided below under the heading "*Unaudited Pro Forma Financial Information for the Combined Group*".

8. **Management and employee incentive arrangements**

AstraZeneca and Alexion will mutually agree on two individuals from Alexion's board of directors who will join the Board as Directors upon completion.

As at 21 May 2021, Alexion's executive officers are Ludwig Hantson (Chief Executive Officer), Aradhana Sarin (Chief Financial Officer), Tanisha Carino (Chief Corporate Affairs Officer), Ellen Chiniara (Chief Legal Officer and Corporate Secretary), Indrani Franchini (Chief Compliance Officer), Brian Goff (Chief Commercial and Global Operations Officer), and John Orloff (Head of Research and Development).

The Combined Group's headquarters will be located at AstraZeneca's existing headquarters at 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA, United Kingdom (which is also its registered office).

9. Summary of the Merger Agreement

9.1 Conditions to the Transaction

The Agreement and Plan of Merger, dated 12 December 2020, as it and the plan of merger may be amended from time to time, entered into between AstraZeneca, AstraZeneca Rare Disease Holdings Inc. (formally known as Delta Omega Sub Holdings Inc.) and Alexion, among others, (the "**Merger Agreement**") contains a number of conditions to completion of the Transaction. AstraZeneca will not be required to complete the Transaction if the conditions have not been satisfied or, to the extent legally permitted, waived. Certain of the material conditions are summarised below:

(a) Antitrust approvals:

(i) antitrust and/or foreign investment approval or expiration or termination of the applicable waiting period in certain other jurisdictions including the EU and the UK,

(b) AstraZeneca PLC's shareholder approvals:

(i) the approval of the Merger Agreement by a majority of AstraZeneca PLC's shareholders attending, whether in person or by proxy, and voting at the general meeting of AstraZeneca held on 11 May 2021;

(c) Alexion Shareholder approvals:

(i) approval of the Merger Agreement by the holders of a majority of the outstanding Alexion Shares entitled to vote at the special meeting of Alexion Shareholders held on 11 May 2021;

(d) Admission of new AstraZeneca Shares to listing on the London Stock Exchange and new AstraZeneca ADSs on the Nasdaq Stock Exchange (as applicable):

(i) approval for admission of the new AstraZeneca Shares to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange subject only to the issue of such new AstraZeneca Shares upon completion; and

(ii) approval for listing on the Nasdaq Stock Exchange of the new AstraZeneca ADSs issuable to Alexion Shareholders as the share portion of the Merger Consideration (subject to official notice of issuance); and

(e) Registration statements declared effective by the SEC:

(i) declaration by the SEC of the effectiveness of the registration statements filed on Form F-4 and Form F-6 relating to the new AstraZeneca Shares and new AstraZeneca ADSs to be issued as the share portion of the Merger Consideration (and the absence of any stop order suspending the effectiveness of such registration statements or any proceedings seeking such a stop order).

The Transaction will be subject to reviews by a number of antitrust authorities, including the European Commission, the US Federal Trade Commission, and the CMA in the UK. A number of further merger control and foreign investment clearances will also be sought by AstraZeneca and Alexion in

connection with the Transaction. AstraZeneca currently expects these reviews to conclude to allow completion of the Transaction in the third quarter of 2021.

The Transaction cleared the US Federal Trade Commission review on 16 April 2021. The Merger Agreement was approved by AstraZeneca PLC's shareholders on 11 May 2021 and by Alexion Shareholders on 11 May 2021.

9.2 **Termination payment**

Aside from certain termination payments which arose if shareholder approval was not obtained, AstraZeneca will be entitled to receive a termination payment of US$1.18 billion from Alexion in the event that Alexion terminates the Merger Agreement in order to accept a superior proposal.

10. **Transaction financing**

To support the financing of the offer consideration, on 12 December 2020, AstraZeneca entered into a new underwritten US$17.5 billion bridge financing facility (the "**Bridge Facility**"), which was syndicated to a number of large, well-regarded international banks (the "**Bridge Lenders**") on 24 December 2020, where US$5 billion of the Bridge Facility was cancelled and replaced by US$5 billion medium-term term and revolving facilities made available by the Bridge Lenders. The initial term of the Bridge Facility is 12 months from the earlier of (i) the date of completion and (ii) 12 December 2021, with up to two six month extensions available at the discretion of AstraZeneca.

UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE COMBINED GROUP

The '**Unaudited Pro Forma Financial Information**' comprises:

(i) The unaudited pro forma income statement for the year ended 31 December 2020, prepared on the basis of the notes set out below to illustrate the effect of the proposed acquisition and the related financing on the income statement of AstraZeneca as if it had occurred on 1 January 2020;

(ii) The unaudited pro forma income statement for the three months ended 31 March 2021, prepared on the basis of the notes set out below to illustrate the effect of the proposed acquisition and the related financing on the income statement of AstraZeneca as if it had occurred on 1 January 2021, and

(iii) The unaudited pro forma net assets statement as at 31 March 2021, prepared on the basis of the notes set out below to illustrate the effect of the proposed acquisition and the related financing on the statement of net assets of AstraZeneca as if it had occurred on 31 March 2021.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 and in a manner consistent with the accounting policies adopted by AstraZeneca in preparing the audited consolidated financial statements for the year ended 31 December 2020. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent AstraZeneca's or Alexion's actual financial position or results. It does not purport to represent what the Combined Group's financial position actually would have been if the proposed acquisition and the related financing had been completed on the dates indicated, nor is it indicative of the results that may or may not be expected to be achieved in the future.

In addition to the matters noted above, the Unaudited Pro Forma Financial Information does not reflect the effect of anticipated synergies and efficiencies or the related costs of achieving these synergies that may result from the acquisition.

Unaudited Pro Forma Income Statement for the year ended 31 December 2020

			Pro forma adjustments			
	AstraZeneca[1]	**Alexion[2]**	**PPA[3]**	**Financing[4]**	**Other[5]**	**Pro forma Combined Group**
For the year ended 31 December 2020	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Product sales	25,890	6,069	-	-	-	31,959
Collaboration revenue	727	-	-	-	-	727
Total revenue	26,617	6,069	-	-	-	32,686
Cost of sales	(5,299)	(664)	(2,976)	-	(3)	(8,942)
Gross profit	21,318	5,405	(2,976)	-	(3)	23,744
Distribution costs	(399)	(36)	-	-	-	(435)
Research and development expense	(5,991)	(951)	-	-	(17)	(6,959)
Selling, general and administrative costs	(11,294)	(3,829)	(2,112)	-	(352)	(17,587)
Other operating income and expense	1,528	(9)	-	-		1,519
Operating profit	5,162	580	(5,088)	-	(372)	282
Finance income	87	14	-	-	-	101
Finance expense	(1,306)	(123)	-	(75)	-	(1,504)
Share of after tax losses in associates and joint ventures	(27)	-	-	-	-	(27)
Profit/(loss) before tax	3,916	471	(5,088)	(75)	(372)	(1,148)
Taxation	(772)	70	1,026	12	21	357
Profit/(loss) for the period	3,144	541	(4,062)	(63)	(351)	(791)

Unaudited Pro Forma Income Statement for the three months ended 31 March 2021

			Pro forma adjustments			
	AstraZeneca[(1)]	Alexion[(2)]	PPA[(3)]	Financing[(4)]	Other[(5)]	Pro forma Combined Group
For the three months ended 31 March 2021	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Product sales	7,257	1,636	-	-	-	8,893
Collaboration revenue	63	1	-	-	-	64
Total revenue	7,320	1,637	-	-	-	8,957
Cost of sales	(1,864)	(153)	(829)	-	(1)	(2,847)
Gross profit	5,456	1,484	(829)	-	(1)	6,110
Distribution costs	(99)	(9)	-	-	-	(108)
Research and development expense	(1,713)	(302)	-	-	(7)	(2,022)
Selling, general and administrative costs	(2,929)	(412)	(538)	-	(254)	(4,133)
Other operating income and expense	1,180	27	-	-		1,207
Operating profit	1,895	788	(1,367)	-	(262)	1,054
Finance income	20	10	-	-	-	30
Finance expense	(303)	(51)	-	(18)	-	(372)
Share of after tax losses in associates and joint ventures	(4)	-	-	-	-	(4)
Profit before tax	1,608	747	(1,367)	(18)	(262)	708
Taxation	(46)	(132)	278	3	10	113
Profit for the period	1,562	615	(1,089)	(15)	(252)	821

Unaudited Pro Forma Net Assets Statement as at 31 March 2021

			Pro forma adjustments			
	AstraZeneca[1]	Alexion[2]	PPA[3]	Financing[4]	Other[5]	Pro forma Combined Group
As at 31 March 2021	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Non-current assets						
Property, plant and equipment	8,189	1,089	655	-	-	9,933
Right-of-use assets	660	297	-	-	-	957
Goodwill	11,765	5,111	1,082		90	18,048
Intangible assets	20,347	4,027	26,846	-	-	51,220
Investments in associates and joint ventures	88	1	-	-	-	89
Other investments	972	137	-	-	-	1,109
Derivative financial instruments	115	-	-	-	-	115
Other receivables	549	201	57	-	-	807
Deferred tax assets	3,506	2,141	(2,123)	-	-	3,524
	46,191	13,004	26,517	-	90	85,802
Current assets						
Inventories	4,278	912	3,793	-	-	8,983
Trade and other receivables	6,281	1,976	-	(20)	-	8,237
Other investments	129	40	-	-	-	169
Derivative financial instruments	64	41	-	-	-	105
Income tax receivable	347	57	-	-	-	404
Cash and cash equivalents	7,636	3,429	(13,317)	14,139	(190)	11,697
	18,735	6,455	(9,524)	14,119	(190)	29,595
Total assets	64,926	19,459	16,993	14,119	(100)	115,397
Current liabilities						
Interest-bearing loans and borrowings	(2,042)	(143)	-	(12,350)		(14,535)
Lease liabilities	(216)	(34)	-	-	-	(250)
Trade and other payables	(17,370)	(1,021)	-	-	-	(18,391)
Derivative financial instruments	(16)	(67)	-	-	-	(83)
Provisions	(875)	(71)	-	-	-	(946)
Income tax payable	(994)	(185)	-	-	-	(1,179)
	(21,513)	(1,521)	-	(12,350)	-	(35,384)
Non-current liabilities						
Interest-bearing loans and borrowings	(17,410)	(2,378)	-	(1,788)	-	(21,576)
Lease liabilities	(464)	(221)	-	-	-	(685)
Derivative financial instruments	(1)	(33)	-	-	-	(34)
Deferred tax liabilities	(2,823)	(1,620)	(3,275)	-	-	(7,718)
Retirement benefit obligations	(2,545)	(34)	-	-	-	(2,579)
Provisions	(576)	-	-	-	-	(576)
Other payables	(5,148)	(363)	(70)	-	-	(5,581)
	(28,967)	(4,649)	(3,345)	(1,788)	-	(38,749)
Total liabilities	(50,480)	(6,170)	(3,345)	(14,138)	-	(74,133)
Net assets	14,446	13,289	13,648	(19)	(100)	41,264

Notes

Note 1. AstraZeneca

AstraZeneca's financial information for the year ended 31 December 2020 and the three months ended, and as at, 31 March 2021 has been extracted without material adjustment from AstraZeneca's published financial information for the periods then ended, which is incorporated by reference.

Note 2. Alexion

The following tables illustrate the impact of adjustments made to Alexion's consolidated income statement for the year ended 31 December 2020 and the three months ended 31 March 2021 in order to present them on a basis consistent with AstraZeneca's accounting policies under IFRS. The adjustments have been prepared as if Alexion had always applied IFRS.

Unaudited adjusted Alexion consolidated income statement for the year ended 31 December 2020

		Reclassifications and US GAAP to IFRS adjustments						
Note references	**Alexion (US GAAP)** ***2a***	***Reclass-ifications 2b***	***Capitalised R&D 2c***	***Leases 2d***	***Financial instruments 2e***	***Other 2f***	***Deferred tax 2g***	**Adjusted Alexion (IFRS)**
For the year ended 31 December 2020	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Product sales	6,069	-	-	-	-	-	-	6,069
Other revenue	1	(1)	-	-	-	-	-	-
Total revenue	6,070	**(1)**	**-**	**-**	**-**	**-**	**-**	**6,069**
Cost of sales	(554)	(110)	-	-	-	-	-	(664)
Gross profit	5,516	**(111)**	**-**	**-**	**-**	**-**	**-**	**5,405**
Distribution costs	-	(36)	-	-	-	-	-	(36)
Research and development expense	(1,003)	93	(41)	-	-	-	-	(951)
Selling, general and administrative costs	(1,400)	(2,430)	-	5	-	(4)	-	(3,829)
Amortisation of purchased intangible assets	(254)	254	-	-	-	-	-	-
Change in fair value of contingent consideration	(61)	61	-	-	-	-	-	-
Acquisition-related costs	(118)	118	-	-	-	--	-	-
Restructuring expenses	(10)	10	-	-	-	-	-	-
Impairment of intangible assets	(2,053)	2,053	-	-	-	-	-	-
Gain on sale of assets	15	(15)	-	-	-	-	-	-
Other operating income and expense	-	(9)	-	-	-	-	-	(9)
Operating profit	632	**(12)**	**(41)**	**5**	**-**	**(4)**	**-**	**580**
Investment income, net	45	(45)	-	-	-	-	-	-
Interest expense	(105)	105	-	-	-	-	-	-
Other income and (expense)	(3)	3	-	-	-	-	-	-
Finance income	-	66	-	-	(52)	-	-	14
Finance expense	-	(112)	-	(7)	(4)	-	-	(123)
Profit before tax	569	**5**	**(41)**	**(2)**	**(56)**	**(4)**	**-**	**471**
Taxation	34	(5)	9	1	13	3	15	70
Profit for the period	603	-	**(32)**	**(1)**	**(43)**	**(1)**	**15**	**541**

Unaudited adjusted Alexion consolidated income statement for the three months ended 31 March 2021

		Reclassifications and US GAAP to IFRS adjustments						
Note references	**Alexion (US GAAP)** *2a*	***Reclass-ifications*** *2b*	***Capitalised R&D*** *2c*	***Leases*** *2d*	***Financial instruments*** *2e*	***Other*** *2f*	***Deferred tax*** *2g*	**Adjusted Alexion (IFRS)**
For the three months ended 31 March 2021	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Product sales	1,636	-	-	-	-	-	-	1,636
Other revenue	1	(1)	-	-	-	-	-	-
Collaboration revenue	-	1	-	-	-	-	-	1
Total revenue	1,637	-	-	-	-	-	-	1,637
Cost of sales	(126)	(27)	-	-	-	-	-	(153)
Gross profit	1,511	(27)	-	-	-	-	-	1,484
Distribution costs	-	(9)	-	-	-	-	-	(9)
Research and development expense	(289)	(13)	-	-	-	-	-	(302)
Selling, general and administrative costs	(343)	(60)	-	1	-	(10)	-	(412)
Acquired in-process research and development	(193)	193	-	-	-	-	-	-
Amortisation of purchased intangible assets	(54)	54	-	-	-	-	-	-
Change in fair value of contingent consideration	(9)	9	-	-	-	-	-	-
Acquisition-related costs	(13)	13	-	-	-	-	-	-
Restructuring expenses	1	(1)	-	-	-	-	-	-
Gain on sale of assets	24	(24)	-	-	-	-	-	-
Other operating income and expense	-	27	-	-	-	-	-	27
Operating profit	635	162	-	1	-	(10)	-	788
Investment income, net	(7)	7	-	-	-	-	-	-
Interest expense	(27)	27	-	-	-	-	-	-
Other income and (expense)	1	(1)	-	-	-	-	-	-
Finance income	-	-	-	-	10	-	-	10
Finance expense	-	(48)	-	(2)	(1)	-	-	(51)
Profit before tax	602	147	-	(1)	9	(10)	-	747
Taxation	(113)	-	-	-	(2)	2	(19)	(132)
Profit for the period	489	147	-	(1)	7	(8)	(19)	615

The table below illustrates the impact of adjustments made to Alexion's consolidated statement of net assets as at 31 March 2021 in order to present it on a basis consistent with AstraZeneca's accounting policies under IFRS. The adjustments have been prepared as if Alexion had always applied IFRS.

Unaudited adjusted Alexion consolidated statement of net assets as at 31 March 2021

		Reclassifications and US GAAP to IFRS adjustments						
Note 2 references	**Alexion (US GAAP)** ***2a***	***Reclass-ifications 2b***	***Capitalised R&D 2c***	***Leases 2d***	***Financial instruments 2e***	***Other 2f***	***Deferred Tax 2g***	**Adjusted Alexion (IFRS)**
As at 31 March 2021	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Non-current assets								
Property, plant and equipment, net	1,245	(156)	-	-	-	-	-	1,089
Intangible assets	3,048	53	926	-	-	-	-	4,027
Right-of-use assets	217	103	-	(23)	-	-	-	297
Other assets	447	(447)	-	-	-	-	-	-
Goodwill	5,100	-	-	-	-	11	-	5,111
Investments in associates and joint ventures	-	1	-	-	-	-	-	1
Other investments	-	137	-	-	-	-	-	137
Other receivables	-	201	-	-	-	-	-	201
Deferred tax assets	2,141	-	-	-	-	-	-	2,141
	12,198	(108)	926	(23)	-	11	-	13,004
Current assets								
Marketable securities	40	(40)	-	-	-	-	-	-
Trade accounts receivable, net	1,473	(1,473)	-	-	-	-	-	-
Prepaid expenses and other current assets	706	(706)	-	-	-	-	-	-
Inventories	804	108	-	-	-	-	-	912
Trade and other receivables	-	2,081	3	-	-	-	(108)	1,976
Other investments	-	40	-	-	-	-	-	40
Derivative financial instruments	-	41	-	-	-	-	-	41
Income tax receivable	-	57	-	-	-	-	-	57
Cash and cash equivalents	3,429	-	-	-	-	-	-	3,429
	6,452	108	3	-	-	-	(108)	6,455
Total assets	**18,650**	**-**	**929**	**(23)**	**-**	**11**	**(108)**	**19,459**
Current liabilities								
Accounts payable	(125)	125	-	-	-	-	-	-
Accrued expenses	(911)	911	-	-	-	-	-	-
Current portion of long term debt	(143)	143	-	-	-	-	-	-
Current portion of contingent consideration	(120)	120	-	-	-	-	-	-
Other current liabilities	(127)	127	-	-	-	-	-	-
Interest-bearing loans and borrowings	-	(143)	-	-	-	-	-	(143)
Lease liabilities	-	(34)	-	-	-	-	-	(34)
Trade and other payables	-	(1,024)	3	-	-	-	-	(1,021)
Derivative financial instruments	-	(67)	-	-	-	-	-	(67)
Provisions	-	(71)	-	-	-	-	-	(71)
Income tax payable	-	(185)	-	-	-	-	-	(185)
	(1,426)	(98)	3	-	-	-	-	(1,521)

		Reclassifications and US GAAP to IFRS adjustments						
Note 2 references	**Alexion (US GAAP)** ***2a***	***Reclass-ifications 2b***	***Capitalised R&D 2c***	***Leases 2d***	***Financial instruments 2e***	***Other 2f***	***Deferred Tax 2g***	**Adjusted Alexion (IFRS)**
As at 31 March 2021	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**	**US$ m**
Non-current liabilities								
Long term debt, less current portion	(2,389)	2,389	-	-	-	-	-	-
Contingent consideration	(304)	304	-	-	-	-	-	-
Non-current operating lease liabilities	(171)	171	-	-	-	-	-	-
Other liabilities	(290)	290	-	-	-	-	-	-
Interest bearing loans and borrowings	-	(2,389)	-	-	11	-	-	(2,378)
Lease liabilities	-	(237)	-	16	-	-	-	(221)
Deferred tax liabilities	(1,639)	-	(126)	2	(2)	2	143	(1,620)
Derivative financial instruments	-	(33)	-	-	-	-	-	(33)
Retirement benefit obligations	-	(34)	-	-	-	-	-	(34)
Other payables	-	(363)	-	-	-	-	-	(363)
	(4,793)	98	(126)	18	9	2	143	(4,649)
Total liabilities	**(6,219)**	**-**	**(123)**	**18**	**9**	**2**	**143**	**(6,170)**
Net assets	**12,431**	**-**	**806**	**(5)**	**9**	**13**	**35**	**13,289**

(a) The Alexion income statement for the year ended 31 December 2020 has been extracted without material adjustment from Alexion's consolidated financial statements included in Alexion's Annual Report on Form 10-K for the year ended 31 December 2020, included at pages F-1 to F-68 (inclusive) of this Base Prospectus.

The Alexion income statement and statement of net assets for the three months ended, and as at, 31 March 2021 have been extracted without material adjustment from Alexion's consolidated financial statements included in Alexion's Quarterly Report on Form 10-Q for the three months ended 31 March 2021, included at pages F-69 to F-104 (inclusive) of this Base Prospectus.

(b) The classification of certain items presented by Alexion under US GAAP has been modified in order to align with the presentation used by AstraZeneca under IFRS.

Modifications to Alexion's historical consolidated income statement presentation include:

- Separate presentation of components of 'other revenue' in 'collaboration revenue' (US$1 million) in the three months ended 31 March 2021;
- Separate presentation of components of "research and development" (US$1,003 million in the year ended 31 December 2020 and US$289 million in the three months ended 31 March 2021) in "research and development expense" (US$898 million in the year ended 31 December 2020 and US$256 million in the three months ended 31 March 2021), "distribution costs" (US$10 million in the year ended 31 December 2020 and US$3 million in the three months ended 31 March 2021) and "cost of sales" (US$95 million in the year ended 31 December 2020 and US$30 million in the three months ended 31 March 2021);
- Separate presentation of components of "selling, general and administrative" (US$1,400 million in the year ended 31 December 2020 and US$343 million in the three months ended 31 March 2021) in "selling, general and administrative costs" (US$1,368 million in the year ended 31 December 2020 and US$337 million in the three months ended 31 March 2021), "distribution

costs" (US$26 million in the year ended 31 December 2020 and US$6 million in the three months ended 31 March 2021), "cost of sales" (US$1 million in the year ended 31 December 2020) and "taxation" (US$5 million in the year ended 31 December 2020);

- Presentation of components of 'Acquired in-process research and development' (US$193 million) and 'Net loss attributable to non-controlling interests' (US$147 million) in 'Research and development expense' (US$46 million) in the three months ended 31 March 2021;

- Presentation of "amortisation of purchased intangible assets" (US$254 million in the year ended 31 December 2020 and US$54 million in the three months ended 31 March 2021) in "selling, general and administrative costs" (US$254 million in the year ended 31 December 2020 and US$54 million in the three months ended 31 March 2021);

- Separate presentation of components of "change in fair value of contingent consideration" (US$61 million in the year ended 31 December 2020 and US$9 million in the three months ended 31 March 2021) in "selling, general and administrative costs" (US$40 million in the year ended 31 December 2020) and "finance expense" (US$21 million in the year ended 31 December 2020 and US$9 million in the three months ended 31 March 2021);

- Presentation of "acquisition-related costs" (US$118 million in the year ended 31 December 2020 and US$13 million in the three months ended 31 March 2021) in "selling, general and administrative costs" (US$118 million in the year ended 31 December 2020 and US$13 million in the three months ended 31 March 2021);

- Separate presentation of components of "restructuring expenses" (US$10 million in the year ended 31 December 2020 and US$1 million in the three months ended 31 March 2021) in "research and development expense" (US$1 million in the year ended 31 December 2020) and "selling, general and administrative costs" (US$9 million in the year ended 31 December 2020 and US$1 million in the three months ended 31 March 2021);

- Separate presentation of components of "impairment of intangible assets" (US$2,053 million in the year ended 31 December 2020) in "selling, general and administrative costs" (US$2,042 million in the year ended 31 December 2020) and "research and development expense" (US$11 million in the year ended 31 December 2020);

- Presentation of "gain on sale of asset" (US$15 million in the year ended 31 December 2020 and US$24 million in the three months ended 31 March 2021) in "other operating income and expense" (US$15 million in the year ended 31 December 2020 and US$24 million in the three months ended 31 March 2021);

- Presentation of "investment income, net" (US$45 million in the year ended 31 December 2020 and US$(7) million in the three months ended 31 March 2021) in "finance income" (US$66 million in the year ended 31 December 2020), "finance expense" (US$(8) million in the three months ended 31 March 2021) and "other operating income and expense" (US$(21) million in the year ended 31 December 2020 and US$1 million in the three months ended 31 March 2021);

- Separate presentation of components of "other income and (expense)" (US$(3) million in the year ended 31 December 2020 and US$1 million in the three months ended 31 March 2021) in "finance expense" (US$14 million in the year ended 31 December 2020 and US$(4) million in the three months ended 31 March 2021), "other operating income and expense" (US$(3) million in the year ended 31 December 2020 and US$1 million in the three months ended 31 March 2021) and "cost of sales" (US$(14) million in the year ended 31 December 2020 and US$4 million in the three months ended 31 March 2021); and

- Presentation of "interest expense" (US$105 million in the year ended 31 December 2020 and US$27 million in the three months ended 31 March 2021) in "finance expense" (US$105 million in the year ended 31 December 2020 and US$27 million in the three months ended 31 March 2021).

Modifications to Alexion's historical consolidated balance sheet presentation include:

- Presentation of "marketable securities" (US$40 million) in "other investments" (current) (US$40 million);
- Separate presentation of components of "property, plant and equipment" (US$1,245 million) within "right-of-use assets" (US$103 million), "intangible assets" (US$53 million) and "property, plant and equipment" (US$1,089 million);
- Separate presentation of components of "other assets" (non-current) (US$447 million) within "other investments" (non-current) (US$137 million), "inventories" (US$108 million), "other receivables" (US$201 million) and "investments in associates and joint ventures" (US$1 million);
- Presentation of "trade and other receivables, net" (US$1,473 million) in "trade and other receivables" (US$1,473 million);
- Separate presentation of components of "prepaid expenses and other current assets" (US$706 million) within "income tax receivable" (US$57 million), "derivative financial instruments" (current) (US$41 million) and "trade and other receivables" (US$608 million);
- Presentation of "current portion of long-term debt" (US$143 million) within "interest-bearing loans and borrowings" (current) (US$143 million);
- Presentation of "current portion of contingent consideration" (US$120 million) in "trade and other payables" (US$120 million);
- Separate presentation of components of "accrued expenses" (US$911 million) in "provisions" (current) (US$71 million), "income tax payable" (US$86 million) and "trade and other payables" (US$754 million);
- Presentation of "accounts payable" (US$125 million) in "trade and other payables" (US$125 million);
- Separate presentation of components of "other current liabilities" (US$127 million) within "lease liabilities" (current) (US$34 million), "derivative financial instruments" (current) (US$67 million) and "trade and other payables" (US$26 million);
- Separate presentation of components of "contingent consideration" (non-current) (US$304 million) in "other payables" (US$304 million);
- Presentation of "noncurrent operating lease liabilities" (US$171 million) in "lease liabilities" (non-current) (US$171 million);
- Presentation of "long-term debt, less current portion" (US$2,389 million) within "interest-bearing loans and borrowings" (non-current) (US$2,389 million);
- Separate presentation of non-current "other liabilities" (US$290 million) within "lease liabilities" (non-current) (US$66 million), "derivative finance instruments" (non-current) (US$33 million), "retirement benefit obligations" (US$34 million), "income tax payable" (US$98 million) and "other payables" (US$59 million);
- Separate presentation of "additional paid-in capital" (US$9,243 million) within "share premium account" (US$6,172 million) and "retained earnings" (US$3,071 million);
- Presentation of "treasury stock, at cost" (US$2,621 million) within "retained earnings" (US$2,621 million); and
- Presentation of "accumulated other comprehensive loss" (US$85 million) in "retained earnings" (US$85 million).

1) Capitalised R&D

Under US GAAP, costs incurred to acquire intellectual property (e.g. patents, licenses and development and commercial rights to product candidates) and in-process research and development ("IPR&D") assets were charged to the statement of operations by Alexion. Under IFRS, such costs would be capitalised as intangible assets, or recorded as prepaid R&D. Milestones payable would only be accrued once the relevant performance condition has been satisfied. Intangible assets in development are not amortised but tested for impairment annually.

As a result, additional intangible assets of US$926 million, prepaid R&D of US$3 million and reversal of accrued milestones of US$3 million have been recorded in the balance sheet at 31 March 2021, with an associated historical deferred tax liability of US$126 million. In the statement of operations, there is a charge to Research and Development expense of US$41 million for the year ended 31 December 2020, and an income tax benefit of US$9 million for the year ended 31 December 2020.

2) Leases

Under US GAAP, Right of Use ("ROU") assets under operating leases are amortised to a schedule based on the difference between the operating lease expense and the interest accretion amount, and Alexion presents the combined operating lease expense (inclusive of the interest accretion portion) within selling, general and administrative costs. Further, Alexion did not separate the lease and non-lease components upon transition to ASC 842, *Leases*, with the exception of Contract Manufacturing Organisation contracts. Under IFRS, a straight line basis is used, amortising over the shorter of the term of the lease or useful economic life of the underlying asset and AstraZeneca would present the interest accretion portion for all leases within finance expense. AstraZeneca would separate all lease and non-lease components upon transition to IFRS 16, *Leases*.

As a result, ROU assets of US$23 million and lease liabilities of US$16 million have been derecognised in the balance sheet at 31 March 2021, along with the related impact to deferred tax liabilities of US$2 million. The statement of operations reflects a US$5 million reduction in selling, general and administrative costs for the year ended 31 December 2020 and a US$1 million reduction in selling, general and administrative costs for the three months ended 31 March 2021, a US$7 million increase to finance costs for the year ended 31 December 2020 and a US$2 million increase to finance costs for the three months ended 31 March 2021 and a related tax benefit of US$1 million for the year ended 31 December 2020 and a US$nil related tax benefit for the three months ended 31 March 2021.

3) Financial Instruments

Under US GAAP, when there is a debt modification event, no gain/loss is recognised. Rather, a new effective interest rate is established based on the carrying value of the debt and the revised cash flows. Under IFRS, a gain/loss is recognised immediately. Under US GAAP, investments in equity securities are measured at fair value through profit and loss, while under IFRS, AstraZeneca would measure them at fair value through other comprehensive income. There is no measurement difference on the balance sheet carrying value.

As a result, in relation to Alexion's debt modification in 2018, the carrying value at 31 March 2021 has been reduced by US$11 million, with an associated deferred tax adjustment of US$2 million, and an additional finance expense of US$4 million has been recognised in the year ended 31 December 2020 (US$1 million in the three months ended 31 March 2021), with a related tax benefit of US$1 million for the year ended 31 December 2020 and a US$nil related tax benefit for the three months ended 31 March 2021. In relation to the investment in equity securities, net gains of US$52 million, less the related tax impact of US$12 million, have been reclassified to other comprehensive income for the year ended 31 December 2020 (a net loss of US$10 million less the related tax impact of US$2 million for the three months ended 31 March 2021).

4) Other

Under US GAAP, Alexion elected to apply the straight line approach for graded vesting when measuring share-based payment replacement awards. Under IFRS, AstraZeneca would use the graded vesting method, resulting in a higher proportion of cost being allocated to the earlier years. For replacement awards in a business combination, this would result in more goodwill and less acquisition related costs.

As a result, US$15 million of additional selling, general and administrative costs along with the related tax adjustment of US$3 million are included in the statement of operations for the year ended 31 December 2020 (US$10 million of additional selling, general and administrative costs less the related tax adjustment of

US$2 million are included in the statement of operations for the three months ended 31 March 2021) and an associated adjustment of US$2 million to the deferred tax liability at 31 March 2021. In addition, an US$11 million increase in goodwill has been recorded in the balance sheet at 31 March 2021 with an equal reduction in acquisition related costs in the statement of operations which is presented within selling, general and administrative costs.

5) Deferred tax

(i) Year ended 31 December 2020

Under US GAAP, Alexion deferred the current tax on the intercompany transfer of inventory, which was booked at the seller's rate, with no deferred tax impact being booked. Under IFRS, the current tax impact is recorded in the statement of operations (also at the seller's rate) with a corresponding deferred tax asset recorded at the buyer's rate.

Under US GAAP, Alexion measured deferred tax on stock based compensation based on the related statement of operations expense as it accrued. Under IFRS, AstraZeneca would measure the deferred tax asset based on the estimated future tax deduction by reference to the share price at the balance sheet date. Where this estimate exceeds the associated cumulative statement of operations expense, the excess is recognised directly in equity.

The net impact of these changes in accounting treatment result in a credit to the statement of operations of US$15 million.

(ii) Three months ended 31 March 2021

Under US GAAP, Alexion have calculated the interim tax provision by applying the estimated annual worldwide effective tax rate for the group to the group's worldwide consolidated interim pre-tax profits. A similar methodology is required to calculate the interim tax provision under IFRS, but, to the extent practicable, a separate estimated average annual effective income tax rate is determined for each taxing jurisdiction and applied individually to the interim pre-tax profits of each jurisdiction.

The net impact of this is a debit to the income statement of US$19 million. The primary reason for the increase in the tax charge is due a higher tax rate being applied to the group's unrealised profit in inventory.

In the balance sheet, net U.S. deferred tax liabilities have reduced by US$143 million and trade and other receivables have reduced by US$108 million.

Note 3. Preliminary purchase consideration and allocation

The acquisition will be accounted for as a business combination using the acquisition method of accounting in accordance with IFRS. Under this method, the Alexion assets acquired and liabilities assumed have been recorded based on preliminary estimates of fair value. In accordance with IFRS, AstraZeneca measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The purchase price allocation has been undertaken on a preliminary basis utilising the information that was made available to management at this stage of the transaction, including limited access to Alexion. Once further information is made available, which may be pre or post-close, the PPA will be updated and the allocation of the fair value uplift between the various asset and liability categories and goodwill may change. It is not possible to quantify the impact of any potential reallocation at this stage.

The estimated purchase consideration is calculated as follows:

Number of Alexion shares outstanding as of 19 May 2021	221,675,313
Net share options	271,214
Total number of shares outstanding	221,946,527
Exchange ratio	2.1243

Total number of AstraZeneca ADSs to be issued to Alexion shareholders	471,481,007
AstraZeneca ADS share price as of 19 May 2021 (US$)	56.34
Equity consideration (US$ millions)	26,563
Consideration related to RSUs/PSUs vesting before 31 March 2021 (US$ millions)	374 (iii)
Total equity consideration (US$ millions)	26,937 (i)
Cash consideration (US$ millions)	13,317 (ii)
Total purchase consideration (US$ millions)	40,254

(i) The total equity consideration for each share of Alexion common stock was estimated using the closing price of AstraZeneca ADSs on NASDAQ as of 19 May 2021 and the number of shares outstanding as of 19 May 2021 which was the last practicable date prior to the issuance of this Unaudited Pro Forma Financial Information. The proportion of the Alexion RSUs and PSUs vesting prior to the period ended 31 March 2021 were also included within the total equity consideration. The actual purchase consideration will be determined upon the completion of the acquisition.

(ii) The total cash consideration was estimated using the shares of Alexion common stock outstanding as of 19 May 2021 and the US$60 due to Alexion shareholders for each share of Alexion common stock.

(iii) The portion of the fair value of Alexion's equity awards attributable to pre-combination service that will be assumed by AstraZeneca upon completion of the acquisition amounts to US$374 million. The incremental annual stock-based compensation expense resulting from the step up to fair value of Alexion's share-based compensation instruments which will be replaced with AstraZeneca instruments upon consummation of the acquisition is set out in note 5(iv).

The preliminary allocation of purchase consideration to estimated fair value of acquired assets and liabilities is as follows:

(*in US$ millions*)	
Estimated fair values of assets acquired and liabilities assumed	
Property, plant and equipment	1,744 (iv)
Goodwill	6,193 (v)
Intangible assets	30,873 (vi)
Inventory	4,705 (vii)
Cash and cash equivalents	3,429
Interest bearing loans and borrowings	(2,521)
Deferred tax assets/liabilities	(4,877)(viii)
Contingent liabilities	(70) (ix)
Other assets/liabilities	778
Total allocation	40,254

Except as discussed below, the carrying value of Alexion's assets and liabilities are considered to approximate their fair values.

(iv) The estimated fair value of property, plant and equipment (PPE) is US$1,744 million (including the US$567 million process performance qualification (PPQ) adjustment in note (vii) below), which represents an uplift of

US$655 million. The PPE was valued based on a Cost Approach, specifically the Replacement Cost New (RCN) method using an indirect cost approach. The RCN of the assets has been calculated by indexing the historical cost as listed in the fixed asset register as at 31 March 2021 whilst adjusting for depreciation. The fair value uplift is split by US$567 million in relation to PPQ, US$59 million related to assets in use and US$29 million related to assets under construction.

(v) The goodwill balance arising from the acquisition is estimated to be US$6,193 million, which represents a net adjustment of US$1,082 million. The goodwill has been calculated as the excess of the purchase consideration of US$40,254 million over the fair value of the net assets acquired of US$34,061 million.

(vi) The estimated fair value of Alexion's intangible assets is estimated to be US$30,873 million, or a net increase of US$26,846 million compared to a carrying value of US$4,027 million. The primary intangible assets include product rights and IPR&D, for which the fair value estimates of identifiable intangible assets have been determined using the income approach. Software of US$53 million is held at book value.

The fair value and weighted average estimated useful life of identifiable intangible assets are estimated as follows:

	Fair value	**Weighted-average estimated useful life**	**Annual amortisation**
	(in US$ millions)	*(in years)*	*(in US$ millions)*
Product rights	28,489	12	2,355
Software	53	5	11
IPR&D	2,331	Not amortised	-
Total acquired identifiable intangible assets	30,873		2,366
Less: Alexion's historical net book value of intangible assets	4,027		
Adjustment to intangible assets, net	26,846		

Based on the estimated respective fair values of identified intangible assets and the weighted average estimated useful lives, an adjustment to amortisation expense of US$2,112 million has been included in the Pro Forma Income Statement for the year ended 31 December 2020, being the annual amortisation charge above less US$254 million amortisation of purchased intangible assets expensed in the year. This has been pro rated for the three months ended 31 March 2021 and offset by the US$54 million amortisation expensed in the period. The related estimated net decrease to income tax expense for the Pro Forma Income Statement is US$339 million and US$86 million for the year ended 31 December 2020 and the three months ended 31 March 2021, respectively. This adjustment will recur for the life of the underlying assets.

(vii) The fair value of Alexion's inventory, which includes raw materials, work in progress and finished goods, is estimated to be US$4,705 million, which represents an uplift of US$3,793 million on the book value of US$912 million. The fair value adjustment relates only to work in progress and finished goods.

In addition, PPQ inventory (which comprises inventory produced during the validation process) carried at a book value of US$148 million is included within 'PPE' and 'other receivables'. The fair value of this inventory was estimated to be US$772 million, being an uplift on book value of US$624 million allocated as US$567 million to 'PPE' and US$57 million to 'other receivables'.

The inventory was valued at estimated selling price less the estimated costs to be incurred to complete (in the case of work in progress) and sell the inventory, the associated margins on these activities and holding costs. The step up in the fair value of inventory is expected to increase cost of goods sold in a three month period by US$829 million and in a twelve month period by US$2,976 million as the inventory is sold. The related estimated net decrease to income tax expense in the year ended 31 December 2020 is US$687 million and in the three months ended 31 March 2021, is US$192 million.

(viii) The estimated fair value of the net deferred tax liability is US$4,877 million, which represents an adjustment of US$5,398 million. This adjustment comprises of US$4,360 million in relation to the fair value uplift on intangible assets, US$1,023 million in relation to the fair value uplift on inventory and US$20 million in relation to the fair value uplift on property, plant and equipment, offset by a US$5 million deferred tax asset in relation to the fair value uplift on contingent liabilities.

(ix) The estimated fair value of contingent liabilities is US$70 million, relating to various claims and disputes in each case where there is a possible, but not probable, future financial exposure. This amount has been added to other payables.

Note 4. Financing

A US$17.5 billion credit facility has been entered into by members of the AstraZeneca Group with a syndicate of banks to provide financing certainty for the acquisition. The credit facility consists of four credit facilities:

(1) a US$12.5 billion bridge facility, referred to as the Bridge Facility, which terminates on the date falling 12 months after the earlier of (i) the date of Completion and (ii) 12 December 2021, with up to two six-month extensions available at the discretion of AstraZeneca;

(2) a US$2.0 billion term loan, referred to as Facility A, which terminates on the date falling two years after the earlier of (i) the date of Completion and (ii) 24 December 2021;

(3) a US$2.0 billion term loan, referred to as Facility B, which terminates on the date falling three years after the earlier of (i) the date of Completion and (ii) 24 December 2021, and

(4) a US$1.0 billion revolving facility, referred to as the Revolving Facility, which terminates on the date falling 12 months after the earlier of (i) the date of Completion and (ii) 24 December 2021, subject to AstraZeneca's right (at its option) to extend the term of the Revolving Facility for an additional period of 364 days.

Together, Facility A, Facility B and the Revolving Facility are referred to as the Take-Out Facilities.

The proceeds of the Bridge Facility, Facility A and Facility B are to be used to finance or refinance the amounts payable under the Merger Agreement, any financial indebtedness of Alexion or its subsidiaries (in connection with the planned acquisition, Alexion evaluated the terms of its credit agreement and determined that the agreement could require acceleration of payments upon a change of control) and any other fees, commissions, costs and expenses in relation to the Transaction. Facility A and Facility B may also be used to finance or refinance amounts payable under the Bridge Facility.

No adjustment has been made to reflect the effects arising from a potential refinancing of the AstraZeneca bridge and take-out facilities as, at the date of this document, it is not possible to properly estimate them.

The proceeds of the Revolving Facility are to be used towards the general corporate purposes of AstraZeneca. It has been assumed this new revolving credit facility will not be drawn on with respect to the acquisition and accordingly this facility has been excluded from the debt financing adjustments below.

Current and non-current interest bearing loans and borrowings have been adjusted as follows based on the sources of funding described above:

	Financing adjustments US$m
Proceeds from the Bridge Facility	12,500
Proceeds from Facility A	2,000
Proceeds from Facility B	2,000
Total sources of funding	16,500
Debt issuance costs	(30)[(i)]
Total sources of funding, net of debt issuance costs	16,470
Repayment of outstanding Alexion term loan facility	(2,351)
Elimination of historical Alexion unamortised debt issuance costs	19[iv)]
Net change in debt	14,138
Presented as:	
Current portion of debt adjustment	12,350 [(ii)]
Non-current portion of debt adjustment	1,788 [(iii)]

(i) In relation to the Bridge Facility, Facility A and Facility B, total debt issuance costs amount to US$23 million, US$3 million and US$4 million, respectively of which US$20 million were paid on signing the facilities. These were included within Trade and other receivables in the net assets statement at 31 March 2021 and will be capitalised within debt on closing.

(ii) The current portion of the debt adjustment is comprised of the proceeds from the Bridge Facility, net of debt issuance costs, and the current portion of the Alexion debt which was US$127 million at 31 March 2021.

(iii) The non-current portion of the debt adjustment is comprised of the proceeds of Facility A and Facility B, net of debt issuance costs, and the non-current portion of the Alexion debt which was US$2,205 million at 31 March 2021.

(iv) Alexion's current and non-current unamortised debt issuance costs at 31 March 2021 were US$4 million and US$15 million respectively.

The Transaction Facilities have a floating rate of interest which is initially based on an interest rate calculated as the aggregate of the applicable margin and LIBOR.

(in £ millions)	Average principal	Interest rate	Interest expense	
			Year ended 31 December 2020	Three months ended 31 March 2021
Bridge Facility	12,500	0.45 – 0.75	74	15
Facility A	2,000	0.70	14	3
Facility B	2,000	0.80	16	4
Elimination of interest on Alexion's term loan facility			(49)	(9)
Debt issuance cost amortisation:				
Bridge Facility			23	6
Facility A			1	-
Facility B			1	-
Elimination of debt issuance cost amortisation on Alexion's term loan facility			(5)	(1)
Total interest expense adjustment			75 (v)	18

(v) For the purposes of calculating the above interest expense, a three-month US dollar LIBOR rate of 0.14925 per cent. as of 19 May 2021 has been assumed, which may differ from the rates in place when actually utilising the facilities.

In addition to incremental interest charges, AstraZeneca has also recorded a pro forma adjustment for debt issuance cost amortisation for each facility, which will be deferred and amortised over the duration of the borrowings.

The related estimated net decrease to income tax expense as a result of these increased interest charges reflected in the Unaudited Pro Forma Income Statements is US$12 million in the year ended 31 December 2020 and US$3 million in the three months ended 31 March 2021.

Note 5. Other transaction accounting adjustments

(i) It has been estimated that total transaction and related costs of US$244 million will be incurred collectively by AstraZeneca and Alexion in connection with the acquisition, which include advisory, legal, valuation and other professional fees.

AstraZeneca and Alexion incurred US$24 million and US$2 million of transaction and related costs, respectively, in the year ended 31 December 2020. As a result, an adjustment of US$218 million has been presented in the Unaudited Pro Forma Income Statement for the year ended 31 December 2020 within selling, general and administrative expenses. These one-off costs will not have a continuing impact on the results of the Combined Group.

AstraZeneca and Alexion incurred US$20 million and US$8 million of transaction and related costs, respectively, in the three months ended 31 March 2021. As the transaction is assumed to have occurred on 1 January 2021 for the purposes of the Pro Forma Income Statement for the three months ended 31 March 2021, a result, an adjustment of US$190 million has been presented in the Unaudited Pro Forma Income Statement for the three months ended 31 March 2021 within selling, general and administrative expenses. These one-off costs will not have a continuing impact on the results of the Combined Group.

(ii) Total estimated transaction and related costs in conjunction with the acquisition of US$244 million are attributable as follows: AstraZeneca US$144 million and Alexion US$100 million. As at 31 March 2021, AstraZeneca had charged US$44 million and therefore an adjustment of US$100 million has been presented in the Unaudited Pro Forma Net Assets Statement as a reduction to cash and cash equivalents to represent the estimated future charge. Alexion had charged US$10 million and therefore an adjustment of US$90 million has been presented in the Unaudited Pro Forma Net Assets Statement as a reduction to cash and cash equivalents and a corresponding increase to goodwill as these transaction costs will reduce Alexion's retained earnings prior to the consummation of the acquisition.

(iii) Alexion and AstraZeneca have negotiated the terms of a retention/transaction bonus plan whereby up to US$50 million may be used for retention bonus awards to employees at the level of VP or below and up to US$40 million may be used for transaction bonus awards to employees. These bonuses will vest and be payable 6 months after the acquisition, or any earlier date required for Section 280G purpose. An adjustment of US$90 million is reflected in selling, general and administrative costs in the income statement for the year ended 31 December 2020, with a corresponding tax impact of US$21 million. An adjustment of US$45 million is reflected in selling, general and administrative costs in the income statement for the three months ended 31 March 2021, with a corresponding tax impact of US$10 million to reflect the completed portion of the vesting period. These one-off costs will not have a continuing impact on the results of the combined company.

(iv) Upon Completion, each Alexion common stock that is outstanding and unexercised will be cancelled in consideration for the right to receive a quotient of Merger Consideration without interest and less withholding taxes. This quotient is based on (a) the excess, if any, of the value of the Merger Consideration over the exercise price per share of Alexion common stock subject to such an Alexion stock option, multiplied by (b) the number of shares of Alexion common stock subject to such an Alexion stock option immediately prior to completion, divided by (c) Merger Consideration.

Upon Completion, each Alexion RSU held by non-employee directors shall be cancelled in consideration for the right to receive Merger Consideration in respect of each share of Alexion common stock subject to an Alexion RSU award without interest and less withholding taxes subject to this not resulting in a penalty of Section 409A of the Code in which case this shall be treated as an RSU award held by an employee.

Upon Completion, each Alexion RSU Award held by employees shall be converted into an AstraZeneca RSU that settles in a number of AstraZeneca ADSs equal to the number of shares of Alexion common stock underlying the Alexion RSU award multiplied by the equity exchange ratio, rounded up to the nearest whole number of shares. Each award shall continue to have, and shall be subject to, the same terms and conditions as applied in the corresponding Alexion RSU award immediately prior to completion (including any terms and conditions related to accelerated vesting on a termination of the holders' employment in connection with or following the acquisition).

Upon Completion, each Alexion Performance-Based RSU ('Alexion PSU') Award held by employees that vests upon the achievement of performance goals shall be converted into an AstraZeneca RSU that settles in a number of AstraZeneca ADSs equal to the number of Alexion common stock underlying the Alexion PSU award (deemed by the applicable performance goals to be achieved at the greater of the target level and the level of achievement immediately prior to completion subject to a limit of 175 per cent. for the target Alexion PSU awards granted in 2019 and a limit of 150 per cent. for the target Alexion PSU awards granted in 2020) multiplied by the equity exchange ratio, rounded up to the nearest whole number of shares. Each award shall continue to have, and shall be subject to, the same terms and conditions as applied in the corresponding Alexion PSU award (other than performance-based vesting conditions) immediately prior to completion (including any terms and conditions related to accelerated vesting on a termination of the holders employment in connection with or following the acquisition).

The portion of the awards that has been included as part of the consideration has been determined by multiplying the fair value of the award as at 31 December 2020 by the portion of the requisite service period that elapsed prior to the proposed acquisition divided by the total service period.

The estimated portion of the award attributable to post-combination services resulted in additional compensation expense of US$64 million in the Unaudited Pro Forma Income Statement (employee benefit costs of US$3 million, US$17 million and US$44 million charged to costs of sales, research and development expense and selling, general and administrative costs, respectively) for the year ended 31 December 2020.

The estimated portion of the award attributable to post-combination services resulted in additional compensation expense of US$27 million in the Unaudited Pro Forma Income Statement (employee benefit costs of US$1 million, US$7 million and US$19 million charged to costs of sales, research and development expense and selling, general and administrative costs, respectively) for the three months ended 31 March 2021.

This adjustment will not have a continuing impact on the combined company once the post-combination service period has elapsed.

Note 6.

In preparing the Unaudited Pro Forma Financial Information, no account has been taken of the trading or transactions of AstraZeneca or Alexion since 31 March 2021 and 31 December 2020 with respect to the Unaudited Pro Forma Information for the applicable periods.

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE COMBINED GROUP

The directors (the "**Directors**")
AstraZeneca plc
1 Francis Crick Avenue
Cambridge Biomedical Campus
Cambridge
United Kingdom
CB2 0AA

24 May 2021

Dear Ladies and Gentlemen

AstraZeneca plc (the "Company")

We report on the Unaudited Pro Forma Financial Information for the Combined Group (the "**Pro Forma Financial Information**") set out in the Company's prospectus dated 24 May 2021 (the "**Prospectus**").

This report is required by section 3 of Annex 20 to the Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom (the "UK") by virtue of the European Union (Withdrawal) Act 2018 ("**UK PR Regulation**") and is given for the purpose of complying with that item and for no other purpose.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
(b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with sections 1 and 2 of Annex 20 of the UK PR Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the UK PR Regulation, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

No reports or opinions have been made by us on any financial information of Alexion Pharmaceuticals, Inc. used in the compilation of the Pro Forma Financial Information. In providing this opinion we are not providing any assurance on any source financial information of Alexion Pharmaceuticals, Inc. on which the Pro Forma Financial Information is based beyond the above opinion.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information of the Company used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

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Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.5R(2)(f) of the Prospectus Regulation Rules of the Financial Conduct Authority (the "**Prospectus Regulation Rules**") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 7 to the UK PR Regulation, consenting to its inclusion in the Prospectus.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of Alexion Pharmaceuticals, Inc. by the Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the three months ended 31 March 2021 and year ended 31 December 2020.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Declaration

For the purposes of item 5.3.5R(2)(f) of the Prospectus Regulation Rules we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report make no omission likely to affect its import. This declaration is included in Prospectus in compliance with item 1.2 of Annex 7 of the UK PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

TAXATION

The tax laws of the investor's state and of the Issuers' states of incorporation might have an impact on the income received from the securities. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes or the Guarantee, as applicable, and the consequences of such actions under the tax laws of those countries.

In this section, notes issued by AstraZeneca PLC are referred to as "**AZ PLC Notes**" and notes issued by AstraZeneca Finance are referred to as "**AZ Finance Notes**" (together with the AZ PLC Notes, the "**Notes**").

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 and the Guarantee, as applicable. 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 any 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 and the Guarantee, as applicable. 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 and the Guarantee, as applicable even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Withholding Tax on UK Source Interest

The AZ PLC Notes which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**") for the purposes of section 987 of the Act) or admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the AZ PLC Notes are and continue to be quoted Eurobonds, payments of interest on the AZ PLC Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

The London Stock Exchange is a recognised stock exchange, and accordingly the AZ PLC Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Main Market of that Exchange.

In all cases falling outside the exemption described above, interest on the AZ PLC Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief or exemption as may be available. However, this withholding will not apply if the relevant interest is paid on the AZ PLC 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 AZ PLC Notes part of a borrowing with a total term of a year or more.

Interest paid by AstraZeneca Finance on AZ Finance Notes is not currently expected to have a UK source and, as such, UK withholding is not expected to be applicable to such interest payments. If such interest did have a UK source, the comments in the preceding paragraphs of this section headed "Withholding Tax on UK Source Interest" and the successive paragraphs of the section below headed "Other Rules relating to Withholding in respect of United Kingdom Tax" would apply.

Payments by the Guarantor

If the Guarantor makes any payments in respect of interest on the AZ Finance Notes (or other amounts due under the AZ Finance Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to UK withholding tax at the basic rate (currently 20 per cent.), subject to such relief or exemption as may be available.

Other Rules relating to Withholding in respect of United Kingdom Tax

1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

3. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4. The references to "interest" in this *United Kingdom Taxation* section mean "interest" as understood in United Kingdom tax law. The statements in this *United Kingdom Taxation* section do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes or the Guarantee, as applicable, which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law. Where a payment on a Note or the Guarantee does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

5. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of any Issuer (pursuant to Condition 17(c) (*Meetings of Noteholders; Modification and Waiver – Substitution*) of the Notes or otherwise) and does not consider the tax consequences of any such substitution.

The Proposed Financial Transactions Tax ("FTT")

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

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

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

However, the Commission's 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. In any event, the United Kingdom has now departed the European Union due to Brexit.

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

United States Taxation

The following is a summary based on present law of certain U.S. federal income tax considerations for prospective purchasers of the Notes. It addresses only Non-U.S. Holders. It does not consider the circumstances of particular purchasers, such as entities or arrangements treated as partnerships or trusts for U.S. federal income tax purposes, that are subject to special tax rules. The discussion is a general summary. It is not a substitute for tax advice. It deals only with Notes with a term of 30 years or less and it assumes the Notes will be treated as debt for U.S. federal income tax purposes.

In this discussion, a "**Non-U.S. Holder**" is a beneficial owner of a Note that is not for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, (iii) a corporation or other entity treated as a corporation organised in or under the laws of the United States or its political subdivisions, (iv) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (v) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

Withholding Tax

Interest paid to a Non-U.S. Holder on a Note issued by AstraZeneca PLC will be exempt from U.S. withholding tax.

Subject to the discussion below under "—FATCA Withholding", interest (including any original issue discount which, generally is, the amount by which the redemption price of a Note at maturity exceeds its issue price) paid to a Non-U.S. Holder on a Note issued by AstraZeneca Finance generally will be exempt from U.S. withholding tax if (i) the Non-U.S. Holder is not a "10 percent shareholder" (within the meaning of Sections 871(h)(3) or 881(c)(3) of the U.S. Internal Revenue Code of 1986 (the "**Code**")) of AstraZeneca Finance, (ii) the Non-U.S. Holder is not a "controlled foreign corporation" (within the meaning of Section 864(d)(4) of the Code) related to AstraZeneca Finance, (iii) the Non-U.S. Holder is not treated as a bank holding the Note as an extension of credit in the ordinary course of its banking business for U.S. federal income tax purposes, (iv) payments on the Notes are not contingent interest ineligible for the portfolio interest exemption from U.S. withholding tax (generally interest determined by reference to income, profits, cash flow, sales, dividends or other similar attributes of AstraZeneca Finance or any related person), and (v) the Non-U.S. Holder has furnished to the applicable withholding agent a complete IRS withholding form (generally, an applicable Form W-8) upon which the Non-U.S. Holder certifies, under penalties of perjury, that it is not a United States person. If a Non-U.S. Holder does not satisfy the requirements described above, then, subject to the discussion below under "—Net Income Tax", interest paid to a Non-U.S. Holder on a Note issued by AstraZeneca Finance generally will be subject to U.S. withholding tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty, provided the Non-U.S. Holder satisfies applicable certification requirements establishing its eligibility for such lower rate).

Disposition

Gain realized by a Non-U.S. Holder on the disposition of a Note generally will not be subject to U.S. withholding tax or income tax unless (i) the gain is effectively connected with such holder's conduct of a trade or business within the United States (as discussed below under "—Net Income Tax") or (ii) the holder is an individual present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met, in which case, unless an applicable income tax treaty provides otherwise, such gain (which may be offset by certain U.S. source losses) generally will be subject to a 30% U.S. federal income tax.

Net Income Tax

If a Non-U.S. Holder is engaged in a trade or business within the United States, interest paid to the holder on a Note or gain realized by the holder on the disposition of a Note generally will be subject to U.S. federal income tax on a net income basis if such interest or gain is effectively connected with such holder's conduct of

that U.S. trade or business (and, if required by an applicable income tax treaty, is attributable to such holder's U.S. permanent establishment). In addition, a Non-U.S. Holder that is a corporation may be subject to a branch profits tax equal to 30% (or a lower applicable income tax treaty rate) of its effectively connected earnings and profits, subject to adjustments. Any such effectively connected interest paid on a Note issued by AstraZeneca Finance generally will be exempt from U.S. withholding tax if the Non-U.S. Holder satisfies applicable certification requirements (generally, by providing a properly executed IRS Form W-8ECI).

Information Reporting and Backup Withholding

Payments of principal and interest on, and proceeds from the sale or other disposition of, Notes issued by AstraZeneca Finance will be subject to information reporting unless the Non-U.S. Holders establishes an exemption (generally, by providing an applicable Form W-8). Payments of principal and interest on, and proceeds from the sale or other disposition of, Notes issued by AstraZeneca PLC, effected through a U.S. broker or another middleman with certain connections in the United States, may be subject to information reporting unless the Non-U.S. Holders establishes an exemption.

Payments subject to information reporting may be subject to backup withholding unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person or is otherwise establishes a basis for exemption from backup withholding (generally, by providing an applicable Form W-8). The certification procedures required to claim the exemption from withholding tax on interest, described above, will also be sufficient to avoid backup withholding.

Backup withholding is not an additional tax. Any amount withheld may be credited against a Non-U.S. Holder's U.S. federal income tax liability or refunded to the extent it exceeds such holder's liability and the relevant information is timely furnished to the U.S. IRS.

FATCA Withholding

Payments to a Non-U.S. Holder of interest on a Note issued by AstraZeneca Finance generally will be subject to a 30% gross basis withholding tax in the case of interest paid to a "foreign financial institution" or a "non-financial foreign entity" within the meaning of Sections 1471 through 1474 of the Code and regulations and other guidance promulgated thereunder (collectively "**FATCA**"), unless certain procedural requirements are satisfied and certain information is provided to the IRS or such Non-U.S. Holder complies with certain requirements under laws, regulations or other guidance implementing an intergovernmental agreement between the United States and such Non-U.S. Holder's home jurisdiction, and certain information is provided to the tax authorities in the Non-U.S. Holder's home jurisdiction. Under proposed U.S. Treasury Regulations published on 18 December 2018, upon which a Non-U.S. Holder may rely until final U.S. Treasury Regulations are issued, payments of gross proceeds from the sale, retirement or other disposition of a Note issued by AstraZeneca Finance will not be subject to FATCA withholding. Payments with respect to Notes issued by AstraZeneca PLC generally should not be subject to FATCA withholding.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by any of the Issuers to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, Skandinaviska Enskilda Banken AB (publ) and Société Générale (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuers to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 24 May 2021 (the "**Dealer Agreement**") and made between the Issuers, the Guarantor 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 Issuers 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.

Bearer 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 within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Prohibition of Sales to EEA Retail Investors

Unless the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or

b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

Public Offer Selling Restrictions Under the EU Prospectus Regulation

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by

this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

b) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in a) to c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation. For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any 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 for the Notes and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

Prohibition of Sales to UK Retail Investors

Unless the applicable Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to any retail investor in the UK. For the purposes of this provision: the expression "**retail investor**" means a person who is one (or more) of the following:

a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or

b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

Public Offer Selling Restrictions Under the UK Prospectus Regulation

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

a) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA;

b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuers for any such offer; or

c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in a) to c) above shall require the Issuers or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes 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 for the Notes.

Other UK regulatory restrictions

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that:

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

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

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

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

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

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant 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 relevant Issuer or the Guarantor, as the case may be; 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 UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**Prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

People's Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**")). This Base Prospectus, the Notes and any material or information contained or incorporated by reference herein in relation to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. Neither this Base Prospectus nor any material or information contained or incorporated by reference herein constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Notes may only be invested by PRC investors that are authorised to engage in the purchase of 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 and Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or outbound investment regulations.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and it will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and it has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities based derivative contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred

within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

i. to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

ii. where no consideration is or will be given for the transfer;

iii. where the transfer is by operation of law;

iv. as specified in Section 276(7) of the SFA; or

v. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuers 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 Issuers. 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 respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and/or their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their respective 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 Issuers or the Issuers' affiliates. Certain of the Dealers or their respective affiliates that have lending relationships with the Issuers routinely hedge their credit exposure to such Issuers consistent with their customary risk management policies. Typically, such Dealers and their respective 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 respective 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

1. The establishment and most recent update of the Programme was authorised by the Board of Directors of AstraZeneca PLC on 24 July 2007 and 29 April 2021 and a committee of the Board of Directors of AstraZeneca PLC on 20 May 2021. AstraZeneca PLC 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 and its obligations under the Guarantee.

2. The entry into the Programme by AstraZeneca Finance was authorised by the Board of Directors of AstraZeneca Finance on 21 May 2021. AstraZeneca Finance 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

3. Save as disclosed (i) above under the heading "*Description of AstraZeneca – Legal and Arbitration Proceedings*" regarding the EC proceedings, (ii) in Note 29 to AstraZeneca PLC's consolidated financial statements for the year ended 31 December 2020 on pages 229 to 233 (inclusive) of AstraZeneca PLC's Annual Report and Form 20-F Information 2020 and (iii) in Note 5 on pages 44 to 47 (inclusive) of AstraZeneca PLC's Q1 2021 Results, which, in the case of (ii) and (iii), have been incorporated by reference into this Base Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which AstraZeneca PLC is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of AstraZeneca PLC and its Subsidiaries.

4. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which AstraZeneca Finance is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of AstraZeneca Finance.

Significant/Material Change

5. Since 31 December 2020 there has been no material adverse change in the prospects of the AstraZeneca PLC and, save as disclosed in this Base Prospectus under the heading "Description of the Transaction", since 31 March 2021 there has been no significant change in the financial position or financial performance of the Group.

6. Since its date of incorporation there has been no material adverse change in the prospects of AstraZeneca Finance and no significant change in the financial position or financial performance of AstraZeneca Finance.

Auditors

7. The consolidated financial statements of AstraZeneca PLC as at and for the year ended 31 December 2020 and 31 December 2019 were audited without qualification by PricewaterhouseCoopers LLP, independent registered accounting firm.

Statement of consent

8. PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this Base Prospectus of its accountant's report on the unaudited pro forma financial information relating to the Combined Group set out in "*Unaudited Pro Forma Financial Information for the Combined Group*", in the form and context in which it is included and has authorised the contents of the part of this document which comprise its report for the purpose of 5.3.5R(2)(f) of the UK Prospectus Regulation Rules.

Documents on Display

Copies of the following documents may be inspected on the websites indicated:

(a) the constitutional documents of AstraZeneca PLC (as the same may be updated from time to time) (available at https://www.astrazeneca.com/investor-relations/corporate-governance.html);

(b) the organisational documents of AstraZeneca Finance (as the same may be updated from time to time) (available at https://www.astrazeneca.com/investor-relations/debt-investors/emtn-programme.html);

(c) the Agency Agreement (available at: https://www.astrazeneca.com/investor-relations/debt-investors/emtn-programme.html);

(d) the Trust Deed (available at: https://www.astrazeneca.com/investor-relations/debt-investors/emtn-programme.html);

(e) this Base Prospectus (available at: https://www.astrazeneca.com/investor-relations/debt-investors/emtn-programme.html); and

(f) any Final Terms prepared in relation to any issue of Notes (available at: https://www.astrazeneca.com/investor-relations/debt-investors/emtn-programme.html).

For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus and has not been scrutinised or approved by the FCA.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream and, in the case of Notes cleared through the CMU, the CMU. The appropriate common code and the International Securities Identification Number (ISIN), the Financial Instrument Short Name (FISN), Classification of Financial Instruments (CFI) code and the CMU Instrument Number (as applicable) in relation to the Notes of each Tranche will be specified in the relevant Final Terms.

Credit Ratings

In accordance with S&P's ratings definitions available as at the date of this Prospectus on https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352, a long-term rating of "BBB" indicates that an obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. In accordance with Moody's ratings definitions available as at the date of this Prospectus on https://www.moodys.com/ratings-process/Ratings- Definitions/002002, a long-term rating of "A" indicates obligations that are judged to be upper-medium grade and subject to low credit risk.

Yield

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

LEI

The Legal Entity Identifier code of AstraZeneca PLC is PY6ZZQWO2IZFZC3IOL08.

The Legal Entity Identifier code of AstraZeneca Finance is 549300C3HATU4Q460S18.

Issuers' website

The Issuers' website is www.astrazeneca.com/. Unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

Validity of Base Prospectus and Supplements

For the avoidance of doubt, the Issuers shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

ISSUERS

AstraZeneca PLC
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Cambridge Biomedical Campus
Cambridge CB2 0AA

AstraZeneca Finance LLC
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Delaware 19801
USA

GUARANTOR

AstraZeneca PLC
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Cambridge Biomedical Campus
Cambridge CB2 0AA

ARRANGER

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Canary Wharf
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Canary Wharf
London E14 4BB

BNP Paribas
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75009
Paris

Citigroup Global Markets Limited
Citigroup Centre
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London E14 5LB

Deutsche Bank AG, London Branch
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London EC2N 2DB

Goldman Sachs International
Plumtree Court
25 Shoe Lane
London EC4A 4AU

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities plc
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Canary Wharf
London E14 5JP

Merrill Lynch International
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Sweden

Société Générale
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75009 Paris
France

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

CMU LODGING AND PAYING AGENT

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USA

CMU REGISTRAR

Deutsche Bank AG, Hong Kong Branch
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Kowloon
Hong Kong

LEGAL ADVISERS

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London EC2P 1HS

To the Dealers as to English law:

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London E14 5JJ

To the Issuers and the Guarantor as to the laws of Delaware:

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To the Trustee as to English law:

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London E14 5JJ

AUDITORS TO THE GUARANTOR

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

CONSOLIDATED FINANCIAL STATEMENTS OF ALEXION INCLUDING REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Alexion Pharmaceuticals, Inc.

Contents

For the Years Ended December 31, 2020, 2019 and 2018

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Alexion Pharmaceuticals, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Alexion Pharmaceuticals, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Portola Pharmaceuticals, Inc. ("Portola") from its assessment of internal control over financial reporting as of December 31, 2020 because it was acquired by the Company in a purchase business combination during 2020. We have also excluded Portola from our audit of internal control over financial reporting. Portola is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal

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control over financial reporting represent 2.4% and 1.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2020.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Definite-lived Intangible Asset Impairment - KANUMA Purchased Technology Intangible Asset

As described in Note 4 to the consolidated financial statements, the carrying value of the Company's purchased technology definite-lived intangible assets balance was $2,061.8 million as of December 31, 2020. During the quarter ended June 30, 2020, based on continued challenges expanding patient growth and new alternative commercial opportunities, the Company revised its strategic view of KANUMA, determined that they had exhausted commercially viable initiatives related to KANUMA, and will have difficulty expanding patient growth over the long term as the Company focuses on promoting other commercial programs and growing its pipeline. As a result, the Company no longer expects to increase the number of KANUMA patients in the long term at the rate previously assumed. This determination resulted in reduced cash flow projections for KANUMA, which indicated that the related intangible asset value was not fully recoverable on an undiscounted cash flows basis. As of June 30, 2020, management utilized market participant assumptions to determine its best estimate of the fair value of the intangible asset related to KANUMA that, when compared with its related carrying value, resulted in an impairment charge of $2,042.3 million being recorded in the statement of operations. The estimated fair value of the KANUMA asset as of June 30, 2020 was determined using the excess earnings method, a variation of the income approach. The excess earnings method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset over its remaining economic life. Long term cash flow projections for the asset require the use of significant estimates and judgements, including forecasted revenue growth rates, forecasted cost of goods sold and the discount rate.

The principal considerations for our determination that performing procedures relating to definite-lived intangible asset impairment – KANUMA purchased technology intangible asset is a critical audit matter are (i) the significant judgment by management when determining the fair value of the intangible asset; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to the forecasted revenue growth rates, which included assumed net patient additions per year and assumed net price per vial; forecasted cost of goods sold; and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

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Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's identification of triggering events and definite-lived intangible asset impairment assessments, including controls over management's valuation of the KANUMA purchased technology intangible asset. These procedures also included, among others, (i) testing management's process for determining the fair value of the KANUMA purchased technology intangible asset; (ii) evaluating the appropriateness of the excess earnings method; (iii) testing the completeness and accuracy of underlying data used in the estimate; and (iv) evaluating the significant assumptions used by management related to the forecasted revenue growth rates, including assumed net patient additions per year and assumed net price per vial; forecasted cost of goods sold; and the discount rate. Evaluating management's assumptions related to the forecasted revenue growth rates involved evaluating whether the assumptions used by management were reasonable considering the current and past net patient additions per year and net price per vial invoiced within significant territories. Evaluating management's assumptions related to forecasted cost of goods sold involved evaluating whether the assumptions used by management were reasonable considering the current and past costs of manufacturing KANUMA. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's excess earnings method and the reasonableness of the discount rate assumption.

Valuation of Purchased Technology Intangible Assets Acquired in the Portola Pharmaceuticals, Inc. Acquisition

As described in Note 2 to the consolidated financial statements, the Company completed the acquisition of Portola Pharmaceuticals, Inc. for net consideration of $1,621.6 million in 2020, which resulted in a purchased technology intangible asset of $1,036.0 million being recorded. The purchased technology intangible asset relates to Portola's lead product ANDEXXA. The estimated fair value was determined using the excess earnings valuation method, a variation of the income valuation approach. The excess earnings valuation method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset. Some of the more significant assumptions utilized in the asset valuation included the estimated net cash flows for ANDEXXA, including net revenues, cost of sales, research and development and other operating expenses, the potential regulatory and commercial success rates associated with ANDEXXA's current conditional approval status and planned extension into the urgent surgery setting, competitive trends impacting the assets, and tax rates. The fair value using the excess earnings valuation method was determined using a discount rate commensurate with the risks of ANDEXXA of 17.5%, which represents a rate of return that a market participant would expect for the asset. The acquired purchased technology intangible asset is being amortized over an estimated useful life of approximately 10 years. This fair value measurement was based on significant inputs not observable in the market and thus represents a Level 3 fair value measurement.

The principal considerations for our determination that performing procedures relating to the valuation of purchased technology intangible assets acquired in the Portola Pharmaceuticals, Inc. acquisition is a critical audit matter are (i) the significant judgment by management when determining the fair value of intangible assets acquired, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures relating to the fair value measurement of intangible assets acquired; (ii) the significant audit effort in evaluating management's significant assumptions relating to the forecasted net cash flow projections including assumptions relating to the potential regulatory and commercial success rates associated with ANDEXXA's current conditional approval status and planned extension into the urgent surgery setting, and the estimated net revenues and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the purchased technology intangible assets and controls over development of the cash flow projections and the discount rate assumptions utilized in the valuation of the intangible assets. These procedures also included, among others reading the purchase agreement and testing management's process for determining the fair value of purchased technology intangible assets. Testing management's process included (i) evaluating the appropriateness of the valuation method, (ii) testing the completeness and accuracy of data provided by management; (iii) evaluating the reasonableness of significant assumptions related to the cash flow projections, including the reasonableness of the potential regulatory and commercial success rates associated with ANDEXXA's current conditional approval status and planned extension into the urgent surgery setting, and the estimated net revenues by considering the past performance of the acquired business, as well as internal and external market data; and (iv) evaluating the reasonableness of the discount rate selected by management by evaluating a range of relevant benchmarks including the cost of debt, cost of equity, internal rate of return, and weighted average cost of capital. Professionals

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with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's excess earnings method and the reasonableness of the discount rate assumption.

/s/PricewaterhouseCoopers LLP
Boston, Massachusetts
February 8, 2021

We have served as the Company's auditor since 2002.

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Alexion Pharmaceuticals, Inc.

Consolidated Balance Sheets
(amounts in millions, except per share amounts)

	December 31, 2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,964.5	$ 2,685.5
Marketable securities	34.9	64.0
Trade accounts receivable, net	1,409.3	1,243.2
Inventories	775.7	627.6
Prepaid expenses and other current assets	648.6	456.1
Total current assets	5,833.0	5,076.4
Property, plant and equipment, net	1,238.8	1,163.3
Intangible assets, net	3,002.4	3,344.3
Goodwill	5,100.1	5,037.4
Right of use operating assets	223.1	204.0
Deferred tax assets	2,199.4	2,290.2
Other assets	506.2	429.0
Total assets	$ 18,103.0	$ 17,544.6
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 118.6	$ 74.0
Accrued expenses	1,084.7	892.7
Current portion of long-term debt	142.4	126.7
Current portion of contingent consideration	114.9	—
Other current liabilities	164.1	100.9
Total current liabilities	1,624.7	1,194.3
Long-term debt, less current portion	2,419.6	2,375.0
Contingent consideration	299.4	192.4
Deferred tax liabilities	1,632.2	2,081.4
Noncurrent operating lease liabilities	177.1	164.1
Other liabilities	298.8	265.6
Total liabilities	6,451.8	6,272.8
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Common stock, $.0001 par value; 290.0 shares authorized; 240.9 and 237.8 shares issued at 2020 and 2019, respectively	—	—
Additional paid-in capital	9,152.9	8,804.7
Treasury stock, at cost, 21.4 and 16.5 shares at 2020 and 2019, respectively	(2,620.3)	(2,105.9)
Accumulated other comprehensive loss	(124.6)	(66.8)
Retained earnings	5,243.2	4,639.8
Total stockholders' equity	11,651.2	11,271.8
Total liabilities and stockholders' equity	$ 18,103.0	$ 17,544.6

The accompanying notes are an integral part of these consolidated financial statements.

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Alexion Pharmaceuticals, Inc.

Consolidated Statements of Operations
(amounts in millions, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
Net product sales	$ 6,069.1	$ 4,990.0	$ 4,130.1
Other revenue	0.8	1.1	1.1
Total revenues	6,069.9	4,991.1	4,131.2
Costs and expenses:			
Cost of sales (exclusive of amortization of purchased intangible assets)	553.5	394.5	374.3
Research and development	1,002.9	886.0	730.4
Selling, general and administrative	1,399.9	1,261.1	1,111.8
Acquired in-process research and development	—	(4.1)	1,183.0
Amortization of purchased intangible assets	253.7	309.6	320.1
Change in fair value of contingent consideration	61.2	11.6	116.5
Acquisition-related costs	117.6	—	—
Restructuring expenses	10.3	12.0	25.5
Impairment of intangible assets	2,053.3	—	—
Gain on sale of asset	(14.8)	—	—
Total costs and expenses	5,437.6	2,870.7	3,861.6
Operating income	632.3	2,120.4	269.6
Other income and expense:			
Investment income, net	44.7	100.3	65.3
Interest expense	(104.7)	(77.8)	(98.2)
Other income and (expense)	(3.3)	35.9	5.5
Income before income taxes	569.0	2,178.8	242.2
Income tax (benefit) expense	(34.4)	(225.5)	164.6
Net income	$ 603.4	$ 2,404.3	$ 77.6
Earnings per common share			
Basic	$ 2.74	$ 10.77	$ 0.35
Diluted	$ 2.72	$ 10.70	$ 0.35
Shares used in computing earnings per common share			
Basic	220.1	223.2	222.7
Diluted	222.0	224.8	224.5

The accompanying notes are an integral part of these consolidated financial statements.

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Alexion Pharmaceuticals, Inc.

Consolidated Statements of Comprehensive Income
(amounts in millions)

	Year Ended December 31,		
	2020	2019	2018
Net income	$ 603.4	$ 2,404.3	$ 77.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation	5.7	(1.0)	(0.5)
Unrealized gains (losses) on debt securities	0.1	0.2	(0.5)
Unrealized (losses) gains on pension obligation	(1.0)	(6.6)	2.2
Unrealized (losses) gains on hedging activities, net of tax (benefit) expense of $(18.8), $(14.5) and $7.3, respectively	(62.6)	(49.7)	23.5
Other comprehensive (loss) income, net of tax	(57.8)	(57.1)	24.7
Comprehensive income	$ 545.6	$ 2,347.2	$ 102.3

The accompanying notes are an integral part of these consolidated financial statements.

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Alexion Pharmaceuticals, Inc.

Consolidated Statements of Changes in Stockholders' Equity
(amounts in millions)

	Common Stock		Additional Paid-In	Treasury Stock at Cost		Accumulated Other Comprehensive	Retained	Total Stockholders'
	Shares Issued	Amount	Capital	Shares	Amount	Income (Loss)	Earnings	Equity
Balances, December 31, 2017	234.3	$ —	$ 8,290.3	12.0	$ (1,604.9)	$ (34.4)	$ 2,242.1	$ 8,893.1
Repurchase of common stock	—	—	—	0.7	(85.0)	—	—	(85.0)
Issuance of common stock under stock option and stock purchase plans	0.6	—	47.6	—	—	—	—	47.6
Issuance of restricted common stock	1.3	—	(0.3)	—	—	—	—	(0.3)
Share-based compensation expense	—	—	201.5	—	—	—	—	201.5
Net income	—	—	—	—	—	—	77.6	77.6
Other comprehensive income	—	—	—	—	—	24.7	—	24.7
Adoption of new accounting standards	—	—	—	—	—	—	6.1	6.1
Balances, December 31, 2018	236.2	$ —	$ 8,539.1	12.7	$ (1,689.9)	$ (9.7)	$ 2,325.8	$ 9,165.3
Repurchase of common stock	—	—	—	3.8	(416.0)	—	—	(416.0)
Issuance of common stock under stock option and stock purchase plans	0.4	—	29.9	—	—	—	—	29.9
Issuance of restricted common stock	1.2	—	—	—	—	—	—	—
Share-based compensation expense	—	—	235.7	—	—	—	—	235.7
Net income	—	—	—	—	—	—	2,404.3	2,404.3
Other comprehensive loss	—	—	—	—	—	(57.1)	—	(57.1)
Adoption of new accounting standards	—	—	—	—	—	—	(90.3)	(90.3)
Balances, December 31, 2019	237.8	$ —	$ 8,804.7	16.5	$ (2,105.9)	$ (66.8)	$ 4,639.8	$ 11,271.8
Repurchase of common stock	—	—	—	4.9	(510.8)	—	—	(510.8)
Issuance of common stock under stock option and stock purchase plans	0.9	—	60.2	—	—	—	—	60.2
Issuance of restricted common stock	2.2	—	—	—	—	—	—	—
Share-based compensation expense	—	—	280.8	—	(3.6)	—		277.2
Portola replacement equity awards attributable to the pre-combination period	—	—	7.2	—	—	—	—	7.2
Net income	—	—	—	—	—	—	603.4	603.4
Other comprehensive loss	—	—	—	—	—	(57.8)	—	(57.8)
Balances, December 31, 2020	240.9	$ —	$ 9,152.9	21.4	$ (2,620.3)	$ (124.6)	$ 5,243.2	$ 11,651.2

The accompanying notes are an integral part of these consolidated financial statements.

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Alexion Pharmaceuticals, Inc.

Consolidated Statements of Cash Flows
(amounts in millions)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 603.4	$ 2,404.3	$ 77.6
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	329.4	376.8	405.3
Impairment of intangible assets	2,053.3	—	13.5
Change in fair value of contingent consideration	61.2	11.6	116.5
Payments of contingent consideration	—	(100.0)	—
Share-based compensation expense	281.1	237.0	203.0
Non-cash expense for acquired IPR&D	—	—	64.6
Deferred tax (benefit) expense	(283.4)	(455.4)	32.9
Unrealized foreign currency (gain) loss	(5.2)	(2.1)	4.8
Unrealized loss (gain) on forward contracts	6.4	(16.5)	(15.8)
Unrealized loss (gain) on strategic equity investments	3.0	(26.9)	(40.2)
Gain on sale of strategic equity investments	—	(32.8)	—
Gain on sale of asset	(14.8)	—	—
Gain on modification of purchase option	—	(32.0)	—
Gain on derecognition of Portola strategic equity investment	(29.7)	—	—
Inventory obsolescence charge	27.5	3.3	20.5
Other	4.5	(2.7)	(2.0)
Changes in operating assets and liabilities, excluding the effect of acquisitions:			
Accounts receivable	(139.4)	(319.2)	(208.8)
Inventories	95.0	(160.2)	(35.2)
Prepaid expenses, right of use operating assets and other assets	(111.9)	(31.0)	(155.6)
Accounts payable, accrued expenses, lease liabilities and other liabilities	122.5	230.7	(55.1)
Net cash provided by operating activities	3,002.9	2,084.9	426.0
Cash flows from investing activities:			
Purchases of available-for-sale debt securities	(19.4)	(80.2)	(782.7)
Proceeds from maturity or sale of available-for-sale debt securities	184.2	222.2	1,473.5
Purchases of mutual funds related to nonqualified deferred compensation plan	(19.7)	(17.6)	(12.1)
Proceeds from sale of mutual funds related to nonqualified deferred compensation plan	12.1	14.7	12.3
Purchases of property, plant and equipment	(106.7)	(154.7)	(213.0)
Payments for acquisitions of businesses, net of cash and restricted cash acquired	(2,111.9)	—	—
Purchases of strategic equity investments and options	(38.1)	(73.3)	(10.3)
Proceeds from sale of strategic equity investments	—	114.7	—
Purchases of intangible assets	—	(16.0)	—
Other	—	(0.1)	2.8
Net cash (used in) provided by investing activities	(2,099.5)	9.7	470.5
Cash flows from financing activities:			
Proceeds from revolving credit facility	—	—	250.0
Payments on revolving credit facility	—	(250.0)	—
Payments on term loan	(130.6)	(98.0)	(293.8)
Repurchase of common stock	(510.8)	(416.0)	(85.0)
Net proceeds from issuance of stock under share-based compensation arrangements	58.7	29.9	47.3
Other	(29.2)	(5.0)	(20.9)
Net cash used in financing activities	(611.9)	(739.1)	(102.4)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	19.5	0.8	(11.2)
Net change in cash and cash equivalents and restricted cash	311.0	1,356.3	782.9
Cash and cash equivalents and restricted cash at beginning of period	2,723.6	1,367.3	584.4
Cash and cash equivalents and restricted cash at end of period	$ 3,034.6	$ 2,723.6	$ 1,367.3

The accompanying notes are an integral part of these consolidated financial statements.

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Alexion Pharmaceuticals, Inc.

Consolidated Statements of Cash Flows
(amounts in millions)

	Year Ended December 31,		
	2020	2019	2018
Supplemental cash flow disclosures:			
Cash paid for interest (net of amounts capitalized)	$ 99.9	$ 72.6	$ 90.9
Cash paid for income taxes	$ 248.9	$ 187.9	$ 163.9
Supplemental non-cash disclosures from investing and financing activities:			
Fair value of strategic investment and purchase option acquired, less upfront cash paid	$ —	$ 75.0	$ —
Operating ROU lease assets obtained in exchange for operating lease liabilities	$ 31.6	$ 27.5	$ —
Capitalization of construction costs related to facility lease obligations	$ —	$ —	$ 44.8
Accounts payable and accrued expenses for purchases of property, plant and equipment and intangible assets	$ 14.9	$ 13.3	$ 21.4
Contingent consideration issued in acquisition	$ 155.0	$ —	$ —
Fair value of equity shares in Portola settled at closing of the acquisition	$ 47.8	$ —	$ —
Fair value of replacement equity awards issued to Portola employees attributable to the pre-combination period	$ 7.2	$ —	$ —
Exchange of intellectual property rights for equity shares in Inozyme	$ 14.8	$ —	$ —

The following provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the total of such amounts shown in the consolidated statement of cash flows:

	Year Ended December 31,		
	2020	2019	2018
Cash and cash equivalents	$ 2,964.5	$ 2,685.5	$ 1,365.5
Restricted cash included in other current assets	$ 70.0	$ 37.8	$ 0.1
Restricted cash included in other noncurrent assets	$ 0.1	$ 0.3	$ 1.7
Total cash and cash equivalents and restricted cash reported in the consolidated statement of cash flows	$ 3,034.6	$ 2,723.6	$ 1,367.3

Amounts included in restricted cash primarily represent funds placed in escrow as a result of the judicial order issued by the Federal Court of Canada related to SOLIRIS pricing (Note 11, *Commitments and Contingencies)*.

The accompanying notes are an integral part of these consolidated financial statements.

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1. Business Overview and Summary of Significant Accounting Policies

Business

Alexion Pharmaceuticals, Inc. (Alexion, the Company, we, our or us) is a global biopharmaceutical company focused on serving patients and families affected by rare diseases and devastating conditions through the discovery, development and commercialization of life-changing medicines.

As a leader in rare diseases for more than 25 years, Alexion has developed and commercializes two approved complement inhibitors to treat patients with paroxysmal nocturnal hemoglobinuria (PNH) and atypical hemolytic uremic syndrome (aHUS), as well as the first and only approved complement inhibitor to treat anti-acetylcholine receptor (AChR) antibody-positive generalized myasthenia gravis (gMG) and neuromyelitis optica spectrum disorder (NMOSD) in patients who are anti-aquaporin-4 (AQP4) antibody positive. Alexion also has two highly innovative enzyme replacement therapies and the first and only approved therapies for patients with life-threatening and ultra-rare metabolic disorders, hypophosphatasia (HPP) and lysosomal acid lipase deficiency (LAL-D). With the acquisition of Portola Pharmaceuticals, Inc. (Portola) in July 2020, we added the first and only approved Factor Xa inhibitor reversal agent for patients treated with rivaroxaban or apixaban when reversal of anticoagulation is needed due to life-threatening or uncontrolled bleeding.

In addition to our marketed therapies, we have a diverse pipeline resulting from internal innovation and business development. Alexion focuses its research efforts on novel molecules and targets in the complement cascade and its development efforts on the core therapeutic areas of hematology, nephrology, neurology, metabolic disorders, cardiology, ophthalmology and acute care. We were incorporated in 1992 under the laws of the State of Delaware.

Merger Agreement with AstraZeneca

On December 12, 2020, we entered into an Agreement and Plan of Merger (the Merger Agreement) with AstraZeneca PLC, a public limited company incorporated under the laws of England and Wales (AstraZeneca), Delta Omega Sub Holdings Inc., a Delaware corporation and a wholly owned subsidiary of AstraZeneca (Bidco), Delta Omega Sub Holdings Inc. 1, a Delaware corporation and a direct, wholly owned subsidiary of Bidco (Merger Sub I) and Delta Omega Sub Holdings LLC 2, a Delaware limited liability company and a direct, wholly owned subsidiary of Bidco (Merger Sub II). The Merger Agreement provides, among other things, that subject to the satisfaction or waiver of the conditions set forth therein (1) Merger Sub I will merge with and into Alexion (the “First Merger”), with Alexion surviving the First Merger as a wholly owned subsidiary of Bidco, and (2) immediately following the effective time of the First Merger (the Effective Time), Alexion will merge with and into Merger Sub II (the Second Merger and, together with the First Merger, the Mergers), with Merger Sub II surviving the Second Merger as a wholly owned subsidiary of Bidco and an indirect wholly owned subsidiary of AstraZeneca.

Under the Merger Agreement, at the Effective Time (as defined in the Merger Agreement), each share of common stock, par value $0.0001 per share, of Alexion issued and outstanding immediately prior to the Effective Time (other than certain excluded shares as described in the Merger Agreement) will be converted into the right to receive (1) 2.1243 American depositary shares of AstraZeneca (or, at the election of the holder thereof, a number of ordinary shares of AstraZeneca equal to the number of underlying ordinary shares represented by such American depositary shares) and (2) $60.00 in cash, without interest (collectively, the Merger Consideration).

The boards of directors of both companies have unanimously approved the acquisition.

The respective obligations of Alexion and AstraZeneca to consummate the transactions contemplated by the Merger Agreement are subject to the satisfaction or waiver of a number of customary conditions, including: (1) the adoption of the Merger Agreement by Alexion’s stockholders; (2) approval of the transactions contemplated by the Merger Agreement by AstraZeneca’s shareholders; (3) the absence of any law or order prohibiting consummation of the Mergers; (4) AstraZeneca’s registration statement on Form F-4 having been declared effective by the Securities and Exchange Commission; (5) AstraZeneca’s shareholder circular (or, if required, prospectus) having been approved by the U.K. Financial Conduct Authority; (6) the American depository shares of AstraZeneca issuable in the Mergers (and the ordinary shares of AstraZeneca represented thereby) having been approved for listing on the Nasdaq; (7) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the approval of the Mergers under the antitrust and foreign investment laws of other specified jurisdictions; (8) accuracy of the other party’s representations and warranties, subject to

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certain materiality standards set forth in the Merger Agreement and (9) compliance by the other party in all material respects with such other party's obligations under the Merger Agreement.

Without limiting the generality of the foregoing, we are subject to a variety of specified restrictions under the Merger Agreement. Unless we obtain AstraZeneca's prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) and except (i) as required or expressly contemplated by the Merger Agreement, (ii) as required by applicable law or (iii) as set forth in the confidential disclosure schedule delivered by Alexion to AstraZeneca, we may not, among other things and subject to certain exceptions and aggregate limitations, incur additional indebtedness, issue additional shares of our common stock outside of our equity incentive plans, repurchase our common stock, pay dividends, acquire assets, securities or property, dispose of businesses or assets, enter into material contracts or make certain additional capital expenditures.

Under the Merger Agreement, Alexion will be required to make a payment to AstraZeneca equal to $1,180.0 if the Merger Agreement is terminated in certain circumstances, including because the Alexion board of directors has changed its recommendation in favor of the Mergers or we terminated the Merger Agreement in order to enter into an agreement providing for a Company Superior Proposal (as defined in the Merger Agreement), and Alexion will be required to make a payment to AstraZeneca equal to $270.0 if the Merger Agreement is terminated because Alexion's stockholders fail to adopt the Merger Agreement. AstraZeneca will be required to make a payment to Alexion equal to $1,415.0 if the Merger Agreement is terminated in certain circumstances, including because the AstraZeneca board of directors has changed its recommendation in favor of the Mergers or because AstraZeneca's shareholders fail to approve the transactions contemplated by the Merger Agreement.

The acquisition is expected to close during the third quarter 2021, and upon completion, Alexion stockholders will own approximately 15.0% of the combined company.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Alexion and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. For each of our business combinations, all of the assets acquired and liabilities assumed were recorded at their respective fair values as of the date of acquisition, and their results of operations are included in the consolidated financial statements from the date of acquisition.

Use of Estimates

Preparation of the consolidated financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities in our consolidated financial statements.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, clinical trials, research and development costs and employee-related amounts, will depend on future developments that are highly uncertain. We are not aware of any specific event or circumstance that would require an update to our estimates, judgments and assumptions or a revision of the carrying value of our assets or liabilities as of February 8, 2021, the date of issuance of this Annual Report on Form 10-K. These estimates may change, as new events occur and additional information is obtained. Actual results may differ from these estimates under different assumptions or conditions and such differences may be material.

Dividend Policy

We have never paid a cash dividend on shares of our stock. We currently intend to retain our earnings to finance future operations and do not anticipate paying any cash dividends on our stock in the foreseeable future.

Critical Accounting Estimates

The preparation of our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S., requires us to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities in our financial statements. We believe the most complex judgments result primarily from the need to make estimates about the effects of matters that are inherently uncertain and are significant to our

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consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe are reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We evaluate our estimates, judgments and assumptions on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions and such differences may be material.

The most significant areas involving estimates, judgments and assumptions used in the preparation of our consolidated financial statements are as follows:

- Revenue recognition;
- Contingent liabilities;
- Share-based compensation;
- Valuation of acquired assets, including goodwill, intangible assets and inventory;
- Valuation of contingent consideration; and
- Income taxes.

Foreign Currency Translation

The financial statements of our subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities, historical exchange rates for stockholders' equity and weighted average exchange rates for operating results. Translation gains and losses are included in accumulated other comprehensive income (loss), net of tax, in stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations in other income and expense.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value, and include short-term highly liquid investments with original maturities of three months or less. As of December 31, 2020 and 2019, cash equivalents were comprised of money market funds and other debt securities with maturities less than three months from the date of purchase.

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued expenses and other liabilities approximate fair value due to their short-term maturities. Our marketable securities are valued based upon pricing of securities with similar investment characteristics and holdings. Our mutual fund investments and equity securities are valued based on quoted market prices in active markets with no valuation adjustment. Investments in equity securities of publicly traded companies which are subject to holding period restrictions are carried at fair value using an option pricing valuation model and observable market inputs such as the historical volatility of similar companies and risk-free interest rates. Our derivative financial instruments are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks. Our credit agreement and royalty-based debt obligations are recorded at historical cost, which approximates fair value. Our contingent consideration liabilities related to our acquisitions and derivative liabilities associated with certain option agreements are valued based on various estimates, including probability of success, estimated revenues, discount rates and amount of time until the conditions of the milestone payments are met.

Marketable Securities

We invest our excess cash balances in marketable securities of highly rated financial institutions and investment-grade debt instruments. We seek to diversify our investments and limit the amount of investment concentrations for individual institutions, maturities and investment types. We classify marketable debt securities as available-for-sale and, accordingly, record such securities at fair value. We classify these securities as current assets as these investments are intended to be available to the Company for use in funding current operations.

Credit losses related to our available-for-sale debt securities are recorded through an allowance for credit losses within operating results and are limited to the amount by which the carrying value of the security exceeds its fair value. Unrealized gains and losses on our marketable debt securities related to interest rate changes and other

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factors are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity.

We sponsor a nonqualified deferred compensation plan which allows certain highly-compensated employees to elect to defer income to future periods. Participants in the plan earn a return on their deferrals based on several investment options, which mirror returns on underlying mutual fund investments. We choose to invest in the underlying mutual fund investments to offset the liability associated with our nonqualified deferred compensation plan. These mutual fund investments are valued at net asset value per share and are carried at fair value with gains and losses included in investment income. The changes in the underlying liability to the employee are recorded in operating expenses.

Accounts Receivable

Our standard credit terms vary based on the country of sale and range from 30 to 120 days and all arrangements are payable within one year of the transfer of the product. Our consolidated average days' sales outstanding ranges from 70 to 80 days. We evaluate the creditworthiness of customers on a regular basis. The length of time from sale to receipt of payment in certain countries exceeds our credit terms. In countries in which collections from customers extend beyond normal payment terms, we seek to collect interest. We record interest on customer receivables as interest income when collected. We monitor economic conditions and calculate allowances for estimated credit losses on our trade accounts receivable on a quarterly basis using an expected loss model. We assess whether collectibility is probable at the time of sale and on an ongoing basis. We use judgment as to our ability to collect outstanding receivables and provide allowances for the portion of receivables if and when collection becomes doubtful. As of December 31, 2020 and 2019, allowances on receivables were not material.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk are limited to cash equivalents, marketable securities, accounts receivable and our foreign exchange derivative contracts. We invest our cash reserves in money market funds or high-quality marketable debt securities in accordance with our investment policy. The stated objectives of our investment policy are to preserve capital, provide liquidity consistent with forecasted cash flow requirements, maintain appropriate diversification and generate returns relative to these investment objectives and prevailing market conditions.

As of December 31, 2020, four customers accounted for 66.8% of the accounts receivable balance, with these individual customers ranging from 11.7% to 22.1% of the accounts receivable balance. As of December 31, 2019, four customers accounted for 66.9% of the accounts receivable balance, with these individual customers ranging from 11.6% to 20.3% of the accounts receivable balance.

For the year ended December 31, 2020, three customers accounted for 47.4% of our product sales, with these individual customers ranging from 14.7% to 16.7% of our product sales. For the year ended December 31, 2019, four customers accounted for 56.4% of our product sales, with these individual customers ranging from 10.0% to 16.8% of our product sales. For the year ended December 31, 2018, four customers accounted for 50.3% of our product sales, with these individual customers ranging from 10.0% to 16.4% of our product sales. No other customers accounted for more than 10.0% of accounts receivable or net product sales.

We continue to monitor economic conditions, including volatility associated with international economies and the associated impacts on the financial markets and our business. We disaggregate our trade accounts receivable population into pools of similar risk characteristics based on underlying customer type and geographical location and assess current expected credit loss allowances based on available information. Substantially all of our accounts receivable are due from wholesale distributors, public hospitals and other government entities. We monitor the financial performance of our customers so that we can appropriately respond to changes in their credit worthiness. We operate in certain jurisdictions where weakness in economic conditions can result in extended collection periods. To date, we have not experienced any significant losses with respect to collection of our accounts receivable.

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(amounts in millions except per share amounts)

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined in a manner that approximates average costs.

The components of inventory are as follows:

	December 31, 2020	2019
Raw materials	$ 91.2	$ 41.2
Work-in-process	260.8	180.8
Finished goods	510.3	405.6
	$ 862.3	$ 627.6
Balance Sheet Classification:		
Inventories	$ 775.7	$ 627.6
Other assets	$ 86.6	$ —

Total inventories include ANDEXXA inventory acquired in connection with the July 2, 2020 Portola acquisition, but exclude acquired ANDEXXA validation batches of $60.9 that were manufactured under processes which are subject to regulatory approval. The acquired ANDEXXA inventory includes the acquisition-date fair value step-up, which is expensed within cost of sales as the inventory is sold to customers. For additional information on our acquisition of Portola, please refer to Note 2, *Acquisitions*.

We classify our inventory costs as long-term when we expect to utilize the inventory beyond our normal operating cycle and include these costs in other assets in our consolidated balance sheets. Inventories classified as long-term relate to ANDEXXA inventory, including inventory acquired in connection with the Portola acquisition.

Capitalization of Inventory Costs

We capitalize inventory produced for commercial sale, which may include costs incurred for certain products awaiting regulatory approval, or for inventory produced at new production facilities, when management considers it probable that the pre-approval inventories will be saleable. We capitalize inventory produced in preparation of product launches sufficient to support estimated initial market demand. Capitalization of such inventory begins when we have (i) obtained positive results in clinical trials that we believe are necessary to support regulatory approval, (ii) concluded that uncertainties regarding regulatory approval of the product and facilities have been sufficiently reduced, and (iii) determined that the inventory has probable future economic benefit. In evaluating whether these conditions have been met, we consider clinical trial results for the underlying product candidate, results from meetings with regulatory authorities, the compilation of the regulatory application, and how far a facility has progressed along the approval process. If we are aware of any material risks or contingencies outside of the standard regulatory review and approval process, or if there are any specific negative issues identified relating to the safety, efficacy, manufacturing, marketing or labeling of the product that would have a significant negative impact on its future economic benefits, the related inventory would not be capitalized. As of December 31, 2020 and 2019, the carrying value of inventory at unapproved production facilities was $39.8 and $60.5, respectively. We also capitalize costs associated with technology transfer, including engineering and validation activities, to our external CMO's within prepaid expenses and other current assets and other assets in our consolidated balance sheets. Upon regulatory approval, saleable inventory produced during the validation process is reclassified to inventory and expensed to cost of goods sold as the product is sold. Any costs associated with non-saleable inventory will remain in prepaid expenses and other current assets and other assets in our consolidated balance sheets, and will be amortized to costs of goods sold over the remaining life of the contract.

Products that have been approved by the U.S. Food and Drug Administration (FDA) or other regulatory authorities are also used in clinical programs to assess the safety and efficacy of the products for usage in diseases that have not been approved by the FDA or other regulatory authorities. The form of the products utilized for both commercial and clinical programs is identical and, as a result, the inventory has an "alternative future use" as defined in authoritative guidance. Raw materials and purchased drug product associated with clinical development programs are included in inventory and charged to research and development expense when the product enters the research and development process and no longer can be used for commercial purposes and, therefore, does not have an "alternative future use".

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For products which are under development and have not yet been approved by regulatory authorities, purchased drug product is charged to research and development expense upon delivery. Delivery occurs when the inventory passes quality inspection and ownership transfers to us. Nonrefundable advance payments for research and development activities, including production of purchased drug product, are deferred and capitalized until the goods are delivered. We also recognize expense for raw materials purchased for developmental purposes when the raw materials pass quality inspection and we have an obligation to pay for the materials.

Inventory Write-Offs

We analyze our inventory levels to identify inventory that may expire prior to sale, inventory that has a cost basis in excess of its estimated realizable value, or inventory in excess of expected sales requirements. Although the manufacturing of our products are subject to strict quality control, certain batches or units of product may no longer meet quality specifications or may expire, which requires adjustments to our inventory values. We also apply judgment related to the results of quality tests that we perform throughout the production process, as well as our understanding of regulatory guidelines, to determine if it is probable that inventory will be saleable. These quality tests are performed throughout the pre-and post-production process, and we continually gather additional information regarding product quality for periods after the manufacture date. Our products currently have a maximum estimated life ranging from 36 to 48 months, and based on our sales forecasts, we expect to realize the carrying value of our inventory. In the future, reduced demand, quality issues or excess supply beyond those anticipated by management may result in a material adjustment to inventory levels, which would be recorded as an increase to cost of sales.

The determination of whether or not inventory costs will be realizable requires estimates by our management. A critical input in this determination is future expected inventory requirements based on internal sales forecasts. We then compare these requirements to the expiry dates of inventory on hand. For inventories that are capitalized in preparation of product launch, we also consider the expected approval date in assessing realizability. To the extent that inventory is expected to expire prior to being sold, we will write down the value of inventory.

Derivative Instruments

We record the fair value of derivative instruments as either assets or liabilities on the balance sheet. The accounting for gains and losses resulting from changes in fair value is dependent on the use of the derivative and whether it is designated and qualifies for hedge accounting.

All qualifying hedging activities are documented at the inception of the hedge and must meet the definition of highly effective in offsetting changes to future cash. On a quarterly basis, we perform an assessment to confirm that outstanding hedges remain highly effective and continue to qualify for hedge accounting. We record the fair value of the qualifying hedges in prepaid expenses and other current assets, other assets, other current liabilities and other liabilities. All unrealized gains and losses on derivatives that are designated and qualify for hedge accounting are reported in other comprehensive income (loss) and recognized when the underlying hedged transaction affects earnings. When the forecasted transaction occurs, this amount is reclassified into the consolidated statement of operations and presented in the same financial statement line item as the hedged item.

Derivative instruments for which hedge accounting is not applied are recorded at fair value in prepaid expenses and other current assets and other current liabilities. Unrealized gains and losses resulting from changes in the fair value of these derivatives are reported in other income and expense.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets. We estimate economic lives as follows:

- Building and improvements—fifteen to thirty-five years
- Machinery and laboratory equipment—five to fifteen years
- Computer hardware and software—three to seven years
- Furniture and office equipment— five to ten years

Leasehold improvements and assets under financing lease arrangements are amortized over the lesser of the asset’s estimated useful life or the term of the respective lease. Maintenance costs are expensed as incurred.

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Construction-in-progress reflects amounts incurred for property, plant, or equipment construction or improvements that have not been placed in service.

Leases

In February 2016, the FASB issued a new standard that requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. We adopted the new standard on January 1, 2019 using the modified retrospective approach. Upon adoption of the new lease standard, on January 1, 2019, we derecognized $472.8 of property, plant and equipment and other assets and $372.2 of facility lease obligations associated with previously existing build-to suit arrangements. We capitalized right of use (ROU) assets of $326.1, inclusive of opening adjustments of $70.8 primarily related to prepaid rent existing at transition, and $ 255.3 of lease liabilities, within our consolidated balance sheets upon adoption. At transition, we recorded a decrease of $90.3 to retained earnings, net of tax, primarily related to our derecognition of previously recorded build-to-suit arrangements.

At the inception of an arrangement, we determine if an arrangement is, or contains, a lease based on the unique facts and circumstances present in that arrangement. Lease classification, recognition, and measurement are then determined at the lease commencement date. For arrangements that contain a lease we (i) identify lease and non-lease components, (ii) determine the consideration in the contract, (iii) determine whether the lease is an operating or financing lease; and (iv) recognize lease ROU assets and liabilities. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable and as such, we use our incremental borrowing rate based on the information available at the lease commencement date, which represents an internally developed rate that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Most leases include options to renew and, or, terminate the lease, which can impact the lease term. The exercise of these options is at our discretion and we do not include any of these options within the expected lease term as we are not reasonably certain we will exercise these options. We have elected to combine lease components (for example fixed payments including rent) with non-lease components (for example, non-dedicated parking and common-area maintenance costs) on our real estate and commercial fleet asset classes. We separate lease and non-lease components on our embedded contract manufacturing organization (CMO) arrangements. Lease and non-lease components on these CMO arrangements are determined based on an allocation of the consideration in the contract to the embedded lease and non-lease components of the arrangement based on the relative standalone prices of these components.

Fixed, or in substance fixed, lease payments on operating leases are recognized over the expected term of the lease on a straight-line basis, while fixed, or in substance fixed, payments on financing leases are recognized using the effective interest method. Variable lease expenses that are not considered fixed, or in substance fixed, are recognized as incurred. Fixed and variable lease expense on operating leases is recognized within operating expenses within our consolidated statements of operations. Financing lease ROU asset amortization and interest costs are recorded within operating expenses and interest expense, respectively, within our consolidated statements of operations. We have operating and financing leases for corporate offices, research and development facilities, regional executive and sales offices, commercial fleet, and CMO embedded lease arrangements. We have elected the short-term lease exemption and, therefore, do not recognize a ROU asset or corresponding liability for lease arrangements with an original term of 12 months or less.

Operating leases are included in right of use operating assets, other current liabilities, and noncurrent operating lease liabilities in our consolidated balance sheet as of December 31, 2020 and 2019. Financing leases are included in property, plant and equipment, other current liabilities, and other liabilities in our consolidated balance sheet as of December 31, 2020 and 2019.

Manufacturing Facilities

We capitalize costs incurred for the construction of facilities which support commercial manufacturing. We also capitalize costs related to validation activities which are directly attributable to preparing the facility for its intended use, including engineering runs and inventory production necessary to obtain approval of the facility from government regulators for the production of a commercially approved drug. When the facility is substantially complete and ready

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for its intended use and regulatory approval for commercial production has been received, we will place the asset in service.

The production of inventory for preparing the facility for its intended use requires two types of production: engineering runs which are used for testing purposes only and do not result in saleable inventory, and validation runs which are used for validating equipment and may result in saleable inventory. The costs associated with inventory produced during engineering runs and normal production losses during validation runs are capitalized to fixed assets and depreciated over the asset's useful life. Saleable inventory produced during the validation process is initially recorded as a fixed asset; however, upon regulatory approval, this inventory is reclassified to inventory and expensed in cost of goods sold as product is sold, or in research and development expenses as product is utilized in R&D activities. Abnormal production costs incurred during the validation process are expensed as incurred.

Acquisitions

Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the tangible and intangible assets acquired and the liabilities assumed are recorded as of the acquisition date at their respective fair values. We evaluate a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits and consists of inputs and substantive processes applied to those inputs that have the ability to contribute to the creation of outputs. If substantially all of the fair value of gross assets acquired is concentrated in a single asset or group of similar identifiable assets, the assets do not represent a business. In an acquisition of a business, the excess of the fair value of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill.

Acquisitions of assets or a group of assets that do not meet the definition of a business are accounted for as asset acquisitions using the cost accumulation method, whereby the cost of the acquisition, including certain transaction costs, is allocated to the assets acquired on the basis of relative fair values. No goodwill is recognized in an asset acquisition. Intangible assets that are acquired in an asset acquisition for use in research and development activities which have an alternative future use are capitalized as in-process research and development (IPR&D). Acquired IPR&D which has no alternative future use is recognized as research and development expense at acquisition. Contingent milestone payments associated with asset acquisitions are recognized when probable and estimable. These amounts are expensed to research and development if there is no alternative future use associated with the asset, or capitalized as an intangible asset if alternative future use of the asset exists.

Our consolidated financial statements include the results of operations of an acquired business after the completion of the acquisition.

Contingent Consideration

We record contingent consideration resulting from a business combination at fair value on the acquisition date. On a quarterly basis, we revalue these obligations and record increases or decreases in their fair value as an adjustment to operating earnings. Changes to contingent consideration obligations can result from adjustments to discount rates, accretion of the liability due to the passage of time, changes in our estimates of the likelihood or timing of achieving development or commercial milestones, changes in the probability of certain clinical events or changes in the assumed probability associated with regulatory approval.

Intangible Assets

Our intangible assets generally consist of licensing rights, patents, purchased technology, acquired IPR&D and other intangibles. Intangible assets with definite lives are amortized based on their pattern of economic benefit over their estimated useful lives and reviewed periodically for impairment.

Intangible assets related to IPR&D projects are considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment. Impairment testing is performed at least annually or when a triggering event occurs that could indicate a potential impairment. If and when development is complete, which generally occurs when regulatory approval to market a product is obtained, the associated assets are deemed finite-lived and are amortized over a period that best reflects the economic benefits provided by these assets.

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Goodwill

Goodwill represents the excess of purchase price over fair value of net assets acquired in a business combination and is not amortized. Goodwill is subject to impairment testing at least annually or when a triggering event occurs that could indicate a potential impairment. We are organized and operate as a single reporting unit and therefore the goodwill impairment test is performed using our overall market value, as determined by our traded share price, compared to our book value of net assets.

Impairment of Long-Lived Assets

Our long-lived assets are primarily comprised of intangible assets, right of use assets and property, plant and equipment. We evaluate our finite-lived intangible assets, right of use assets and property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset or group of assets is not recoverable. If these circumstances exist, recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

In addition, indefinite-lived intangible assets, comprised of IPR&D, are reviewed for impairment annually and whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired by comparing the fair value to the carrying value of the asset.

If the carrying value of a finite-lived intangible asset is not recoverable, or if there is an indicator of impairment on an indefinite-lived intangible asset, we will recognize an impairment in the amount by which the carrying value of the asset exceeds its fair value. We calculate the fair value of these assets using discounted cash flow models which require the use of significant estimates and judgements which include, but are not limited to, timing and costs to complete the in-process projects, timing and probability of success of clinical events or regulatory approvals, estimated future cash flows from product sales resulting from completed products and in-process projects, tax rates and discount rates. Changes to assumptions used in our cash flow projections could result in an impairment. Impairments are recorded within impairment of intangible assets in our consolidated statements of operations.

During the year-ended December 31, 2020, we recognized impairment charges of $2,053.3, related to a $2,042.3 impairment charge of our KANUMA intangible asset and an impairment charge of $11.0 to write off the cost basis of our ACHN-4471 (ALXN2040) acquired in-process research and development asset. Refer to Note 4, *Intangible Assets and Goodwill*, for additional information on the impairment charges recorded.

Other Investments

From time to time, we make strategic investments in equity securities of certain biotechnology companies which we acquire in connection with license and option agreements. Our strategic investment portfolio may include equity securities in publicly traded companies, as well as investments in companies with securities that are not publicly traded and where fair value is not readily available. These investments are included in other assets in our consolidated balance sheets.

We record our investments in securities that are not publicly traded at cost, less impairments and also adjust the investment for any changes resulting from an observable price change in an orderly transaction for identical or similar investments of the same issuer. We assess relevant transactions that occur on or before the balance sheet date to identify observable price changes, and we regularly monitor these investments to evaluate whether there is an indication that the investment is impaired, based on the implied value of recent company financings, public market prices of comparable companies, and general market conditions.

Our investments in equity securities in publicly traded companies which are unrestricted are regularly measured and carried at fair value and classified as Level 1 equity securities within the fair value hierarchy. Investments in publicly traded companies which are subject to holding period restrictions are carried at fair value using an option pricing valuation model and classified as Level 2 equity securities within the fair value hierarchy. The most significant assumptions within the option pricing valuation model are the term of the restrictions and the stock price volatility, which is based upon the historical volatility of the applicable company or similar companies.

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Contingent Liabilities

We are currently involved in various claims and legal proceedings. On a quarterly basis, we review the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Because of uncertainties related to claims and litigation, accruals are based on the best information available at the time of our assessment including the legal facts and circumstances of the case, status of the proceedings, applicable law and the likelihood of settlement, if any. On a periodic basis, as additional information becomes available, or based on specific events such as the outcome of litigation or settlement of claims (and our offers of settlement), we may reassess the potential liability related to these matters and may revise these estimates when facts and circumstances indicate the need for changes.

Treasury Stock

Treasury stock is accounted for using the cost method, with the purchase price of the common stock recorded separately as a deduction from stockholders' equity.

Revenue Recognition

In May 2014, the FASB issued a comprehensive new standard which amends revenue recognition principles. We adopted the new standard on January 1, 2018 by applying the modified retrospective method to all contracts that were not completed as of that date. Under the new guidance, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. Revenue is recognized through a five-step process: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) a performance obligation is satisfied. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, the Company assesses the goods or services promised within each contract, and determines those that are performance obligations. Revenue is recognized for the applicable performance element when each distinct performance obligation is satisfied.

Upon adoption of the new revenue recognition standard, on January 1, 2018, we reduced our deferred revenue balance by $10.4, with an offsetting increase of $6.0 in retained earnings due to the cumulative impact of adopting this new standard. The impact to net product sales and net income for the year ended December 31, 2018 was an increase of $5.3 and $4.8, respectively. The new standard also resulted in a decrease of $ 17.9 in deferred revenue and an increase of $10.8 in retained earnings as of December 31, 2018. The adoption of the new revenue standard did not have a material impact on any other balances within the consolidated financial statements as of and for the year ended December 31, 2018. The adoption of the new standard did not significantly change our accounting policies.

Nature of Products

Our principal source of revenue is product sales. Our contracts with customers generally contain a single performance obligation and we recognize revenue from product sales when we have satisfied our performance obligation by transferring control of the product to our customers. Control of the product generally transfers to the customer upon delivery. In certain countries, we sell to distributors on a consignment basis and record revenue when control of the product transfers to the customer upon sale to the end user.

Our customers are primarily comprised of distributors, pharmacies, hospitals, hospital buying groups, and other healthcare providers. In some cases, we may also sell to governments and government agencies. In addition to sales in countries where our products are commercially available, we have also recorded revenue on sales for patients receiving treatment through named-patient programs. The relevant authorities or institutions in those countries have agreed to reimburse for product sold on a named-patient basis where our products have not received final approval for commercial sale.

Revenue is recognized at the amount to which we expect to be entitled in exchange for the sale of our products. This amount includes both fixed and variable consideration and excludes amounts that are collected from customers and remitted to governmental authorities, such as value-added taxes in foreign jurisdictions. Shipping and handling costs associated with outbound freight after control of a product has

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transferred to our customers are accounted for as a fulfillment cost and are included in operating expenses. The cost for any shipping and handling activities (including customs clearance activities) associated with transactions for which revenue has been recognized are accrued if not completed before the respective period end.

The timing between the recognition of revenue for product sales and the receipt of payment is not significant. Our standard credit terms, which vary based on the country of sale, range from 30 to 120 days and all arrangements are payable within one year of the transfer of the product. We do not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between the transfer of the promised good to the customer and receipt of payment will be one year or less.

Variable Consideration

We pay distribution fees to our distributors and offer rebates and/or discounts, or enter into volume-based reimbursement arrangements with certain customers. We reduce the transaction price on our sales for these amounts. For variable amounts, we estimate the amount of consideration to which we expect to be entitled based on all available historic, current and forecast information. We primarily use the expected value method to estimate variable payments and, in limited circumstances, will apply the most likely method based on the type of variable consideration and what method better predicts the amount of consideration we expect to be entitled to. Consideration that is received from a customer that we expect will need to be refunded in the future is recorded as a refund liability to the customer within accrued expenses. Actual amounts of consideration ultimately received or refunded may differ from our estimates. If actual results in the future vary from our estimates, we adjust these estimates, which would affect net product sales and earnings in the period such variances become known.

Variability in the transaction price for our products pursuant to our contracts with customers primarily arises from the following:

Discounts and Rebates: We offer discounts and rebates to certain distributors and customers under our arrangements. In many cases, these amounts are fixed at the time of sale and the transaction price is reduced accordingly. We also provide for rebates under certain governmental programs, including Medicaid in the U.S. and other programs outside the U.S., which are payable based on actual claim data. We estimate these rebates based on an analysis of historical claim patterns and estimates of customer mix to determine which sales will be subject to rebates and the amount of such rebates. We update our estimates and assumptions each period and record any necessary adjustments, which may have an impact on revenue in the period in which the adjustment is made. Generally, the length of time between product sale and the processing and reporting of the rebates is three to six months.

Volume-Based Arrangements: We have entered into volume-based arrangements with governments in certain countries and other customers in which reimbursement is limited to a contractual amount. Under this type of arrangement, amounts billed in excess of the contractual limitation are repaid to the customer as a rebate. We estimate incremental discounts resulting from these contractual limitations, based on forecasted sales during the limitation period, and we apply the discount percentage to product shipments as a reduction of revenue. Our calculations related to these arrangements require estimation of sales during the limitation period, and adjustments in these estimates may have a material impact in the period in which these estimates change.

Distribution & Other Fees: We pay distribution and other fees to certain customers in connection with the sales of our products. We record distribution and other fees paid to our customers as a reduction of revenue, unless the payment is for a distinct good or service from the customer and we can reasonably estimate the fair value of the goods or services received. If both conditions are met, we record the consideration paid to the customer as an operating expense. These costs are typically known at the time of sale, resulting in minimal adjustments subsequent to the period of sale.

Product Returns: Our contracts with customers for ULTOMIRIS, SOLIRIS, STRENSIQ, and KANUMA generally provide for returns only if the product is damaged or defective upon delivery. Because of factors such as the price of our products, the limited number of patients, the short period from product sale to patient infusion and limited contractual return rights for SOLIRIS, ULTOMIRIS, STRENSIQ and KANUMA, our customers often carry limited inventory. Our contracts with customers for ANDEXXA generally provide for returns if the product

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(amounts in millions except per share amounts)

is damaged or defective upon delivery and if the product is within an eligible expiry window. While ANDEXXA inventory on hand is also limited, there may be a longer period from product sale to patient use and a greater risk of return for product expiry. We assess our sales transactions and arrangements with customers and monitor inventory within our sales channels to determine whether a provision for returns is warranted and a resulting adjustment to the transaction price is necessary. This assessment is based on historical experience and assumptions as of the date of sale and changes in these estimates could have an impact in the period in which the change occurs.

The amount of variable consideration included in the transaction price is constrained by the amount that is probable will not result in a significant reversal of revenue. We consider our experience with similar transactions and expectations regarding the contract in estimating the amount of variable consideration to which we expect to be entitled, and determining whether the estimated variable consideration should be constrained. We do not have any material constraints on the variable consideration included within the transaction price of our current revenue arrangements.

Refer to Note 18, *Segment Information* for a summary of revenue from contracts with customers by product and geographical region.

Contract Balances and Receivables

Contract liabilities relate to consideration received and/or billed for goods that have not been delivered to the customer and for which the performance obligation has not yet been completed. These amounts are included within other current liabilities in the consolidated statements of operations.

The following table provides information about receivables and contract liabilities from our contracts with customers.

	December 31, 2020	December 31, 2019
Receivables, which are included in "Trade accounts receivable, net"	$ 1,409.3	$ 1,243.2
Contract liabilities, which are included in "Other current liabilities"	$ 3.0	$ 6.8

Contract balances and receivables associated with collaboration agreements assumed through the acquisition of Portola in the third quarter 2020, which were included in the table above, were not material as of December 31, 2020.

Research and Development Expenses

Research and development expenses are comprised of costs incurred in performing research and development activities including payroll and benefits, preclinical, clinical trial and related clinical manufacturing costs, manufacturing development and scale-up costs, product development and regulatory costs, contract services and other outside contractor costs, research license fees, depreciation and amortization of lab facilities, and lab supplies. These costs are expensed as incurred. We accrue costs for clinical trial activities based upon estimates of the services received and related expenses incurred that have yet to be invoiced by the contract research organizations, clinical study sites, laboratories, consultants, or other clinical trial vendors that perform the activities.

Share-Based Compensation

We have two share-based compensation plans pursuant to which awards are currently being made: (i) the 2017 Incentive Plan (2017 Plan) and (ii) the 2015 Employee Stock Purchase Plan (ESPP). The 2017 Plan replaced the Amended & Restated 2004 Incentive Plan (2004 Plan), effective May 10, 2017. Under the 2017 Plan, restricted stock, restricted stock units, stock options and other stock-related awards may be granted to our directors, officers, employees and consultants or advisors of the Company or any subsidiary. Under the ESPP, eligible employees can purchase shares of common stock at a discount semi-annually through payroll deductions. To date, share-based compensation issued under the plans consists of incentive and non-qualified stock options, restricted stock and restricted stock units, including restricted stock units with market and non-market performance conditions, and shares issued under our ESPP.

Compensation expense for our share-based awards is recognized based on the estimated fair value of the awards on the grant date. Compensation expense reflects an estimate of the number of awards expected to vest and is primarily recognized on a straight-line basis over the requisite service period of the individual grants, which

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(amounts in millions except per share amounts)

typically equals the vesting period. Compensation expense for awards with performance conditions is recognized using the graded-vesting method.

Our estimates of employee stock option values rely on estimates of factors we input into the Black-Scholes model. The key factors involve an estimate of future uncertain events. Assumptions include the use of historical volatility to determine the expected stock price volatility. We also estimate expected term until exercise and the reduction in the expense from expected forfeitures. We currently use historical exercise and cancellation patterns as our best estimate of future estimated life.

For our non-market performance-based awards, we estimate the anticipated achievement of the performance targets, including forecasting the achievement of future financial targets. These estimates are revised periodically based on the probability of achieving the performance targets and adjustments are made throughout the performance period as necessary. We use payout simulation models to estimate the grant date fair value of awards with market-based performance conditions. The payout simulation models assume volatility of our common stock and the common stock of a comparator group of companies, as well as correlations of returns of the price of our common stock and the common stock prices of the comparator group.

The purchase price of common stock under our ESPP is equal to 85.0% of the lower of (i) the market value per share of the common stock on the first business day of an offering period or (ii) the market value per share of the common stock on the purchase date. The fair value of the discounted purchases made under our ESPP is calculated using the Black-Scholes model. The fair value of the look-back provision plus the 15.0% discount is recognized as compensation expense over the 6 month purchase period.

Restructuring and Restructuring Related Expenses

We record liabilities associated with one-time employee termination benefits and exit or disposal activities in the period in which the liability is incurred. One-time employee benefits are incurred when communicated to employees and / or where detailed action plans have been approved. For existing benefit arrangements, employee termination costs are accrued when the exit or disposal cost are probable and estimable. Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive benefits are recognized ratably over the service period.

Restructuring related expenses include accelerated depreciation costs and impairment charges associated with assets impacted by a restructuring exit activity. Accelerated depreciation costs represent the difference between the depreciation expense recognized over the revised useful life of the asset, based upon the anticipated date an impacted site closure, and the depreciation expense as determined using the useful life prior to the restructuring activities.

Earnings Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income by the weighted-average number of shares of common stock outstanding. For purposes of calculating diluted EPS, the denominator reflects the potential dilution that could occur if stock options, unvested restricted stock units or other contracts to issue common stock were exercised or converted into common stock, using the treasury stock method.

The following table summarizes the calculation of basic and diluted EPS for years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
Net income used for basic and diluted calculation	$ 603.4	$ 2,404.3	$ 77.6
Shares used in computing earnings per common share—basic	220.1	223.2	222.7
Weighted-average effect of dilutive securities:			
Stock awards	1.9	1.6	1.8
Shares used in computing earnings per common share—diluted	222.0	224.8	224.5
Earnings per common share:			
Basic	$ 2.74	$ 10.77	$ 0.35
Diluted	$ 2.72	$ 10.70	$ 0.35

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We exclude from EPS the weighted-average number of securities whose effect is anti-dilutive. Excluded from the calculation of EPS for the years ended December 31, 2020, 2019 and 2018 were 1.7, 3.0 and 2.8 shares of common stock, respectively, because their effect is anti-dilutive.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. We periodically evaluate the likelihood of the realization of deferred tax assets and reduce the carrying amount of these deferred tax assets by a valuation allowance when it is more likely than not that deferred tax assets will not be realized.

We recognize the benefit of an uncertain tax position that has been taken or we expect to take on income tax returns if such tax position is more likely than not to be sustained. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits is adjusted, as appropriate, for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, or new information obtained during a tax examination or resolution of an examination. We also accrue for potential interest and penalties related to unrecognized tax benefits as a component of tax expense.

During the fourth quarter of 2013, in connection with the centralization of our global supply chain and technical operations in Ireland, our U.S. parent company became a direct partner in a captive foreign partnership. Our corporate structure, which derives income from multiple jurisdictions, requires us to interpret the related tax laws and regulations within those jurisdictions and develop estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions and the applicability of foreign tax credits. From time to time, we execute intercompany transactions that may impact the valuation of the captive foreign partnership and the corresponding interest allocated to each partner, resulting in a change to deferred taxes. The transactions and related valuations require the application of transfer pricing guidelines issued by the relevant taxing authorities. Significant estimates and assumptions within discounted cash flow models are also required to calculate the valuations.

In December 2017, the Tax Cuts and Jobs Act (Tax Act) was enacted into law. The Tax Act decreased the U.S. federal corporate tax rate to 21.0%, imposed a minimum tax on foreign earnings related to intangible assets (GILTI), a one-time transition tax on previously unremitted foreign earnings, and modified the taxation of other income and expense items. With regard to the GILTI minimum tax, foreign earnings are reduced by the profit attributable to tangible assets and a deductible allowance of up to 50.0%, subject to annual limitations. We have elected to account for the impact of the minimum tax in deferred taxes.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) includes changes in equity that are excluded from net income, such as changes in pension liabilities, unrealized gains and losses on marketable debt securities, unrealized gains and losses on hedge contracts and foreign currency translation adjustments. These changes in equity are reflected net of tax.

Reclassifications

Certain items in the prior year's consolidated financial statements have been reclassified to conform to the current presentation.

New Accounting Pronouncements

Accounting Standards Update (ASU) 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes": In December 2019, the Financial Accounting Standards Board (FASB) issued a new standard intended to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for annual periods beginning after December 15, 2020 and interim periods within, with early adoption permitted. Adoption of the standard requires certain changes to be made

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prospectively, with some changes to be made retrospectively. We adopted the new standard on January 1, 2021. We have substantially completed our assessment of the standard and we do not expect the adoption of this standard to have a material impact on our financial condition and results of operations.

ASU 2020-01, "Investments - Equity Securities, Investments - Equity Method and Joint Ventures, and Derivatives and Hedging - Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815": In January 2020, the FASB issued a new standard intended to clarify the interactions between Accounting Standards Codification (ASC) 321, ASC 323 and ASC 815. The new standard addresses accounting for the transition into and out of the equity method and measurement of certain purchased options and forward contracts to acquire investments. The standard is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. Adoption of the standard requires changes to be made prospectively. We adopted the new standard on January 1, 2021. The adoption of this standard does not have an impact on our financial condition and results of operations.

ASU 2020-04, "Reference Rate Reform, Facilitation of the Effects of Reference Rate Reform on Financial Reporting": In response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. In March 2020, the FASB issued a new standard that provides optional guidance for a limited time to ease the potential burden in accounting for the effects of reference rate reform, including optional expedients and exceptions for the accounting implications of contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.

The amendments in this new standard only apply to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the standard do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. We are currently reviewing our contracts impacted by reference rate reform and are assessing the impact of this standard on our financial condition and results of operations.

Recently Adopted Accounting Pronouncements

ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract": In August 2018, the FASB issued a new standard on a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement (CCA) that aligns the requirements for capitalizing implementation costs in a CCA service contract with existing internal-use software guidance. The standard also provides classification guidance on these implementation costs as well as additional quantitative and qualitative disclosures. The standard is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted, and can be adopted prospectively or retrospectively.

We adopted the new standard on January 1, 2020 on a prospective basis. The adoption of this standard had no impact on our financial statements at the date of adoption; however, we anticipate the adoption of this standard will result in an increase in capitalized assets related to qualifying CCA implementation costs in future periods.

Qualifying CCA implementation, set-up and other upfront costs incurred after January 1, 2020 are capitalized as other assets in our consolidated balance sheets. These assets will be expensed over the term of the hosting arrangement and such expense will be presented within the same line item in our consolidated statements of operations as the expense for fees for the associated hosting arrangement. These capitalized costs will be evaluated for impairment when events or changes in circumstances indicate that the carrying value of the capitalized implementation costs is not recoverable. For the year ended December 31, 2020, capitalized CCA implementation costs were not material.

ASU 2016-13, "Measurement of Credit Losses on Financial Instruments": In June 2016, the FASB issued a new standard intended to improve reporting requirements specific to loans, receivables and other financial instruments. The new standard requires that credit losses on financial assets measured at amortized cost be determined using an expected loss model, instead of the current incurred loss model, and requires that credit losses related to available-for-sale debt securities be recorded through an allowance for credit losses and limited to the amount by which carrying value exceeds fair value. The new standard also requires enhanced disclosure of credit risk associated with financial assets. The standard is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted.

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We adopted the new standard on January 1, 2020 and completed our assessment of the standard based on the composition of our portfolio of financial instruments and current and forecasted economic conditions at that date. Our significant financial assets that are within the scope of the new standard consist of trade accounts receivable and available for sale debt securities. We have not historically experienced any material credit losses associated with our trade accounts receivable or available for debt securities.

We monitor economic conditions, including volatility associated with international economies and the associated impacts on the financial markets and our business. We disaggregate our trade accounts receivable population into pools of similar risk characteristics based on underlying customer type and geographical location. Current expected credit loss allowances are estimated for each risk pool based on available information, including i) historical credit loss experience, ii) current economic conditions and, iii) reasonable and supportable forecasts of future economic conditions that may affect the collectibility of the recorded amounts. Based on the relevant facts and economic conditions as of the date of adoption, we concluded that the expected credit losses on our trade accounts receivable were immaterial. Additionally, unrealized losses on our available for sale investment portfolio were immaterial.

As of December 31, 2020, we reassessed our estimated credit losses on our trade accounts receivable, including consideration of the potential impacts of the COVID-19 global pandemic. Based on the relevant facts and economic conditions as of December 31, 2020, we concluded that the expected credit losses on our trade accounts receivable continued to be immaterial.

2. Acquisitions

Business Combinations

Achillion Pharmaceuticals, Inc.

In October 2019, Alexion entered into a definitive agreement to acquire Achillion Pharmaceuticals, Inc. (Achillion), a clinical-stage biopharmaceutical company focused on the development of oral Factor D inhibitors. Achillion was developing oral small molecule Factor D inhibitors to treat people with complement alternative pathway-mediated rare diseases, such as PNH and C3 glomerulopathy (C3G). Achillion had two clinical stage medicines in development, including danicopan (ACH-4471/ALXN2040) and ACH-5228 (ALXN2050).

The acquisition of Achillion closed on January 28, 2020. Under the terms of the agreement, we acquired all outstanding common stock of Achillion for $6.30 per share, or an aggregate of $926.2, inclusive of the settlement of Achillion's outstanding equity awards. The acquisition was funded with cash on hand. The transaction includes the potential for additional consideration in the form of non-tradeable contingent value rights (CVRs), which will be paid to Achillion shareholders if certain clinical and regulatory milestones are achieved within specified periods. These include $1.00 per share for the U.S. Food and Drug Administration (FDA) approval of danicopan and $1.00 per share for the initiation of a Phase III clinical trial in ACH-5228.

The transaction was accounted for as a business combination. The following table summarizes the total consideration transferred to acquire Achillion and the estimated fair value of the identified assets acquired and liabilities assumed at the acquisition date:

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(amounts in millions except per share amounts)

Consideration		
Upfront payment to shareholders and option holders	$	926.2
Upfront payment, fair value of equity compensation attributable to the post-combination service period		(20.0)
Upfront cash paid, net		906.2
Contingent consideration		160.7
Contingent consideration, fair value of equity compensation attributable to the post-combination service period		(5.7)
Total consideration	$	1,061.2
Assets Acquired and Liabilities Assumed		
Cash and cash equivalents	$	68.5
Marketable securities		106.1
In-process research & development assets (IPR&D)		918.0
Goodwill		37.8
Deferred tax liabilities, net		(62.9)
Other assets and liabilities, net		(6.3)
Total net assets acquired	$	1,061.2

Our accounting for this acquisition was finalized during the second quarter of 2020. Measurement period adjustments increased goodwill by $3.1 during the second quarter of 2020 due to purchase price allocation increases to deferred tax liabilities, net. Measurement period adjustments were recorded as a result of studies completed during the second quarter of 2020 to determine the tax deductibility of certain acquisition-related costs and the valuation of historical net operating loss and income tax credit carryforwards.

The initial fair value estimate of the contingent consideration in the form of non-tradeable CVRs was $160.7, which was recorded as a noncurrent liability in our consolidated balance sheet, including $ 5.7 related to compensation attributable to the post-combination service period. We determined the fair value of these milestone-related payment obligations using various estimates, including probabilities of success prior to expiration of the specified period, discount rates and the amount of time until the conditions of the milestone payments are expected to be met. This fair value measurement was based on significant inputs not observable in the market, representing Level 3 measurements within the fair value hierarchy. The resulting probability-weighted cash flows were discounted using a cost of debt rate ranging from 2.1% to 2.3%. The range of estimated milestone payments upon closing of the acquisition is from zero, if no milestones are achieved for any product, to $306.3 if certain development and regulatory milestones are achieved.

Subsequent to the acquisition date, we have adjusted the contingent consideration to fair value with changes in fair value recognized in operating earnings. Changes in fair values reflect new information about the probability and timing of meeting the conditions of the milestone payments. In the absence of new information, changes in fair value will only reflect the interest component of contingent consideration related to changes in the discount rates and the passage of time as development work progresses towards the potential achievement of the milestones. As of December 31, 2020, the fair value of the contingent consideration for the Achillion acquisition was $210.6 based on the probability-weighted cash flows, discounted using a cost of debt ranging from 2.8% to 3.3%. Changes in fair value of the contingent consideration associated with the Achillion acquisition for the year ended December 31, 2020 was $49.9.

The aggregate fair value of equity compensation attributable to the post-combination service period was $25.7. This amount was excluded from the total consideration transferred and was recognized as a charge to acquisition-related costs in our consolidated statements of operations. These amounts were associated with the accelerated vesting of stock options previously granted to Achillion employees. Excluding the $5.7 of contingent consideration related to equity compensation attributable to the post-combination service period, such amounts were paid during the first quarter 2020.

Intangible assets associated with IPR&D relate to two development-stage programs, ACH-4471 (ALXN2040) and ACH-5228 (ALXN2050). The estimated fair value of $918.0 was determined using the excess earnings valuation

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method, a variation of the income valuation approach. The excess earnings valuation method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset. Some of the more significant assumptions utilized in our asset valuations included the estimated net cash flows for each asset, including net revenues, cost of sales, research and development and other operating expenses, the potential regulatory and commercial success rates, competitive trends impacting the assets, and tax rates. The fair value using the excess earnings valuation method was determined using an estimated weighted average cost of capital for Achillion of 11.5%, which represents a rate of return that a market participant would expect for these assets. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. In the second quarter 2020, we recognized an impairment charge of $11.0 to write off our ACHN-4471 (ALXN2040) IPR&D asset due to clinical results received during the quarter.

The excess of purchase price over the fair value of the assets acquired and liabilities assumed represents the goodwill resulting from the acquisition. The goodwill, which is not tax-deductible, has been recorded as a noncurrent asset and is not amortized, but is subject to an annual review for impairment. The factors that contributed to the recognition of goodwill include the value of the acquired workforce, synergies that are specific to our business and not available to market participants, and early research in preclinical Factor D inhibitors, as well as the effects of the establishment of a deferred tax liability for the acquired IPR&D intangible assets, which has no tax basis.

We recorded a net deferred tax liability of $62.9, inclusive of measurement period adjustments recorded during the second quarter 2020. This amount was primarily comprised of $205.3 of deferred tax liabilities relating to the IPR&D acquired, offset by $142.4 of deferred tax assets related to net operating loss carryforwards (NOLs), income tax credits, and other temporary differences.

Achillion's results of operations are included in the consolidated financial statements from the date of acquisition. For the year ended December 31, 2020 we recorded $66.8 of pre-tax operating losses exclusive of acquisition-related costs, $49.9 of changes in contingent consideration and $11.0 of impairment charges, associated with the operations of Achillion in our consolidated statements of operations. We also recorded acquisition-related costs in connection with the acquisition for the year ended December 31, 2020 as presented below. No revenues were recorded in the results of operations for the year ended December 31, 2020 as neither ALXN2040 nor ALXN2050 has been approved for commercial sale by any regulatory agency.

Portola Pharmaceuticals, Inc.

In May 2020, Alexion entered into a definitive merger agreement to acquire Portola Pharmaceuticals, Inc. (Portola), a commercial-stage biopharmaceutical company focused on life-threatening blood-related disorders. Portola’s commercialized medicine, ANDEXXA®, marketed as ONDEXXYA® in Europe, is the first and only approved Factor Xa inhibitor reversal agent, and has demonstrated transformative clinical value by rapidly reversing the anticoagulant effects of Factor Xa inhibitors rivaroxaban and apixaban in severe and uncontrolled bleeding. The acquisition provides the opportunity to grow Alexion's commercial portfolio and is a strategic fit with our existing expertise in acute care, hematology and neurology.

Alexion completed the acquisition through a tender offer and subsequent merger of Portola which closed on July 2, 2020. Under the terms of the tender offer and merger agreement, Alexion purchased all outstanding common stock of Portola for $18.00 per share, or an aggregate of approximately $1,380.8, including the settlement of certain of Portola's outstanding equity awards but excluding shares of Portola stock held by Alexion at closing. The acquisition was funded by cash on hand.

Prior to the acquisition of Portola, in March 2020 and April 2020, we purchased $14.5 and $ 3.6, respectively, of common stock of Portola, which we recorded at fair value. Upon the closing of the acquisition of Portola, the fair value of the equity investment of $47.8 was derecognized and included in the fair value of consideration transferred. For additional information on our Portola equity investment, refer to Note 7, *Other Investments.*

The aggregate fair value of equity compensation attributable to the post-combination service period was $11.1. This amount was excluded from the total consideration transferred and was recognized as a charge to acquisition-related costs in our consolidated statements of operations. These amounts were primarily associated with the accelerated vesting of stock options previously granted to Portola employees and were paid during the third quarter 2020.

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We issued $41.5 of equity compensation replacement awards, of which the portion attributable to services performed prior to the acquisition date, or $7.2, was allocated to purchase consideration. The remaining fair value is attributable to future services and will be expensed as share-based compensation over the remaining service periods. Expense associated with the accelerated-vesting of the replacement awards in connection with employee terminations will be recognized as acquisition-related employee separation costs.

In connection with the acquisition, Alexion also paid $196.9 to settle certain debt held by Portola that was subject to preexisting change of control provisions.

The transaction was accounted for as a business combination. The following table summarizes the total consideration transferred to acquire Portola and the estimated fair value of the identified assets acquired and liabilities assumed at the acquisition date:

Consideration		
Upfront payment to shareholders and equity holders	$	1,380.8
Upfront payment, fair value of equity compensation attributable to the post-combination service period		(11.1)
Upfront cash paid, net		1,369.7
Fair value of equity shares held by Alexion at closing		47.8
Fair value of replacement equity awards attributable to the pre-combination period		7.2
Total consideration to acquire outstanding equity, net		1,424.7
Total consideration to settle preexisting debt		196.9
Total consideration	$	1,621.6
Assets Acquired and Liabilities Assumed		
Cash and cash equivalents	$	288.5
Marketable securities		17.8
Inventories, including noncurrent portion of $169.1 and validation batches of $60.9		362.5
Intangible assets		1,051.0
Goodwill		24.9
Deferred tax assets, net		116.6
Other assets		41.9
Accounts payable and accrued expenses		(75.6)
Long-term debt, including current portion of $7.7		(182.0)
Other liabilities		(24.0)
Total net assets acquired	$	1,621.6

Our accounting for this acquisition was finalized during the fourth quarter of 2020. Measurement period adjustments decreased goodwill by $0.6 during the fourth quarter of 2020 due to purchase price allocation increases to deferred tax assets, net. Measurement period adjustments were recorded as a result of studies completed during the fourth quarter of 2020 to determine the tax deductibility of certain acquisition-related costs and the valuation of historical net operating loss and income tax credit carryforwards.

We acquired $362.5 of ANDEXXA inventory, inclusive of $60.9 of validation batches manufactured under processes which are subject to regulatory approval and expected to be commercially saleable following approval. The estimated fair value of raw material inventory was valued at replacement cost, which is equal to the value a market participant would pay to acquire the inventory. The estimated fair value of work-in-process and finished goods inventory was based on the expected selling price of the inventory, adjusted for incremental costs to complete the manufacturing process, for direct selling efforts, and for a normal profit on the remaining manufacturing and selling

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costs. Additionally, as the inventory acquired, inclusive of validation batches, is expected to be realized over a period of approximately 3 years, the fair value of the inventory was determined using a discount rate of 17.5%, representing the rate of return that a market participant would expect for the inventory, which shares risk that is similar to the underlying intellectual property. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. The acquired inventory, inclusive of the acquisition-date fair value step-up, will be expensed within cost of sales as the inventory is sold to customers. We classified the ANDEXXA inventory that is expected to be utilized beyond our normal operating cycle as a long-term asset. The fair value of the non-current portion of inventory, in addition to the validation batches, are classified within other assets in our consolidated balance sheet.

Intangible assets consist of purchased technology of $1,036.0 and IPR&D of $ 15.0. The purchased technology intangible asset relates to Portola's lead product ANDEXXA. The estimated fair value was determined using the excess earnings valuation method, a variation of the income valuation approach. The excess earnings valuation method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset. Some of the more significant assumptions utilized in our asset valuation included the estimated net cash flows for ANDEXXA, including net revenues, cost of sales, research and development and other operating expenses, the potential regulatory and commercial success rates associated with ANDEXXA's current conditional approval status and planned extension into the urgent surgery setting, competitive trends impacting the assets, and tax rates. The fair value using the excess earnings valuation method was determined using a discount rate commensurate with the risks of ANDEXXA of 17.5%, which represents a rate of return that a market participant would expect for the asset. The acquired purchased technology intangible asset is being amortized over an estimated useful life of approximately 10 years. IPR&D relates to the cerdulatinib development-stage asset. The estimated fair value of the IPR&D asset was determined using a relief from royalty (RFR) method, a variation of the income approach that is based on the cost savings that accrue to the owner of an intangible asset who would otherwise have to pay royalties on revenues earned through the use of the asset. The RFR method was modified to reflect the cash flow forecast of Portola's pre-existing in-license of cerdulatinib from Astellas Pharma, Inc. The acquired fair value of $15.0 represents an increase in the value of the asset relative to when it was initially in-licensed by Portola. Some of the more significant assumptions utilized in the IPR&D asset valuation included the estimated net revenue, royalty rate, and tax rates. The fair value using the RFR method was determined using an estimated discount rate commensurate with the risks of cerdulatinib of 17.5%, which represents a rate of return that a market participant would expect for the asset. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements.

In connection with the acquisition, we assumed royalty-based debt which requires repayment through tiered royalties on future net worldwide sales of ANDEXXA. Total potential royalty payments are capped at $290.6, of which $13.7 were paid by Portola prior to the acquisition. The fair value of the remaining $276.9 in royalty-based payments as of the date of acquisition was $182.0. The estimated fair value was measured using Level 3 inputs and was calculated using a real options method, which runs simulations using various estimates, including probability-weighted net sales of ANDEXXA and volatility. Using the simulation results, the fair value was calculated based on the expected probability-weighted risk-neutral royalties, discounted at our estimated cost of debt, ranging from 3.3% to 7.1%, commensurate with the cost of debt at each period in which the royalty-based payments are estimated to be made.

We recorded net deferred tax assets of $116.6, inclusive of measurement period adjustments recorded during the fourth quarter 2020. This amount was primarily comprised of $ 301.6, $41.8, $42.4 and $39.3 of deferred tax assets relating to net operating loss carryforwards (NOLs), income tax credits, royalty-based debt, and other temporary differences, respectively, offset by $245.1 and $63.4 of deferred tax liabilities relating to intangible assets acquired and inventory fair value adjustments, respectively.

The excess of purchase price over the fair value of the assets acquired and liabilities assumed represents the goodwill resulting from the acquisition. The goodwill, which is not tax-deductible, has been recorded as a noncurrent asset and is not amortized, but is subject to an annual review for impairment. The factors that contributed to the recognition of goodwill primarily include the value of the acquired workforce and the effects of the establishment of a deferred tax liability for the fair value step-up of acquired inventory and intangible assets which exceed the incremental book value of acquired deferred tax assets over their fair value.

Portola's results of operations are included in the consolidated financial statements from the date of acquisition. For the year ended December 31, 2020, we recorded $78.8 of revenue primarily associated with

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ANDEXXA in our consolidated statements of operations. For the year ended December 31, 2020, we recorded $80.5 of pre-tax operating losses excluding acquisition-related costs and $51.8 of intangible asset amortization, associated with the operations of Portola in our consolidated statements of operations. We also recorded acquisition-related costs in connection with the acquisition during the year ended December 31, 2020 as presented below.

Pro forma financial information (unaudited)

The following unaudited pro forma information presents the combined results of Alexion, Achillion, and Portola as if the acquisitions of Achillion and Portola had been completed on January 1, 2019, with adjustments to give effect to pro forma events that are directly attributable to the acquisitions. The unaudited pro forma results do not reflect operating efficiencies or potential cost savings that may have resulted from the consolidation of operations. Accordingly, the unaudited pro forma financial information is not necessarily indicative of the results of operations had we completed the transaction on January 1, 2019.

	Year ended December 31,	
	2020	2019
Pro forma revenue	$ 6,118.3	$ 5,107.7
Pro forma net income	$ 519.9	$ 1,813.6

The unaudited pro forma consolidated results for the years ended December 31, 2020 and 2019 primarily include the following pro forma adjustments related to non-recurring activity, net of tax:

- Reclassification of Alexion, Achillion and Portola acquisition-related costs. Acquisition-related costs of $150.8 were excluded from net income for the year ended December 31, 2020. Expenses of $136.4 were included in net income for the year ended December 31, 2019.
- Incremental amortization expense related to Portola purchased technology intangible assets for the year ended December 31, 2020 was $39.8 and for the year ended December 31, 2019 was $79.5.
- Incremental cost of goods sold related to Portola inventory fair value step-up adjustments calculated based on the fair value of finished goods inventory for the year ended December 31, 2020 was $11.0 and for the year ended December 31, 2019 was $24.4.

Acquisition-Related Costs

Acquisition-related costs recorded within the consolidated statement of operations associated with our acquisitions of Achillion and Portola and our definitive merger agreement with AstraZeneca for the years ended December 31, 2020, 2019 and 2018 include the following:

	Year ended December 31,		
	2020	2019	2018
Transaction costs (1)	$ 9.9	$ —	$ —
Integration costs	13.0	—	—
Fair value of equity compensation attributable to the post-combination service period	36.8	—	—
Employee separation costs (2)	57.9	—	—
	$ 117.6	$ —	$ —

(1) Transaction costs primarily include legal fees related to the acquisition of Portola as well as costs incurred to effectuate the settlement of the Achillion outstanding options

(2) Employee separation costs include liabilities recognized, and subsequent changes in estimates recorded for, severance payments, one-time short-term retention awards agreed to in connection with the acquisition of Achillion and share-based compensation expense relating to awards accelerated in connection with terminations of Portola employees.

Acquisition-related costs attributable to the Achillion acquisition for the year ended December 31, 2020 were $ 38.1. Acquisition-related costs attributable to the Portola acquisition for the year ended December 31, 2020 were $77.5. Acquisition-related costs attributable to the Merger Agreement with AstraZeneca for the year ended December 31, 2020 were $2.0.

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(amounts in millions except per share amounts)

Asset Acquisitions

Wilson Therapeutics AB

On May 25, 2018, we completed the acquisition of Wilson Therapeutics AB (publ), a biopharmaceutical company based in Stockholm, Sweden (Wilson Therapeutics) that developed a novel therapy for patients with rare copper-mediated disorders, pursuant to a recommended public cash offer of SEK 232 for each share of stock of Wilson Therapeutics. As a result of the acquisition, we added WTX101 (ALXN1840), a highly innovative drug candidate that is currently in Phase III clinical trials for the treatment of patients with Wilson disease, to our clinical pipeline.

The acquisition of Wilson Therapeutics was accounted for as an asset acquisition, as substantially all of the fair value of the gross assets acquired was concentrated in a single asset, WTX101.

The following table summarizes the total consideration for the acquisition and the value of assets acquired and liabilities assumed:

Consideration		
Cash paid for acquisition of Wilson Therapeutics outstanding shares	$	749.3
Transaction costs		15.1
Total consideration	$	764.4
Assets Acquired and Liabilities Assumed		
Cash	$	45.1
In-process research & development		803.7
Employee related liabilities		(71.4)
Other assets and liabilities		(13.0)
Total net assets acquired	$	764.4

The acquired in-process research and development asset relates to WTX101. Due to the stage of development of this asset at the date of acquisition, significant risk remained and it was not yet probable that there was future economic benefit from this asset. Absent successful clinical results and regulatory approval for the asset, there was no alternative future use associated with WTX101. Accordingly, the value of this asset was expensed during the second quarter of 2018.

Employee related liabilities include the value of outstanding employee equity incentive awards that were accelerated in connection with the Wilson Therapeutics acquisition that have been settled in cash. Also included in this amount were employer tax obligations associated with the employee equity incentive awards.

In connection with rights to WTX101 that were previously acquired by Wilson Therapeutics from third parties, we could be required to pay up to approximately $19.0 if certain development, regulatory and commercial milestones are met over time, as well as royalties on commercial sales.

Syntimmune, Inc.

In September 2018, we entered into a definitive agreement to acquire Syntimmune, Inc. (Syntimmune), a clinical-stage biotechnology company developing an antibody therapy targeting the FcRn. Syntimmune's lead candidate, SYNT001 (ALXN1830), is a monoclonal antibody that is designed to inhibit the interaction of FcRn with Immunoglobulin G (IgG) and IgG immune complexes, that is being studied for the treatment of IgG-mediated autoimmune diseases. The acquisition of Syntimmune closed in November 2018. Under the terms of the acquisition agreement, Alexion acquired Syntimmune for an upfront cash payment of $400.0, with the potential for additional milestone-dependent payments of up to $800.0, for a total potential value of up to $1,200.0.

The acquisition of Syntimmune was accounted for as an asset acquisition, as substantially all of the fair value of the gross assets acquired was concentrated in a single in-process research and development asset, SYNT001.

In connection with the agreement of the final working capital adjustment for the Syntimmune acquisition, we recognized a benefit of $4.1 associated with previously acquired in-process research and development in the second quarter 2019.

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(amounts in millions except per share amounts)

The following table summarizes the total consideration for the acquisition and the value of the assets acquired and liabilities assumed:

Consideration	
Upfront payment for acquisition of Syntimmune outstanding shares	$ 400.0
Cash acquired	4.2
Working capital adjustment	2.3
Transaction costs	0.9
Total consideration	$ 407.4
Assets Acquired and Liabilities Assumed	
Cash	$ 4.2
In-process research & development	375.2
Deferred tax assets	25.1
Other assets and liabilities	2.9
Total net assets acquired	$ 407.4

The acquired in-process research and development asset relates to SYNT001. Due to the stage of development of this asset at the date of acquisition, significant risk remained and it was not yet probable that there was future economic benefit from this asset. Absent successful clinical results and regulatory approval for the asset, there was no alternative future use associated with SYNT001. Accordingly, the value of this asset was expensed during the fourth quarter of 2018.

3. Property, Plant and Equipment, Net

A summary of property, plant and equipment is as follows:

	December 31, 2020	December 31, 2019
Land	$ 9.6	$ 9.6
Buildings and improvements	216.7	208.7
Machinery and laboratory equipment	134.1	126.0
Computer hardware and software	171.9	155.1
Furniture and office equipment	24.9	23.4
Construction-in-progress	828.7	734.2
Financing lease right of use assets	127.2	127.2
	1,513.1	1,384.2
Less: Accumulated depreciation and amortization	(274.3)	(220.9)
	$ 1,238.8	$ 1,163.3

Depreciation and amortization of property, plant and equipment was $56.3, $56.8 and $77.9 recorded within our consolidated statement of operations for the years ended December 31, 2020, 2019 and 2018, respectively. Included within this amount for the year ended December 31, 2018 were charges related to the 2017 restructuring activities. Refer to Note 17, *Restructuring and Related Expenses* for additional information.

As of December 31, 2020 and 2019, computer software costs included in property, plant and equipment were $53.1 and $53.4, respectively, net of accumulated amortization of $87.7 and $72.9, respectively. Depreciation and amortization expense for capitalized computer software costs was $16.4, $15.3 and $17.4 for the years ended December 31, 2020, 2019 and 2018, respectively.

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(amounts in millions except per share amounts)

4. Intangible Assets and Goodwill

The following table summarizes the carrying amount of our intangible assets and goodwill, net of accumulated amortization:

	Estimated Life (years)	December 31, 2020 Cost	December 31, 2020 Accumulated Amortization	December 31, 2020 Net	December 31, 2019 Cost	December 31, 2019 Accumulated Amortization	December 31, 2019 Net
Licensing Rights	3-8	$ 57.0	$ (38.5)	$ 18.5	$ 57.0	$ (34.7)	$ 22.3
Patents	7	10.5	(10.5)	—	10.5	(10.5)	—
Purchased technology	6-16	5,746.5	(3,684.7)	(a) 2,061.8	4,710.5	(1,388.7)	3,321.8
Other Intangibles	5	0.4	(0.3)	0.1	0.4	(0.2)	0.2
Acquired IPR&D	Indefinite	922.0	—	922.0	—	—	—
Total		$ 6,736.4	$ (3,734.0)	$ 3,002.4	$ 4,778.4	$ (1,434.1)	$ 3,344.3
Goodwill	Indefinite	$ 5,103.0	$ (2.9)	$ 5,100.1	$ 5,040.3	$ (2.9)	$ 5,037.4

(a) Includes an impairment charge of $2,042.3 recognized during the second quarter related to the KANUMA intangible asset

In connection with our acquisition of Achillion during the first quarter 2020, we acquired IPR&D programs with a fair value of $918.0 and recorded goodwill of $37.8. For additional information on our acquisition of Achillion, refer to Note 2, *Acquisitions*. In the second quarter 2020, we recognized an impairment charge of $11.0 to write off the cost basis of our ACHN-4471 (ALXN2040) acquired in-process research and development asset due to clinical results received during the quarter.

In connection with our acquisition of Portola during the third quarter 2020, we acquired purchased technology and IPR&D programs with a fair value of $1,036.0 and $15.0, respectively and recorded goodwill of $24.9. For additional information on our acquisition of Portola, refer to Note 2, *Acquisitions*.

During the year ended December 31, 2019 we capitalized $18.0 related to regulatory approval and commercial milestones related to in-licensing arrangements.

Amortization expense was $257.6, $ 315.0 and $321.1 for the years ended December 31, 2020, 2019 and 2018, respectively. Assuming no changes in the gross cost basis of intangible assets, the total estimated amortization expense for finite-lived intangible assets is approximately $216.0 for each of the years ending December 31, 2021 through December 31, 2025.

During the quarter ended June 30, 2020, based on continued challenges expanding patient growth and new alternative commercial opportunities, we revised our strategic view of KANUMA and determined that we have exhausted commercially viable initiatives related to KANUMA and will have difficulty expanding patient growth over the long term as we focus on promoting other commercial programs and growing our pipeline. As a result, we no longer expect to increase the number of KANUMA patients in the long term at the rate previously assumed. This determination resulted in reduced cash flow projections for KANUMA, which indicated that the related intangible asset value was not fully recoverable on an undiscounted cash flows basis. As of June 30, 2020, we utilized market participant assumptions to determine its best estimate of the fair value of the intangible asset related to KANUMA that, when compared with its related carrying value, resulted in an impairment charge of $2,042.3.

The estimated fair value of the KANUMA asset as of June 30, 2020 was determined using the excess earnings method, a variation of the income approach. The excess earnings method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset over its remaining economic life. Long term cash flow projections for the asset require the use of significant estimates and judgements, including forecasted revenue growth rates, forecasted cost of goods sold and the discount rate, and were based on our most recent strategic plan. The fair value of the asset was determined using an estimated weighted average cost of capital of 10.0%, which reflects the risks inherent in future cash flow projections and represents a rate of return that a market participant would expect for this asset. The estimated revenue growth rates fluctuate over the life of the asset, with a weighted average growth rate in the low single digits. We believe our assumptions are consistent with the plans and estimates that a market participant would use to manage the business. The estimated fair value of the KANUMA intangible asset as of June 30, 2020 was $820.0 and will continue to be amortized over its remaining estimated useful life. This fair value measurement was based on

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significant inputs not observable in the market and thus represents a Level 3 fair value measurement. The carrying value of the KANUMA intangible asset as of December 31, 2020 was $782.7.

The following summarizes the changes in the carrying amount of goodwill:

	December 31, 2020
Balance as of December 31, 2019	$ 5,037.4
Goodwill resulting from the acquisitions of Achillion and Portola	62.7
Balance as of December 31, 2020	$ 5,100.1

5. Marketable Securities

The proceeds from maturities and sales of available-for-sale debt securities and resulting realized gains and losses are summarized below. In the second quarter of 2020, we liquidated all of our available-for-sale debt securities to fund the acquisition of Portola. Additionally, we liquidated all available-for-sale debt securities acquired in connection with the Portola acquisition.

	Year ended December 31,		
	2020	2019	2018
Proceeds from maturities and sales [1]	$ 1,042.5	$ 2,832.8	$ 10,196.8
Realized gains	$ —	$ —	$ 1.1
Realized losses	$ —	$ —	$ 0.4

(1) Proceeds from maturities and sales of available-for-sale debt securities include securities previously classified as cash and cash equivalents and marketable securities in the consolidated balance sheet

We utilize the specific identification method in computing realized gains and losses.

As a result of our liquidation of all available-for-sale debt securities during the second quarter 2020, we have no remaining available-for-sale debt securities as of December 31, 2020. The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale debt securities by type of security as of December 31, 2019 were as follows:

	December 31, 2019			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Commercial paper	$ 246.9	$ —	$ —	$ 246.9
Corporate bonds	24.3	—	—	24.3
Other government related obligations:				
U.S.	70.4	—	—	70.4
Bank certificates of deposit	27.4	—	—	27.4
Total available-for-sale debt securities	$ 369.0	$ —	$ —	$ 369.0

The aggregate fair value of available-for-sale debt securities in an unrealized loss position as of December 31, 2019 was $21.5. We did not have any investments in a continuous unrealized loss position for more than twelve months as of December 31, 2019.

The fair values of available-for-sale debt securities by classification in the consolidated balance sheet were as follows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ —	$ 328.1
Marketable securities	—	40.9
	$ —	$ 369.0

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(amounts in millions except per share amounts)

We sponsor a nonqualified deferred compensation plan which allows certain highly-compensated employees to make voluntary deferrals of up to 80% of their base salary and incentive bonuses. The plan is designed to work in conjunction with the 401(k) plan and provides for a total combined employer match of up to 6% of an employee's eligible earnings, up to the IRS annual 401(k) contribution limitations. Participants in the plan earn a return on their deferrals based on several investment options, which mirror returns on underlying mutual fund investments. We choose to invest in the underlying mutual fund investments to offset the liability associated with our nonqualified deferred compensation plan. These mutual fund investments are valued at net asset value per share and are carried at fair value with gains and losses included in investment income. The changes in the underlying liability to the employee are recorded in operating expenses. As of December 31, 2020 and December 31, 2019, the fair value of these investments was $ 34.9 and $23.1, respectively. Employer matching contributions under the plan for the years ended December 31, 2020, 2019 and 2018 were not material.

6. Derivative Instruments and Hedging Activities

We operate internationally and, in the normal course of business, are exposed to fluctuations in foreign currency exchange rates. The exposures result from portions of our revenues, as well as the related receivables, and expenses that are denominated in currencies other than the U.S. dollar, primarily the Euro and Japanese Yen. We are also exposed to fluctuations in interest rates on outstanding borrowings under our revolving credit facility, if any, and term loan facility. We manage these exposures within specified guidelines through the use of derivatives. All of our derivative instruments are utilized for risk management purposes, and we do not use derivatives for speculative trading purposes.

We enter into foreign exchange forward contracts to hedge exposures resulting from portions of our forecasted revenues, including intercompany revenues, and certain forecasted expenses that are denominated in currencies other than the U.S. dollar. Revenue and expense related foreign exchange forward contracts in effect as of December 31, 2020 had durations of up to 23 months and 60 months, respectively. The purpose of these hedges is to reduce the volatility of exchange rate fluctuations on our operating results. These hedges are designated as cash flow hedges upon contract inception. As of December 31, 2020, we had open revenue related foreign exchange forward contracts with notional amounts totaling $1,174.7 that qualified for hedge accounting with current contract maturities through June 2022. As of December 31, 2020, we had open expense related foreign exchange forward contracts with notional amounts totaling $8.7 that qualified for hedge accounting with contract maturities through September 2022.

To achieve a desired mix of floating and fixed interest rates on our term loan, we enter into interest rate swap agreements that qualify for and are designated as cash flow hedges. These contracts convert the floating interest rate on a portion of our debt to a fixed rate, plus a borrowing spread.

The following table summarizes the total interest rate swap contracts executed as of December 31, 2020:

Type of Interest Rate Swap	Notional Amount	Effective Date	Termination Date	Fixed Interest Rate or Rate Range
Floating to Fixed	$450.0	December 2018	December 2022	2.60% - 2.79%
Floating to Fixed	$1,300.0	December 2019	December 2022	2.37% - 2.83%

The amount of gains and (losses) recognized in the consolidated statements of operations for the years ended December 31, 2020, 2019 and 2018 from foreign exchange and interest rate swap contracts that qualified as cash flow hedges were as follows:

	Year ended December 31,					
	2020		2019		2018	
Financial Statement Line Item in which the Effects of Cash Flow Hedges are Recorded	Net Product Sales	Interest Expense	Net Product Sales	Interest Expense	Net Product Sales	Interest Expense
Total amount presented in the Consolidated Statements of Operations	$ 6,069.1	$ (104.7)	$ 4,990.0	$ (77.8)	$ 4,130.1	$ (98.2)
Impact of cash flow hedging relationships:						
Foreign exchange forward contracts	$ 4.7	$ —	$ 36.8	$ —	$ (1.8)	$ —
Interest rate swap contracts	$ —	$ (37.5)	$ —	$ 13.3	$ —	$ 13.6

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(amounts in millions except per share amounts)

The impact on accumulated other comprehensive income (AOCI) and earnings from foreign exchange and interest rate swap contracts that qualified as cash flow hedges, for the years ended December 31, 2020, 2019, and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
Foreign Exchange Forward Contracts:			
(Loss) gain recognized in AOCI, net of tax	$ (36.4)	$ 27.9	$ 37.7
Gain (loss) reclassified from AOCI to net product sales, net of tax	$ 3.6	$ 28.4	$ (1.4)
Interest Rate Swap Contracts:			
Loss recognized in AOCI, net of tax	$ (52.3)	$ (39.0)	$ (4.8)
(Loss) gain reclassified from AOCI to interest expense, net of tax	$ (29.1)	$ 10.2	$ 10.8

Assuming no change in foreign exchange rates from market rates at December 31, 2020, $44.2 of losses recognized in AOCI will be reclassified to revenue over the next 12 months. Assuming no change in LIBOR-based interest rates from market rates at December 31, 2020, $45.9 of losses recognized in AOCI will be reclassified to interest expense over the next 12 months. Amounts recognized in AOCI for expense related foreign exchange forward contracts were immaterial as of December 31, 2020.

We enter into foreign exchange forward contracts designed to limit the balance sheet exposure of monetary assets and liabilities. We enter into these hedges to reduce the impact of fluctuating exchange rates on our operating results. Balance sheet hedges related foreign exchange forward contracts in effect as of December 31, 2020 had durations of up to 6 months. Hedge accounting is not applied to these derivative instruments as gains and losses on these hedge transactions are designed to offset gains and losses on underlying balance sheet exposures. As of December 31, 2020, the notional amount of foreign exchange contracts where hedge accounting is not applied was $2,070.1.

We recognized a (loss) gain of $(3.6), $(0.4) and $23.0, in other income and (expense) for the years ended December 31, 2020, 2019 and 2018, respectively, associated with the foreign exchange contracts not designated as hedging instruments. These amounts were partially offset by gains or losses on monetary assets and liabilities.

The following tables summarize the fair value of outstanding derivatives as of December 31, 2020 and 2019:

	December 31, 2020			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	$ —	Other current liabilities	$ 44.3
Foreign exchange forward contracts	Other assets	—	Other liabilities	1.2
Interest rate contracts	Prepaid expenses and other current assets	—	Other current liabilities	45.9
Interest rate contracts	Other assets	—	Other liabilities	45.4
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	26.1	Other current liabilities	35.8
Total fair value of derivative instruments		**$ 26.1**		**$ 172.6**

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(amounts in millions except per share amounts)

	December 31, 2019			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	$ 12.7	Other current liabilities	$ 6.2
Foreign exchange forward contracts	Other assets	0.6	Other liabilities	1.1
Interest rate contracts	Prepaid expenses and other current assets	—	Other current liabilities	19.5
Interest rate contracts	Other assets	—	Other liabilities	41.9
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	17.2	Other current liabilities	20.4
Total fair value of derivative instruments		**$ 30.5**		**$ 89.1**

Although we do not offset derivative assets and liabilities within our consolidated balance sheets, our International Swap and Derivatives Association agreements provide for net settlement of transactions that are due to or from the same counterparty upon early termination of the agreement due to an event of default or other termination event. The following tables summarize the potential effect on our consolidated balance sheets of offsetting our foreign exchange forward contracts and interest rate contracts subject to such provisions:

	December 31, 2020			Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets/Liabilities Presented in the Consolidated Balance Sheet	Derivative Financial Instruments	Cash Collateral Received (Pledged)	Net Amount
Derivative assets	$ 26.1	$ —	$ 26.1	$ (26.1)	$ —	$ —
Derivative liabilities	$ (172.6)	$ —	$ (172.6)	$ 26.1	$ —	$ (146.5)

	December 31, 2019			Gross Amounts Not Offset in the Consolidated Balance Sheet		
Description	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets/Liabilities Presented in the Consolidated Balance Sheet	Derivative Financial Instruments	Cash Collateral Received (Pledged)	Net Amount
Derivative assets	$ 30.5	$ —	$ 30.5	$ (21.4)	$ —	$ 9.1
Derivative liabilities	$ (89.1)	$ —	$ (89.1)	$ 21.4	$ —	$ (67.7)

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7. Other Investments

Other investments include strategic investments in equity securities of certain biotechnology companies which we acquired in connection with strategic business development transactions, including license and option agreements. These investments are included in other assets in our consolidated balance sheets.

Moderna

During 2014, we purchased $37.5 of preferred stock of Moderna Therapeutics, Inc. (Moderna), a privately held biotechnology company, which was recorded at cost. During the first quarter 2018, Moderna announced the completion of a new round of financing. We considered this transaction and the rights of the new shares issued in the new round, compared to the rights of the preferred equity that we held, and concluded that Moderna's new round of financing represented an observable price change in an orderly transaction for a similar investment. We further concluded, based on the respective rights of the stock and consideration of potential liquidity events, that the value of our preferred stock was equivalent to the value of the newly issued preferred stock. As a result, we recognized an unrealized gain of $100.8 in investment income during the first quarter 2018 to adjust our equity investment in Moderna to fair value as of the date of the observable price change, based on the per share price in Moderna's new round of financing.

On December 6, 2018, Moderna completed its initial public offering (IPO) and shares of Moderna began trading on the Nasdaq Global Select Market under the symbol "MRNA." As part of the IPO, our preferred stock was converted into Moderna common stock and subject to a one year lock-up period. As our equity investment in Moderna common stock now had a readily determinable fair value, we began to record the investment at fair value, with the effects of the holding period restriction estimated using an option pricing valuation model. During the fourth quarter 2018, we recognized an unrealized loss of $56.4 in investment income to adjust our investment in Moderna to fair value as of December 31, 2018.

On December 9, 2019, we sold our investment in Moderna. We received $114.7 in net proceeds, resulting in a realized gain of $77.2 on our initial investment. During the year ended December 31, 2019, we recognized a gain of $32.8 in investment income.

Dicerna

In October 2018, we purchased $10.3 of Dicerna Pharmaceuticals Inc. (Dicerna) common stock in connection with an agreement that we entered into with Dicerna, a publicly-traded biopharmaceutical company. As our equity investment in Dicerna common stock has a readily determinable fair value, we are recording the investment at fair value. During the year ended December 31, 2020, there was no unrealized gain or loss recognized in investment income as the fair value of the common stock as of December 31, 2020 was consistent with the fair value as of December 31, 2019. During the years ended December 31, 2019 and 2018, we recognized an unrealized gain of $9.5 and an unrealized loss of $1.4, respectively, in investment income to adjust our equity investment in Dicerna to fair value.

The fair value of this investment was $18.4 as of December 31, 2020 and 2019.

Caelum

In January 2019, we purchased $41.0 of preferred stock of Caelum Biosciences (Caelum), a privately-held biotechnology company, and a $16.1 option to acquire the remaining equity in Caelum, based on Phase II data, in connection with an agreement that we entered into with Caelum. Following discussions with the FDA, Caelum changed its clinical development plan for CAEL-101 in the fourth quarter 2019. In December 2019, we amended the terms of the agreement with respect to the option to acquire the remaining equity in Caelum based on data from the modified Phase II/III trials. We accounted for the amendment as an exchange transaction as the terms of the modified option were determined to be substantially different than the terms of the original option. In conjunction with this amendment, we recognized a gain of $32.0 during the fourth quarter 2019 in other income and (expense), which reflects an increase in the fair value of the option, less $20.0 in incremental upfront funding which we accrued as of December 31, 2019 and paid during the first quarter 2020, and $ 4.1 associated with the change in the fair value of contingent payments which we also modified as part of the amendment. Refer to Note 11, *Commitments and Contingencies*, for additional information on the agreement. As our equity investment in Caelum and the option to acquire the remaining equity in Caelum does not have a readily determinable fair value, we only adjust the carrying value of the assets for impairment and any subsequent changes resulting from an observable price change in an orderly transaction for identical or similar equity securities of the same issuer.

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There were no observable price changes associated with these assets during the year ended December 31, 2020 and 2019. A Phase II trial for CAEL-101 commenced during the first quarter of 2020 and met its primary objectives, supporting the safety and tolerability of CAEL-101 and confirmed the dose and regimen to be adopted for the Phase III studies. In September 2020, Alexion and Caelum announced the initiation of the Cardiac Amyloid Reaching for Extended Survival (CARES) program. This includes two parallel Phase III trials to evaluate the survival benefits of CAEL-101. In December 2020, in connection with entering into the Merger Agreement with AstraZeneca (refer to Note 1, *Business Overview and Summary of Significant Accounting Policies*), we determined that the fair value of our option to acquire the remaining equity of Caelum decreased as a result of a change to the expected option exercise date. This resulted in a $49.0 impairment charge which we recorded to investment income, net. The carrying value of the preferred stock was unaffected.

As of December 31, 2020, the carrying value of the investment and option, respectively, was $41.0 and $15.0. As of December 31, 2019, the carrying value of the investment and option, respectively, was $41.0 and $64.0.

Zealand

In March 2019, we purchased $13.8 (Kr. 90.9) of Zealand Pharma A/S (Zealand) common stock in connection with an agreement that we entered into with Zealand, a publicly-traded biopharmaceutical company based in Copenhagen, Denmark. Refer to Note 11, *Commitments and Contingencies* for additional information on the agreement. As our equity investment in Zealand common stock has a readily determinable fair value, we are recording the investment at fair value. During the years ended December 31, 2020 and 2019, we recognized an unrealized loss of $1.9 and an unrealized gain of $14.7, respectively, in investment income to adjust our equity investment in Zealand to fair value.

The fair value of this investment was $29.1 and $28.5 as of December 31, 2020 and 2019, respectively.

Eidos

In September 2019, we purchased $19.9 of Eidos Therapeutics, Inc. (Eidos) common stock, in connection with an agreement that we entered into with Eidos, a publicly-traded biopharmaceutical company and subsidiary of BridgeBio Pharma, Inc. Refer to Note 11, *Commitments and Contingencies,* for additional information on the agreement. As our equity investment in Eidos common stock has a readily determinable fair value, we are recording the investment at fair value. During the years ended December 31, 2020 and 2019, we recognized an unrealized gain of $45.4 and $7.9, respectively, in investment income to adjust our equity investment in Eidos to fair value.

The fair value of this investment was $73.2 and $27.8 as of December 31, 2020 and 2019, respectively.

Stealth

In October 2019, we purchased $9.6 of Stealth BioTherapeutics Corp. (Stealth) common stock, in connection with an agreement that we entered into with Stealth, a publicly traded clinical-stage biotechnology company. As our equity investment in Stealth common stock has a readily determinable fair value, we are recording the investment at fair value. During the years ended December 31, 2020 and 2019, we recognized an unrealized loss of $2.4 and $5.2, respectively, in investment income to adjust our equity investment in Stealth to fair value.

The fair value of this investment was $2.0 and $4.4 as of December 31, 2020 and 2019, respectively.

Portola

In March 2020 and April 2020, we purchased $ 14.5 and $3.6, respectively, of common stock of Portola Pharmaceuticals, Inc., a publicly traded commercial-stage biological company which we acquired on July 2, 2020. As our equity investment in Portola common stock had a readily determinable fair value, we recorded the investment at fair value. Upon the closing of the acquisition of Portola on July 2, 2020, the fair value of the equity investment of $47.8 was derecognized and included in the fair value of consideration transferred, resulting in a realized gain of $29.7 in investment income on our initial investment. Refer to Note 2, *Acquisitions*, for additional information.

Inozyme

On July 17, 2020, we sold certain intellectual property rights and assets focusing on ENPP1 gene deficiencies to Inozyme Pharma (Inozyme), a publicly traded biopharmaceutical company, in exchange for $ 14.8 of Inozyme Pharma common stock, which was initially recorded at its IPO offering price, net of the effects of a nine month holding period restriction. We recognized the $14.8 of consideration received as a gain within gain on sale of asset in our consolidated statement of operations. As our equity investment in Inozyme common stock has a readily determinable fair value, we are recording the investment at fair value, with the effects of a nine month holding period

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restriction estimated using an option pricing valuation model. During the year ended December 31, 2020, we recognized an unrealized gain of $5.7 in investment income to adjust our equity investment in Inozyme to fair value.

The fair value of this investment was $20.5 as of December 31, 2020.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	December 31, 2020	December 31, 2019
Accounts payable	$ 118.6	$ 74.0
Royalties	27.6	20.1
Payroll and employee benefits	242.3	187.5
Taxes payable	150.9	103.9
Rebates payable	333.3	250.1
Clinical	97.0	67.3
Manufacturing	58.2	72.8
Accrued severance and restructuring costs	31.7	12.8
Other	143.7	178.2
	$ 1,203.3	$ 966.7

9. Debt

Credit Agreement

On June 7, 2018, we entered into an Amended and Restated Credit Agreement (the Credit Agreement), with Bank of America, N.A. as Administrative Agent. The Credit Agreement amended and restated our credit agreement dated as of June 22, 2015 (the Prior Credit Agreement).

The Credit Agreement provides for a $1,000.0 revolving credit facility and a $2,612.5 term loan facility. The revolving credit facility and the term loan facility mature on June 7, 2023. Beginning with the quarter ended June 30, 2019, we are required to make payments of 5.0% of the original principal amount of the term loan facility annually, payable in equal quarterly installments.

Loans under the Credit Agreement bear interest, at our option, at either a base rate or a Eurodollar rate, in each case plus an applicable margin. Under the Credit Agreement, the applicable margins on base rate loans range from 0.25% to 1.00% and the applicable margins on Eurodollar loans range from 1.25% to 2.00%, in each case based on our consolidated net leverage ratio (as calculated in accordance with the Credit Agreement). As of December 31, 2020, the interest rate on our outstanding loans under the Credit Agreement was 1.4%. Our obligations under the Credit Agreement are guaranteed by certain of Alexion Pharmaceuticals, Inc.'s foreign and domestic subsidiaries and secured by liens on certain of our subsidiaries' equity interests, subject to certain exceptions. Under the terms of the Credit Agreement, we must maintain a ratio of total net debt to EBITDA of 3.50 to 1.00 (subject to certain limited adjustments) and EBITDA to cash interest expense ratio of at least 3.50 to 1.00, in each case as calculated in accordance with the Credit Agreement. We were in compliance with all applicable covenants under the Credit Agreement as of December 31, 2020.

The Credit Agreement contains certain representations and warranties, affirmative and negative covenants and events of default. The negative covenants in the Credit Agreement restrict Alexion's and its subsidiaries' ability, subject to certain baskets and exceptions, to (among other things) incur liens or indebtedness, make investments, enter into mergers and other fundamental changes, make dispositions or pay dividends. The restriction on dividend payments includes an exception that permits us to pay dividends and make other restricted payments regardless of dollar amount so long as, after giving pro forma effect thereto, we have a consolidated net leverage ratio, as defined in the Credit Agreement, within predefined ranges, subject to certain increases following designated material acquisitions.

In connection with entering into the Credit Agreement and the Prior Credit Agreement, we paid an aggregate of $53.1 in financing costs in 2018. Financing costs are amortized as interest expense over the life of the debt. Amortization expense associated with deferred financing costs for the years ended December 31, 2020, 2019, and

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2018 was $4.7, $5.0 and $8.0, respectively. Remaining unamortized deferred financing costs as of December 31, 2020 and 2019 were $11.1 and $15.8, respectively.

We made principal payments of $130.6 on the term loan during 2020 and as of December 31, 2020, we had $2,383.9 outstanding on the term loan. We made principal payments of $98.0 on the term loan during 2019 and as of December 31, 2019, we had $2,514.5 outstanding on the term loan. We had no outstanding borrowings under the revolving credit facility during the years ended December 31, 2020 and 2019. As of December 31, 2020 and 2019, we had open letters of credit of $1.0 that offset our availability in the revolving facility.

The amount outstanding under the term loan of $2,383.9 as of December 31, 2020 is subject to variable interest rates, which are based on current market rates, and as such, the Company believes the carrying amount of the obligation approximates fair value.

In connection with the planned merger with AstraZeneca, we evaluated the terms of the Credit Agreement and determined that the agreement could require acceleration of payments upon a change of control.

Royalty-based Financing

In connection with our acquisition of Portola during the third quarter 2020, we assumed royalty-based debt relating to a royalty sales agreement Portola had entered into with HealthCare Royalty Partners (HCR) whereby HCR acquired a tiered royalty interest in future worldwide net sales of ANDEXXA. Portola received $50.0 upon closing of the agreement in February 2017 and an additional $100.0 following the U.S. regulatory approval of ANDEXXA in May 2018. Tiered royalties ranging from 4.2% to 8.5% are required to be paid to HCR based on net worldwide sales of ANDEXXA. The applicable rate decreases as worldwide net annual sales levels increase above defined thresholds. Total potential royalty payments are capped at 195.0% of the funding received less certain transaction expenses, or $290.6. As of the date of acquisition, the remaining due to HCR was $276.9 in royalty-based payments.

We recorded the HCR debt at its fair value of $182.0 upon closing of the acquisition, representing an initial debt discount of $94.9. We have also recognized a deferred tax asset of $42.4 related to the royalty-based debt as of the acquisition date. For additional information on our acquisition of Portola, refer to Note 2, *Acquisitions.* Interest expense is recognized using the effective interest rate method over the estimated period the related debt will be paid. This requires estimation of the timing and amount of future royalty payments to be generated from future sales of ANDEXXA. We reassess the expected royalty payments each reporting period and account for any changes through an adjustment to the effective interest rate on a prospective basis. The assumptions used in determining the expected repayment term of the debt require that we make estimates that could impact the short and long term classification of the debt carrying values.

Each period, we amortize the initial debt discount using the effective interest rate implied from the projected timing of royalty payments to HCR. The effective interest rate for the HCR royalty-based debt as of December 31, 2020 was 11.5%. During the year ended December 31, 2020, we recognized interest expense associated with the amortization of the debt discount of $10.0. We made royalty-based debt payments of $5.0 during 2020. As of December 31, 2020, the carrying value of the royalty-based debt includes approximately $3.0 of royalty payments on fourth quarter sales of ANDEXXA which will be paid during the first quarter 2021.

As of December 31, 2020, the carrying value of the HCR royalty-based debt was $187.0, of which $15.5 was recorded within current portion of long-term debt and $171.5 was recorded within long-term debt, less current portion on our consolidated balance sheet. Our payment obligations for HCR royalty-based debt are as follows:

	Year ended December 31, 2020
Total repayment obligation as of the acquisition date	$ 276.9
Less: interest to be accreted in future periods	(84.9)
Less: payments made	(5.0)
Carrying value as of December 31, 2020	$ 187.0

The carrying value of the royalty-based debt as of December 31, 2020 approximates fair value.

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(amounts in millions except per share amounts)

Contractual Maturities:

The contractual maturities of our Credit Agreement and estimated royalty-based debt obligations due subsequent to December 31, 2020 are as follows:

Year	
2021	$ 146.1
2022	158.4
2023	2,167.7
2024	63.6
2025	76.5
Thereafter	43.5

10. Leases

The following table summarizes our lease assets and liabilities as of December 31, 2020:

ROU Assets and Liabilities

	Balance Sheet Location	Financing	Operating
ROU - Asset	*Right of use operating assets*	$ —	$ 223.1
ROU - Asset	*Property, plant, and equipment*	105.4	—
Lease liabilities (current)	*Other current liabilities*	5.6	28.1
Lease liabilities (noncurrent)	*Noncurrent operating lease liabilities*	—	177.1
Lease liabilities (noncurrent)	*Other liabilities*	67.3	—

The following table summarizes our lease assets and liabilities as of December 31, 2019:

ROU Assets and Liabilities

	Balance Sheet Location	Financing	Operating
ROU - Asset	*Right of use operating assets*	$ —	$ 204.0
ROU - Asset	*Property, plant, and equipment*	116.3	—
Lease liabilities (current)	*Other current liabilities*	5.2	18.8
Lease liabilities (noncurrent)	*Noncurrent operating lease liabilities*	—	164.1
Lease liabilities (noncurrent)	*Other liabilities*	72.9	—

The following table summarizes our lease related costs for the years ended December 31, 2020 and 2019:

Lease Cost:

	Statement of Operations Location	Years ended December 31, 2020	Years ended December 31, 2019
Financing Lease Cost		$ 14.5	$ 14.8
Amortization of ROU Assets	*Operating Expenses*	10.9	10.9
Interest on Lease Liabilities	*Interest Expense*	3.6	3.9
Operating Lease Cost	*Operating Expenses*	38.1	34.3
Variable Lease Cost	*Operating Expenses*	8.7	11.8
Total Lease Cost		$ 61.3	$ 60.9

Amounts above include $ 11.9 and $15.6, of lease costs associated with our CMO embedded lease arrangement for the years ended December 31, 2020 and 2019, respectively, which have been capitalized as part of the cost of product being manufactured at the site.

The following table summarizes supplemental cash flow information for the years ended December 31, 2020 and 2019:

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(amounts in millions except per share amounts)

Other Information

	Years ended December 31, 2020	Years ended December 31, 2019
Cash Paid For Amounts Included In Measurement of Liabilities	$ 39.4	$ 32.3
Operating Cash Flows From Financing Leases	3.6	3.9
Operating Cash Flows From Operating Leases	30.7	23.5
Financing Cash Flows From Financing Leases	5.1	4.9
ROU Assets Obtained In Exchange For New Financing Liabilities (1)	—	—
ROU Assets Obtained In Exchange For New Operating Liabilities (2)	31.6	27.5

(1) We capitalized $83.1 of ROU financing assets upon adoption of the new lease standard in the first quarter of 2019 that are excluded from the figures for the year ended December 31, 2019. This figure excludes $44.2 of opening adjustments to ROU finance assets related, primarily, to prepayments of rent.
(2) We capitalized $172.2 of ROU operating assets upon adoption of the new lease standard in the first quarter of 2019 that are excluded from the figures for the year ended December 31, 2019. This figure excludes $26.6 of opening adjustments to ROU operating assets related, primarily, to prepayments of rent.

The following tables summarize maturities of lease liabilities and the reconciliation of lease liabilities as of December 31, 2020:

Lease Liability Maturity Summary

Year	Financing	Operating	Total
2021	$ 9.0	$ 34.4	$ 43.4
2022	9.2	32.0	41.2
2023	9.2	25.2	34.4
2024	9.4	22.5	31.9
2025	9.6	20.7	30.3
Thereafter	45.0	103.1	148.1

Reconciliation of Lease Liabilities:	Financing	Operating	Total
Weighted-average Remaining Lease Term *(years)*	9.67	8.87	9.08
Weighted-average Discount Rate	4.9 %	3.4 %	3.8 %
Total Undiscounted Lease Liability	$ 91.4	$ 237.9	$ 329.3
Imputed Interest	18.5	32.7	51.2
Total Discounted Lease Liability	72.9	205.2	278.1

The following table summarizes the reconciliation of lease liabilities as of December 31, 2019:

Reconciliation of Lease Liabilities:	Financing	Operating	Total
Weighted-average Remaining Lease Term *(years)*	10.67	10.17	10.32
Weighted-average Discount Rate	4.9 %	4.1 %	4.3 %
Total Undiscounted Lease Liability	$ 100.2	$ 223.6	$ 323.8
Imputed Interest	22.1	40.7	62.8
Total Discounted Lease Liability	78.1	182.9	261.0

11. Commitments and Contingencies

Asset Acquisition and In-License Agreements

We have entered into asset purchase agreements, license agreements, and option arrangements in order to advance and obtain technologies and services related to our business. These agreements generally require us to pay an initial fee and certain agreements call for future payments upon the attainment of agreed upon development, regulatory and/or commercial milestones. These agreements may also require minimum royalty payments based on sales of products developed from the applicable technologies, if any.

In January 2019, we entered into an agreement with Caelum, a biotechnology company that is developing CAEL-101 for light chain (AL) amyloidosis. Under the terms of the agreement, we acquired a minority equity interest in preferred stock of Caelum and an exclusive option to acquire the remaining equity in Caelum based on Phase II data, for pre-negotiated economics. We paid $30.0 in the first quarter 2019 and agreed to pay up to an additional

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$30.0 in contingent development milestones prior to exercising the option to acquire the remaining equity in Caelum. These contingent payments meet the definition of a derivative liability and were initially recorded at fair value of $27.1. We allocated the total consideration of $57.1, inclusive of the fair value of the contingent payments, to the equity investment in Caelum and the option to acquire the remaining equity in Caelum based on the relative fair values of the assets. Following discussions with the FDA, Caelum changed its clinical development plan for CAEL-101 in the fourth quarter 2019. In December 2019, we amended the terms of the agreement with Caelum to modify the option to acquire the remaining equity in Caelum based on data from the modified Phase II/III trials. The amendment also modified the development-related milestone events associated with the initial $30.0 in contingent payments, provided for an additional $20.0 in upfront funding, which we accrued as of December 31, 2019 as well as funding of $60.0 in exchange for an additional equity interest at fair value upon achievement of a specific development-related milestone event. We paid the additional $20.0 in upfront funding and the initial $30.0 in contingent payments in 2020. The agreement with Caelum also provides for additional payments, in the event Alexion exercises the purchase option, for up to $500.0, which includes an upfront option exercise payment and potential regulatory and commercial milestone payments. A Phase II trial for CAEL-101 commenced during the first quarter of 2020 and met its primary objectives, supporting the safety and tolerability of CAEL-101 and confirmed the dose and regimen to be adopted for the Phase III studies. In September 2020, Alexion and Caelum announced the initiation of the Cardiac Amyloid Reaching for Extended Survival (CARES) program. This includes two parallel Phase III trials to evaluate the survival benefits of CAEL-101. In December 2020, in connection with entering into the Merger Agreement with AstraZeneca, we determined that the fair value of our option to acquire the remaining equity of Caelum decreased as a result of a change to the expected option exercise date. This resulted in a $49.0 impairment charge which we recorded to investment income, net (refer to Note 7, *Other Investments*).

In March 2019, we entered into an agreement with Zealand which provides us with exclusive worldwide licenses, as well as development and commercial rights, for subcutaneously delivered preclinical peptide therapies directed at up to four complement pathway targets. Pursuant to the agreement, Zealand will lead joint discovery and research efforts through the preclinical stage, and Alexion will lead development efforts beginning with the investigational new drug filing and Phase I studies. In addition to the agreement, we made an equity investment in Zealand (refer to Note 7, *Other Investments*). Under the terms of the agreement, we made an upfront payment of $40.0 for an exclusive license to the lead target and the equity investment, as well as for preclinical research services to be performed by Zealand in relation to the lead target. The market value of the equity investment was $13.8 as of the date of acquisition, which we recorded in other assets in our consolidated balance sheets. We also recognized prepaid research and development expense of $ 5.0 within the consolidated balance sheets associated with the research activities to be performed by Zealand. Due to the early stage of the asset we are licensing, we recorded the upfront license payment of $21.2 as research and development expense during the first quarter 2019. As of December 31, 2020, we could be required to pay up to $610.0, for the lead target, upon the achievement of specified development, regulatory and commercial milestones, as well as royalties on commercial sales. In addition, we could be required to pay up to an additional $ 115.0 in development and regulatory milestones if both a long-acting and short-acting product are developed with respect to the lead target. Each of the three subsequent targets can be selected for an option fee of $15.0 and has the potential for additional development, regulatory and commercial milestones, as well as royalty payments, at a reduced price to the lead target.

In April 2019, we entered into an agreement with Affibody AB (Affibody), through which Alexion obtained an exclusive worldwide license, as well as development and commercial rights, to ABY-039, a bivalent antibody-mimetic that targets the neonatal Fc receptor (FcRn). Under the terms of the agreement, we made an upfront payment of $25.0 for the exclusive license to ABY-039. Due to the early stage of the asset we licensed, we recorded the upfront license payment as research and development expense during the second quarter 2019. In February 2020, based on data from our Phase I study, we terminated the agreement to co-develop ABY-039 with Affibody.

In September 2019, we entered into an agreement with Eidos through which Alexion obtained an exclusive license to develop and commercialize AG10 in Japan. AG10 is a small molecule designed to treat the root cause of transthyretin amyloidosis (ATTR) and is currently in a Phase III study in the U.S., Europe, and Japan for ATTR cardiomyopathy (ATTR-CM). In addition, we made an equity investment in Eidos (refer to Note 7, *Other Investments*). Under the terms of the agreement, we made an upfront payment of $50.0 for the exclusive license to AG10 in Japan and the equity investment. The market value of the equity investment was $19.9 as of the date of acquisition, which we recorded in other assets in our consolidated balance sheets. Due to the early stage of the asset we are licensing, we recorded the upfront license payment of $30.1 as research and development expense during the third

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quarter 2019. As of December 31, 2020, we could also be required to pay $30.0 upon achievement of a Japanese-based regulatory milestone as well as royalties on commercial sales.

In October 2019, we entered into an option agreement with Stealth BioTherapeutics Corp. (Stealth), a clinical-stage biotechnology company whose lead product candidate, elamipretide, was being investigated in late-stage clinical studies in three primary mitochondrial diseases - primary mitochondrial myopathy (PMM), Barth syndrome and Leber's hereditary optic neuropathy. Under the terms of the agreement, we made an upfront payment of $30.0 for an equity investment in Stealth and an exclusive option to partner with Stealth in the development of subcutaneous elamipretide based on final results from the Phase III study in PMM. The market value of the equity investment was $9.6 as of the date of acquisition, which we recorded in other assets in our consolidated balance sheets. Due to the early stage of the asset for which we have an option to license, we recorded the upfront option payment of $20.4 as research and development expense during the fourth quarter 2019. In December 2019, Stealth announced that based on top-line data from the Phase 3 study in PMM, the study did not meet its primary endpoints. Following review of the Phase 3 data released in December 2019, we notified Stealth that we will not exercise the co-development option agreement.

In October 2018, we entered into a collaboration agreement with Dicerna that provides us with exclusive worldwide licenses and development and commercial rights for two preclinical RNA interference (RNAi) subcutaneously delivered molecules for complement-mediated diseases, as well as an exclusive option for other preclinical RNAi molecules for two additional targets within the complement pathway. In addition to the collaboration agreement, we made an equity investment in Dicerna. Under the terms of the agreements, we made an upfront payment of $37.0 for the exclusive licenses and the equity investment. The market value of the equity investment was $10.3 as of the date of acquisition, which we recorded in other assets in our consolidated balance sheets. Due to the early stage of the assets we are licensing, we recorded the upfront license payment of $26.7 as research and development expense during the fourth quarter 2018. In December 2019, we exercised our option for exclusive rights to two additional targets within the complement pathway under an existing agreement with Dicerna, which expands our existing research collaboration and license agreement with Dicerna to include a total of four targets within the complement pathway. In connection with the option exercise, we paid Dicerna $20.0, which we recorded as research and development expense in the fourth quarter 2019. As of December 31, 2020, excluding accrued milestones, we could be required to pay up to $604.1 for amounts due upon the achievement of specified research, development, regulatory and commercial milestones on the four licensed targets, as well as royalties on commercial sales.

In December 2017, we entered into a collaboration and license agreement with Halozyme Therapeutics, Inc. that allows us to use drug-delivery technology in the development of subcutaneous formulations for our portfolio of products for up to four targets. Under the terms of the agreement, we made an upfront payment of $40.0 for an exclusive license to two of the four potential targets and due to the early stage of the assets we are licensing, we recorded an expense for the upfront payment during the fourth quarter 2017. During the second quarter 2020, we forfeited our rights to one of the two targets we initially licensed. As of December 31, 2020, we could be required to pay up to $155.0 for the remaining licensed target upon achievement of specified development, regulatory and sales-based milestones, as well as royalties on commercial sales. Each of the two subsequent targets can be licensed for an option fee of $8.0, with contingent payments of up to $160.0 per target, subject to development, regulatory and commercial milestones, as well as royalties on commercial sales.

In connection with our prior acquisition of Syntimmune, Inc., a clinical-stage biotechnology company developing an antibody therapy targeting the FcRn, we could be required to pay up to $800.0 upon the achievement of specified development, regulatory and commercial milestones, of which $130.0 is specific to the subcutaneous formulation. We are currently subject to a claim in litigation in connection with the Syntimmune acquisition alleging that Alexion failed to meet its obligations under the merger agreement to use commercially reasonable efforts to achieve the milestones and plaintiff has requested payment of the full earn-out amount.

In addition, excluding accrued milestones, as of December 31, 2020, we have other license agreements under which we may be required to pay up to an additional $114.0 for currently licensed targets, if certain development, regulatory and commercial milestones are met, including up to $71.5 for the development of cerdulatinib in multiple indications pursuant to an in-licensing agreement with Astellas Pharma, Inc. which was assumed through the acquisition of Portola in the third quarter 2020. Additional amounts may be payable if we elect to acquire licenses to additional targets, as applicable, under the terms of these agreements.

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During the next 12 months, we may make milestone payments related to our asset acquisitions, option and in-license agreements of approximately $71.1, excluding milestones accrued as of December 31, 2020.

Asset Sale and Out-License Arrangements

In connection with prior asset sale and out-license arrangements, including those assumed by Alexion through the acquisition of Portola in the third quarter 2020, Alexion is entitled to receive contingent payments upon the achievement of various regulatory and commercial milestones and other events, as well as royalties on commercial sales. The amount of contingent consideration related to these agreements is fully constrained and therefore has not been recognized as of December 31, 2020.

Manufacturing Agreements

We have various manufacturing development and license agreements to support our clinical and commercial product needs.

We rely on Lonza, a third party manufacturer, to produce a portion of commercial and clinical quantities of our commercial products and product candidates. We have various manufacturing and license agreements with Lonza, with remaining total non-cancellable future commitments of approximately $1,137.8 through 2030. This amount includes $100.5 of undiscounted, fixed payments applicable to our Contract Manufacturing Organization (CMO) embedded lease arrangement with Lonza. If we terminate certain supply agreements with Lonza without cause, we will be required to pay for product scheduled for manufacture under our arrangement. Under an existing arrangement with Lonza, we pay Lonza a royalty on the sales of SOLIRIS and ULTOMIRIS manufactured at Lonza facilities.

In addition to our commitments with Lonza, as of December 31, 2020 we have non-cancellable commitments of approximately $175.6 through 2023 with other third party manufacturers.

Contingent Liabilities

We are currently involved in various claims, disputes, lawsuits, investigations, administrative proceedings and legal proceedings. On a quarterly basis, we review the status of each significant matter and assess its potential financial exposure. In accordance with generally accepted accounting principles, if the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Because of uncertainties related to claims, proceedings and litigation, accruals are based on our best estimates based on information available at the time of the assessment. On a periodic basis, as additional information becomes available, or based on specific events such as the outcome of litigation, court decisions or settlement of claims (and offers of settlement), we may reassess the potential liability related to these matters and may revise these estimates, which could result in a material adverse adjustment to our operating results. Costs associated with our involvement in legal proceedings are expensed as incurred. The outcome of any such proceedings, regardless of the merits, is inherently uncertain. If we were unable to prevail in any such proceedings, our consolidated financial position, results of operations, and future cash flows may be materially impacted.

We have received, and may in the future receive, notices from third parties claiming that their patents may be infringed by the use, development, manufacture, importation or sale of our products or product candidates. Under the guidance of ASC 450, *Contingencies*, we record a royalty accrual based on our best estimate of the fair value percent of net sales of our products that we could be required to pay the owners of patents for technology used in the manufacture and sale of our products. A costly license, or inability to obtain a necessary license, could have a material adverse effect on our financial results.

In May 2015, we received a subpoena in connection with an investigation by the Enforcement Division of the Securities and Exchange Commission (SEC) requesting information related to our grant-making activities and compliance with the Foreign Corrupt Practices Act (FCPA) in various countries. In addition, in October 2015, we received a request from the Department of Justice (DOJ) for the voluntary production of documents and other information pertaining to Alexion’s compliance with the FCPA. The SEC and DOJ also sought information related to Alexion’s recalls of specific lots of SOLIRIS and related securities disclosures.

The investigations focused on operations in various countries, including Brazil, Colombia, Japan, Russia and Turkey, and Alexion's compliance with the FCPA and other applicable laws.

In May 2020, DOJ informed us that it has closed its inquiry into these matters.

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On July 2, 2020, we reached a civil settlement with the SEC fully resolving the SEC's investigation into possible violations of the FCPA. Alexion neither admitted nor denied any wrongdoing in connection with the settlement but agreed to pay $21.5 to the SEC, consisting of amounts attributable to disgorgement, civil penalties, and pre-judgment interest. In connection with this settlement, in July 2020, we paid $21.5 to the SEC.

Following the settlement with the SEC, the Ministry of Health in Turkey initiated an investigation regarding the matters referenced in the SEC Order as they relate to the Company's operations in Turkey between 2010 and 2015. We are cooperating with this investigation.

Alexion is committed to continually focusing on its compliance program and continues to enhance its comprehensive company-wide program that is designed to enhance our business processes, structures, controls, training, talent, and systems across Alexion's global operations.

As previously reported, on December 29, 2016, a shareholder filed a putative class action against the Company and certain former employees in the U.S. District Court for the District of Connecticut, alleging that defendants made misrepresentations and omissions about SOLIRIS. On April 12, 2017, the court appointed a lead plaintiff. On July 14, 2017, the lead plaintiff filed an amended putative class action complaint against the Company and seven current or former employees. Defendants moved to dismiss the amended complaint on September 12, 2017. Plaintiffs filed an opposition to defendants' motion to dismiss on November 13, 2017, and defendants filed a reply brief in further support of their motion on December 28, 2017. On March 26, 2019, the court held a telephonic status conference. During that conference, the court informed counsel that it was preparing a ruling granting the defendants' pending motion to dismiss. The court inquired of plaintiffs' counsel whether they intended to seek leave to amend their complaint, and indicated that if they wished to file a second amended complaint, they would be allowed to do so. On April 2, 2019, the court granted plaintiffs until May 31, 2019 to file a second amended complaint, thereby rendering moot defendants' pending motion to dismiss. On June 2, 2019, plaintiffs filed a second amended complaint against the same defendants. The complaint alleges that defendants engaged in securities fraud, including by making misrepresentations and omissions in its public disclosures concerning the Company's SOLIRIS sales practices, management changes, and related investigations, between January 30, 2014 and May 26, 2017, and that the Company's stock price dropped upon the purported disclosure of the alleged fraud. The plaintiffs seek to recover unspecified monetary relief, unspecified equitable and injunctive relief, interest, and attorneys' fees and costs. Defendants' filed a motion to dismiss the amended complaint on August 2, 2019; plaintiffs' filed their opposition to that motion on October 2, 2019; and defendants' filed their reply in further support of their motion on November 15, 2019. Given the early stage of these proceedings, we cannot presently predict the likelihood of obtaining dismissal of the case (or the ultimate outcome of the case if the motion to dismiss is denied by the court), nor can we estimate the possible loss or range of loss at this time.

In December 2016, we received a subpoena from the U.S. Attorney's Office for the District of Massachusetts requesting documents relating generally to our support of Patient Services, Inc. (PSI) and National Organization for Rare Disorders (NORD), 501(c)(3) organizations that provide financial assistance to Medicare patients taking drugs sold by Alexion; Alexion's provision of free drug to Medicare patients; and Alexion compliance policies and training materials concerning the anti-kickback statute and information on donations to PSI and NORD from 2010 through 2016. In April 2019, we entered into a civil settlement agreement with the DOJ and the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services to resolve this matter. As part of the settlement agreement, Alexion paid $13.1 to the DOJ and OIG. OIG did not require a Corporate Integrity Agreement with Alexion because it made fundamental organizational changes, including hiring a new executive leadership team, replacing half of the members of its Board of Directors, and effecting a significant change in the workforce.

In May 2017, Brazilian authorities seized records and data from our São Paulo, Brazil offices as part of an investigation being conducted into Alexion's Brazilian operations. We are cooperating with this inquiry.

In June 2017, we received a demand to inspect certain of our books and records pursuant to Section 220 of the General Corporation Law of the State of Delaware on behalf of a purported stockholder. Among other things, the demand sought to determine whether to institute a derivative lawsuit against certain of the Company's directors and officers in relation to the investigation by our Audit and Finance Committee announced in November 2016 and the investigations instituted by the SEC, DOJ, U.S. Attorney's Office for the District of Massachusetts, and Brazilian law enforcement officials that are described above. We have responded to the demand. Given the early stages of this matter, an estimate of the possible loss or range of loss cannot be made at this time.

On September 27, 2017, a hearing panel of the Canadian Patented Medicine Prices Review Board (PMPRB) issued a decision in a previously pending administrative pricing matter that we had excessively priced SOLIRIS in a

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manner inconsistent with the Canadian pricing rules and guidelines. In its decision, the PMPRB ordered Alexion to decrease the price of SOLIRIS to an upper limit based upon pricing in certain other countries, and to forfeit excess revenues for the period between 2009 and 2017. The amount of excess revenues for the period between 2009 and 2017 was determined not to be a material amount and was paid in 2018. In October 2017, Alexion filed an application for judicial review of the PMPRB's decision in the Federal Court of Canada. On May 23, 2019, the Federal Court of Canada dismissed Alexion's application for judicial review and, as a consequence, affirmed the decision of the PMPRB that we had excessively priced SOLIRIS. On June 21, 2019, Alexion filed a notice of appeal of the Federal Court of Canada's ruling, and, on October 17, 2019, Alexion filed a memorandum of fact and law in support of the appeal. On December 3, 2019, the Attorney General of Canada filed its memorandum of fact and law in support of the Federal Court of Canada's dismissal of Alexion's appeal of the PMPRB's decision. On December 19, 2019, the intervenor, the Minister of Health for the Province of British Columbia, filed a separate memorandum of fact and law in support of the Federal Court of Canada's decision. The Canadian Federal Court of Appeal heard the appeal on October 21 and 22, 2020, but has not issued a decision as of the date of this filing. Pursuant to an order made by the Federal Court of Canada, as of February 4, 2021, we have placed approximately $70.7 in escrow to secure our obligations pending the final resolution of all appeals in this matter. This amount reflects the difference between the list price for SOLIRIS and the price determined by the PMPRB to be non-excessive for sales of SOLIRIS in Canada for the period beginning September 2017 through December 31, 2020. In addition, on a quarterly basis, until the appeals process has concluded, Alexion will be required to place amounts into escrow for each vial of SOLIRIS sold in the applicable quarter equal to the difference between the list price for SOLIRIS and the price determined by the PMPRB to be non-excessive. Our revenues in Canada have been reduced by $49.2 cumulatively to date, which is our current best estimate of our liability through December 31, 2020 if we lose the appeal of this matter (the amount of our ultimate liability, however, may be greater than this estimate when the appeal process for this matter is concluded).

Chugai Pharmaceutical Co., Ltd. has filed three lawsuits against Alexion. The first was filed in November 2018 in the United States District Court for the District of Delaware against Alexion Pharmaceuticals, Inc. alleging that ULTOMIRIS infringes one U.S. patent held by Chugai Pharmaceutical Co., Ltd. Upon issuance of a new U.S. patent on November 12, 2019, Chugai filed a second lawsuit in the United States alleging that ULTOMIRIS infringes the new patent. The parties have agreed to consolidate the November 2018 and November 2019 lawsuits. Chugai filed a third lawsuit in December 2018 in the Tokyo District Court against Alexion Pharma GK (a wholly-owned subsidiary of Alexion) in Japan, and alleges that ULTOMIRIS infringes two Japanese patents held by Chugai Pharmaceutical Co., Ltd. Chugai's complaints seek unspecified damages and certain injunctive relief. On March 5, 2020, the Supreme Court of Japan dismissed Chugai's appeal against an earlier IP High Court of Japan decision which held that one of the Chugai patents-in-suit is invalid. Subsequently Chugai filed a correction to the claims of this patents-in-suit and Alexion has countered that the corrected claims are still invalid and not infringed. In all cases, Alexion has denied the charges and countered that the patents are neither valid nor infringed. A trial date for the U.S. case which was initially set for July 2021 has been re-scheduled for January 2022. The case is still at the briefing stage in Japan. Given the early stages of these litigations, an estimate of the possible loss or range of loss cannot be made at this time.

On February 28, 2019, Amgen Inc. (Amgen) petitioned the U.S. Patent and Trademark Office (PTO) to institute Inter Partes Review (IPR) of three patents owned by Alexion that relate to SOLIRIS: U.S. Patent Nos. 9,725,504; 9,718,880; and 9,732,149. In each case, Amgen alleged the patented subject matter was anticipated and/or obvious in view of prior art, and that the patent claims are therefore invalid. On August 30, 2019, the PTO instituted IPRs of each of the three patents. On May 28, 2020, we entered into a Confidential Settlement and License Agreement (the "Settlement Agreement") with Amgen to settle the three IPRs at the Patent Trial and Appeal Board ("PTAB") of the PTO. Pursuant to the Settlement Agreement, Alexion and Amgen have terminated each of the pending IPRs. In addition, effective March 1, 2025 (or an earlier date in certain circumstances), the Company grants to Amgen (and its affiliates and certain partners) a non-exclusive, royalty-free, license under U.S. patents and patent applications related to eculizumab and various aspects of the eculizumab product that Alexion currently markets and sells under the tradename SOLIRIS. This license will allow Amgen (and its affiliates and certain partners), effective March 1, 2025, the right to make, have made, use, import, have imported, sell, have sold, offer for sale, have offered for sale, distribute, and have distributed in, or for, the U.S., an eculizumab product.

In connection with an ongoing matter, in August 2019, the Brazilian Federal Revenue Service provided a Notice of Tax and Description of the Facts (the "Tax Assessment") to two Alexion subsidiaries (the "Brazil Subsidiaries"), as well as to two additional entities, a logistics provider utilized by Alexion and a distributor. The Tax Assessment

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focuses on the importation of SOLIRIS vials pursuant to Alexion's free drug supply to patients program (referred to as Global Access to Medicines, or GATM) in Brazil. In September 2019, the Brazil Subsidiaries filed defenses to the Tax Assessment disputing the basis for liability under the Tax Assessment, based on, among others, the following: in connection with the operation of GATM, during the period from September 2014 to June 2019: (i) the importers responsible for the importation of the GATM SOLIRIS vials into Brazil were correctly identified and (ii) the correct customs value was utilized for the purpose of importing the GATM SOLIRIS vials provided to the patients free of charge. The defenses filed by Alexion are pending judgment at the first level of administrative appeals within the Brazilian federal administrative proceeding system. There are three separate levels of administrative appeals within the Brazilian federal administrative proceeding system and, if the outcome of these administrative appeals is unfavorable, the final decision of the federal administrative proceeding system can be disputed to the federal court systems in Brazil (at this time, Alexion intends to appeal the Tax Assessment if it is not overturned in the course of administrative appeals). Given the early stage of these proceedings, Alexion is unable to predict the duration, scope or outcome of this matter, but we expect that a final resolution will take three years or more. While it is possible that a loss related to the Tax Assessment may be incurred, given its ongoing nature, we cannot reasonably estimate the potential magnitude of any such possible loss or range of loss, or the cost of the ongoing administrative appeals (and potential appeals to the federal court system) of the Tax Assessment. Any determination that any aspects of the importation of free of charge medications into Brazil as set forth in the Tax Assessment are not, or were not, in compliance with existing laws or regulations could result in the imposition of fines, civil penalties and, potentially criminal penalties, and/or other sanctions against us, and could have an adverse impact on our Brazilian operations.

In connection with Alexion's acquisition of Portola, we have assumed litigation to which Portola was a party. Among the litigation assumed is a securities fraud class action filed against Portola and certain of its officers, directors and underwriters ("Defendants") under the Securities Act of 1933 and the Securities Exchange Act of 1934. Specifically, on January 16, 2020, February 7, 2020, and February 28, 2020, stockholders filed three putative class actions in the U.S. District Court for the Northern District of California, captioned *Hayden v. Portola Pharmaceuticals, Inc., et al., No. 3:20-cv-00367-VC (N.D. Cal.); McCutcheon v. Portola Pharmaceuticals, Inc., et al.,* No. 3:20-cv-00949 (N.D. Cal.)*; and Southeastern Pennsylvania Transportation Authority v. Portola Pharmaceuticals, Inc., et al.*, No. 3:20-cv-01501 (N.D. Cal.). These cases have since been consolidated, and on April 22, 2020, the Court issued an Order appointing the Alameda County Employees' Retirement Association ("ACERA") as Lead Plaintiff in the litigation. ACERA filed its amended consolidated complaint on May 20, 2020, asserting that Defendants made misrepresentations and omissions in public disclosures (including in materials issued in connection with the August 7, 2019 securities offering) concerning Portola's sales of andexanet alfa, marketed as ANDEXXA in the United States and ONDEXXYA in Europe, between January 8, 2019 and February 26, 2020. Specifically, plaintiffs allege that Defendants made materially false and/or misleading statements about the demand for ANDEXXA, usage of ANDEXXA by hospitals and healthcare organizations, and about Portola's accounting for its return reserves. Plaintiffs contend that the alleged fraud was revealed on January 9, 2020, when Portola announced its preliminary unaudited financial results for the fourth quarter of 2019, and again on February 26, 2020, when Portola issued its fourth quarter 2019 financial results. In July 2020, Portola and the Portola Defendants filed a motion to dismiss with the Court. The court heard oral argument on September 24, 2020 and granted defendants' pending motion to dismiss, but with leave for plaintiffs to amend further their complaint. Plaintiffs filed an amended complaint on November 5, 2020. In December 2020, Portola and Portola Defendants filed a motion to dismiss with the Court. Oral argument is scheduled for February 25, 2021. Plaintiffs seek to recover unspecified monetary relief, interest, and attorneys' fees and costs. Given the early stage of these proceedings, we cannot presently predict the likelihood of obtaining dismissal of the case (or the ultimate outcome of the case if that motion to dismiss is denied by the court), nor can we estimate the possible loss or range of loss at this time.

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(amounts in millions except per share amounts)

12. Income Taxes

Income tax expense is based on income before income taxes as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S.	$ (1,098.5)	$ 2.0	$ (451.4)
Non-U.S.	1,667.5	2,176.8	693.6
	$ 569.0	$ 2,178.8	$ 242.2

During the fourth quarter of 2013, in connection with the centralization of our global supply chain and technical operations in Ireland, our U.S. parent company became a direct partner in a captive foreign partnership. The partnership income, which is derived in foreign jurisdictions, is classified as “non-U.S. income” for purposes of financial reporting. Substantially all non-U.S. income relates to income from our captive foreign partnership.

The components of income tax expense are as follows:

	Year Ended December 31,		
	2020	2019	2018
Domestic			
Current	$ 3.1	$ 71.8	$ 57.0
Deferred	(382.1)	1,731.0	49.5
	(379.0)	1,802.8	106.5
Foreign			
Current	245.9	158.2	74.7
Deferred	98.7	(2,186.5)	(16.6)
	344.6	(2,028.3)	58.1
Total			
Current	249.0	230.0	131.7
Deferred	(283.4)	(455.5)	32.9
	$ (34.4)	$ (225.5)	$ 164.6

We continue to pay cash taxes in U.S. federal, various U.S. state, and foreign jurisdictions where we have utilized all of our tax attributes or have met the applicable limitation for attribute utilization.

Effective Tax Rate

The provision (benefit) for income taxes differs from the U.S. federal statutory tax rate. The reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate is as follows:

	Year Ended December 31,		
	2020	2019	2018
U.S. federal statutory tax rate	21.0 %	21.0 %	21.0 %
Benefit of foreign earnings	(15.5)%	(12.6)%	(71.2)%
Tax credits	(7.3)%	(0.7)%	(17.0)%
Tax reserves	(0.6)%	(0.1)%	12.1 %
Acquired in-process research & development	— %	— %	102.6 %
Intra-entity asset transfer of intellectual property	0.4 %	(17.5)%	— %
Foreign-derived intangible income	(10.0)%	(1.6)%	(4.5)%
U.S. state taxes	(1.6)%	0.7 %	14.2 %
IRC 162(m) executive compensation	4.1 %	0.2 %	2.2 %
Other permanent differences	3.5 %	0.3 %	8.6 %
Effective Income Tax Rate	(6.0)%	(10.3)%	68.0 %

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In our reconciliation of our statutory U.S. federal income tax rate to our effective tax rate above, we have included a benefit of foreign earnings amount which encapsulates the various tax impacts that result from our non-U.S. income. As a result of the Tax Cuts and Jobs Act of 2017 (Tax Act), a substantial portion of our foreign earnings are subject to the GILTI minimum tax at an effective rate which is lower than the U.S. statutory tax rate of 21.0%. While we are also subject to tax in foreign jurisdictions locally, the majority of these taxes are creditable against U.S. taxes imposed on foreign earnings. As a result, the effective tax rate on our foreign earnings is lower than the U.S. statutory rate.

In the year ended December 31, 2020, the benefit of foreign earnings includes foreign local tax expense of $270.8, which is offset by the benefit from U.S. foreign tax credits of $240.6, resulting in a net increase to the effective tax rate of 5.3%. We incurred U.S. tax expense on our foreign earnings of $201.5, which includes GILTI minimum tax. The U.S. tax on our foreign earnings reflects a benefit of $148.7, or 26.1%, primarily related to the Section 250(a) deduction, compared to the U.S. statutory rate. The benefit from foreign earnings also includes the impact of certain current year events as described below.

In the year ended December 31, 2020, other permanent differences includes an increase to the effective tax rate of 1.5%, or $8.5, associated with nondeductible contingent consideration in the form of non-tradeable contingent value rights (CVRs) relating to the Achillion acquisition. Also included in other permanent differences is a decrease to the effective tax rate of 1.1%, or $6.2, associated with a nontaxable gain from our Portola equity investment which was included in the fair value of consideration transferred in connection with the Portola acquisition.

During the second quarter 2020, we recognized an impairment charge of $2,042.3 related to the KANUMA intangible asset, resulting in a deferred tax benefit of $377.3. Refer to Note 4, *Intangible Assets and Goodwill*, for additional information on the impairment charge. These deferred tax benefits decreased the effective tax rate for the year ended December 31, 2020 by approximately 19.2%.

In August 2020, we received a notice of examination from the Dutch Tax Authorities (“DTA”) regarding certain matters relating to our 2014 through 2017 tax years. We entered into an agreement with the DTA in December 2020 and have agreed to pay approximately $73.8 in connection with the settlement, inclusive of the 2018 and 2019 tax years. After taking into account the $56.1 U.S. foreign tax credit claimed on the settlement, the net cash outflow was $17.7, representing a 3.1% net increase to the effective tax rate. This net tax expense is reflected within benefit from foreign earnings.

In April 2020 we became aware of a European withholding tax regulation that could be interpreted to apply to certain of our previous intra-group transactions. We continue to evaluate whether the interpretation of this regulation applies to our facts and circumstances, and, based on our preliminary analysis, we recorded an immaterial reserve related to this matter during the second quarter of 2020.

In the year ended December 31, 2019, the benefit of foreign earnings includes foreign local tax expense of $193.2, which is offset by the benefit from U.S. foreign tax credits of $196.1, resulting in a net decrease to the effective tax rate of 0.1%. We incurred U.S. tax expense on our foreign earnings of $187.6, which includes GILTI minimum tax. The U.S. tax on our foreign earnings reflects a benefit of $269.5, or 12.4%, primarily related to the Section 250(a) deduction, compared to the U.S. statutory rate. The benefit from foreign earnings also includes certain one-time tax benefits associated with the intellectual property of Wilson Therapeutics. The deferred tax benefits include $95.7 and $30.3 associated with a tax election made with respect to intellectual property of Wilson Therapeutics and a valuation allowance release and corresponding recognition of net operating losses, respectively. On July 1, 2019, the Wilson Therapeutics intellectual property was integrated into the Alexion corporate structure, resulting in income tax expense of approximately $10.2.

A comprehensive analysis of our prior year estimate related to our foreign-derived intangible income (“FDII”) was completed during the third quarter 2019 based on additional guidance provided in the proposed regulations issued by the U.S. Treasury Department in 2019. The analysis resulted in income tax benefit of $17.0 related to prior year, which was recorded as a change in estimate in income tax expense in our consolidated statements of operations, resulting in a decrease of approximately 0.8% to our effective tax rate.

In the year ended December 31, 2019, the Company completed an intra-entity asset transfer of certain intellectual property to an Irish subsidiary within our captive foreign partnership. The Company recognized deferred tax benefits of $2,221.5 which represents the difference between the basis of the intellectual property for financial statement purposes and the basis of the intellectual property for tax purposes, applying the appropriate enacted

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statutory tax rates. The Company will receive future tax deductions associated with amortization of the intellectual property, and any amortization not deducted for tax purposes will be carried forward indefinitely under Irish tax law. An offsetting deferred tax expense of $1,839.3 has been recognized to reflect the reduction of future foreign tax credits associated with the foreign local tax amortization deductions. These net deferred tax benefits resulted in a decrease of approximately 17.5% to our effective tax rate.

In the year ended December 31, 2018, the benefit of foreign earnings includes foreign local tax expense of $58.1, substantially all of which is offset by the benefit from U.S. foreign tax credits of $54.2, resulting in a net increase to the effective tax rate of 1.6%. We incurred U.S. tax expense on our foreign earnings of $206.1, which includes GILTI minimum tax. The U.S. tax on our foreign earnings reflects a benefit of $108.7, or 44.8%, primarily related to the Section 250(a) deduction, compared to the U.S. statutory rate. Also included in this component is a benefit of $67.7 from adjustments to 2018 provisional accounting for the Tax Act, which resulted in a decrease to our effective tax rate of approximately 28.0%.

The effective tax rate reconciliation includes the tax impact of acquisitions of IPR&D assets. Absent successful clinical results and regulatory approval, there is no alternative use for certain acquired IPR&D assets. An increase to the effective tax rate results when the value of such assets are expensed, and no tax benefit is recognized. In the year ended December 31, 2018, this component of the effective tax rate includes an increase to tax expense of $248.4 related to the acquired IPR&D costs for the acquisitions of Wilson Therapeutics and Syntimmune, which increased our effective tax rate by 69.7% and 32.9%, respectively.

In the year ended December 31, 2018, other permanent differences include tax expense of $15.8 or 6.5% related to other nondeductible compensation.

The Tax Act

In December 2017, the Tax Act was enacted into law. The Tax Act decreased the US federal corporate tax rate to 21.0%, imposed a minimum tax on foreign earnings related to intangible assets (GILTI), a one-time transition tax on previously unremitted foreign earnings, and modified the taxation of other income and expense items. With regard to the GILTI minimum tax, foreign earnings are reduced by the profit attributable to tangible assets and a deductible allowance of up to 50.0%, subject to annual limitations. We have elected to account for the impact of the minimum tax in deferred taxes.

We calculated provisional amounts for the tax effects of the Tax Act that could be reasonably estimated, but not completed, in our results for the year ended December 31, 2017. As of the fourth quarter 2018 we had completed our analysis of all provisional estimates, and concluded as follows:

(a) We calculated a reasonable estimate of the one-time transition tax on previously unremitted earnings, which resulted in an increase to U.S. Federal tax expense of $177.9 and an increase to taxes payable, net of tax credits, of $28.0 in the period ended December 31, 2017. Our initial accounting for the transition tax was not complete as of December 31, 2017 because there was uncertainty regarding the calculation of the amounts subject to the tax. We completed our analysis of the transition tax and related interpretive guidance during the third quarter 2018. No significant measurement period adjustment to our initial accounting was required.

(b) We calculated a reasonable estimate of the impact of the GILTI minimum tax on deferred taxes, which resulted in an increase to U.S. Federal tax expense and the deferred tax liability of $236.9 in the period ended December 31, 2017. Our initial accounting for the minimum tax was incomplete because there was uncertainty regarding the calculation of the temporary differences subject to the minimum tax. We completed our analyses of these temporary differences and the expected timing and manner of their reversal during the fourth quarter 2018. We recorded measurement period adjustments during 2018 which resulted in a decrease to U.S. federal tax expense of $67.7.

(c) We calculated a reasonable estimate of the Tax Act's limits on deductions for employee remuneration, including remuneration in kind, which resulted in an insignificant impact to tax expense, taxes payable, and deferred taxes in the period ended December 31, 2017. Our initial accounting for these limits was incomplete because there was uncertainty regarding the value of the deduction-limited remuneration. We completed our analysis of the relevant employee remuneration arrangements during the third quarter 2018. No measurement period adjustment to our initial accounting was required.

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(amounts in millions except per share amounts)

(d) We calculated a reasonable estimate of the impact of the Tax Act to U.S. state income taxes, which resulted in an increase to tax expense, taxes payable, and deferred taxes of $2.9, $2.2, and $0.7, respectively, in the period ended December 31, 2017. We interpreted the effect of the Tax Act's changes to federal law on each U.S. state's system of taxation as of the date of enactment. We completed additional analysis of the effect of modifications to federal deductions and income inclusions on U.S. state tax systems in the fourth quarter 2018. No measurement period adjustment to our initial accounting was required.

(e) We calculated the deferred tax liability related to our foreign captive partnership in the period ended December 31, 2017 consistent with our calculation in periods prior to enactment of the Tax Act. As a result, the deferred tax liability we recorded as of December 31, 2017 of $533.4 related to our foreign captive partnership was provisional. We completed additional analysis of the direct and indirect effects of the Tax Act during the fourth quarter 2018. We recorded measurement period adjustments during 2018 which resulted in an increase to U.S. state income tax expense and deferred taxes of $11.1.

Deferred Taxes

Provisions have been made for deferred taxes based on the differences between the basis of the assets and liabilities for financial statement purposes and the basis of the assets and liabilities for tax purposes using currently enacted tax rates and regulations that will be in effect when the differences are expected to be recovered or settled. The components of the deferred tax assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating losses	$ 318.1	$ 102.9
Income tax credits	465.1	328.1
Stock compensation	58.6	57.1
Accruals and allowances	138.8	65.2
Unrealized losses	25.4	18.8
Research and development expenses	1.9	3.5
Accrued royalties	1.2	0.8
ROU leases	45.8	46.2
Intangible assets	1,892.0	1,967.3
	2,946.9	2,589.9
Valuation allowance	(276.0)	(72.6)
Total deferred tax assets	2,670.9	2,517.3
Deferred tax liabilities:		
Depreciable assets	(5.6)	(5.1)
Inventory fair value step-up	(53.5)	—
Investment in foreign partnership	(1,992.7)	(2,249.5)
ROU leases	(51.9)	(53.9)
Total deferred tax liabilities	(2,103.7)	(2,308.5)
Net deferred tax (liability) asset	$ 567.2	$ 208.8

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(amounts in millions except per share amounts)

As of December 31, 2020, we have tax effected federal and state net operating loss carryforwards of $210.4 and $108.1, respectively. Our net operating losses expire between 2022 and 2043, with the exception of $ 112.8 of federal and $1.9 state net operating losses that can be carried forward indefinitely. We also have federal and state income tax credit carryforwards of $417.0 and $83.5, respectively. The federal income tax credits expire between 2033 and 2040, whereas $ 51.6 of state income tax credit carryforwards expire between 2021 and 2035. The remaining $31.9 of state income tax credits can be carried forward indefinitely.

Included in the year ended December 31, 2020 are $ 75.7 of Connecticut state net operating loss carryforwards and $ 53.7 of Connecticut state income tax credit carryforwards. A change in the Connecticut state tax regime signed into law during 2019 phases out the capital-based component of the business tax. Once fully phased out in 2024, the Company will be subject to income-based taxes in the state of Connecticut. The Company anticipates generating tax credits in future years that exceed the amount that can otherwise be utilized. As a result, a full valuation allowance has been established against these carryforward attributes.

The increase in our net operating losses, income tax credits and valuation allowance primarily relates to the Achillion and Portola acquisitions. Refer to Note 2, *Acquisitions*, for additional information. We continue to maintain a valuation allowance against other certain deferred tax assets where realization is not certain. The following table represents a roll-forward of our valuation allowance on deferred tax assets:

	Valuation Allowance on Deferred Tax Assets
Balances, December 31, 2017	$ (3.4)
Additions charged to income tax expense	—
Additions charged to acquired in-process research and	(17.1)
development Reductions credited to income tax expense Balances,	0.9
December 31, 2018	$ (19.6)
Additions charged to income tax expense	(68.6)
Reductions credited to income tax expense	15.6
Balances, December 31, 2019	$ (72.6)
Additions charged to income tax expense	(18.8)
Additions charged to goodwill	(184.6)
Reductions credited to income tax expense	—
Balances, December 31, 2020	$ (276.0)

Included in our investment in foreign partnership above is a deferred tax liability of $1,194.3 associated with GILTI minimum tax.

Unrecognized Tax Benefits

We follow authoritative guidance regarding accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition.

The beginning and ending amounts of unrecognized tax benefits reconciles as follows:

	2020	2019	2018
Beginning of period balance	$ 133.8	$ 92.7	$ 60.9
Increases for tax positions taken during a prior period	27.6	3.4	9.1
Decreases for tax positions taken during a prior period	(10.0)	(4.9)	(5.8)
Increases for tax positions taken during the current period	28.0	43.8	28.8
Decreases for tax positions related to settlements	(13.9)	—	—
Decreases for tax positions related to lapse of statute	(2.1)	(1.2)	(0.3)
	$ 163.4	$ 133.8	$ 92.7

The total amount of accrued interest and penalties were not significant as of December 31, 2020. The total amount of tax benefit recorded during 2020, 2019, and 2018 which related to unrecognized tax benefits was $21.4,

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$4.6 and $35.4, respectively. All of our unrecognized tax benefits, if recognized, would have a favorable impact on the effective tax rate.

It is reasonably possible that a portion of our unrecognized tax benefits could reverse within the next twelve months. Reversal of these amounts is contingent upon the completion of field audits by the taxing authorities in several jurisdictions, whether a tax adjustment is proposed, the nature and amount of any adjustment, and the administrative path to resolving the proposed adjustment. We cannot reasonably estimate the range of the potential change.

Tax Audits

We file federal and state income tax returns in the U.S. and in numerous foreign jurisdictions. The U.S. and foreign jurisdictions have statutes of limitations ranging from 3 to 6 years. However, the limitation period could be extended due to our tax attribute carryforward position in a number of our jurisdictions. The tax authorities generally have the ability to review income tax returns for periods where the limitation period has previously expired and can subsequently adjust tax attribute values.

In 2017, the Internal Revenue Service (IRS) commenced an examination of our U.S. income tax returns for 2015. During the second quarter of 2020 we received a Revenue Agent Report (RAR) and held discussions with the IRS regarding a proposed adjustment related to the valuation of certain intellectual property that was contributed into our captive partnership during 2015. The Company agreed with the adjustment outlined in the RAR and recognized a previously unrecognized tax benefit in the second quarter of 2020 that did not result in a significant impact to the financial statements. The IRS concluded its examination during the third quarter 2020 without additional adjustments.

As described above, we entered into an agreement with the DTA in December 2020 and have agreed to pay approximately $73.8 in connection with a settlement regarding certain matters relating to our 2014 through 2019 tax years.

Undistributed Earnings

We have recorded tax on the undistributed earnings of our controlled foreign corporation (CFC) subsidiaries. To the extent CFC earnings may not be repatriated to the U.S. as a dividend distribution due to limitations imposed by law, we have not recorded the related potential withholding, foreign local, and U.S. state income taxes.

Coronavirus Aid, Relief and Economic Security Act

In response to the market volatility and instability resulting from the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Act. Under the Tax Act, federal net operating losses (NOLs) generated after 2017 could not be carried back and utilization was limited to 80% of taxable income. The CARES Act allows for a five-year carryback of federal NOLs generated in 2018 through 2020 and eliminates the 80% taxable income limitation by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018 through 2020. In addition, the CARES Act generally allows taxpayers to deduct interest up to 50% of adjusted taxable income (30% limit under the Tax Act) for tax years 2019 and 2020. The CARES Act also allows taxpayers with prior year alternative minimum tax (repealed by the Tax Act) (AMT) credits to accelerate refund claims to tax years beginning in 2018 and 2019 instead of recovering the credits over a period of years, as originally enacted by the Tax Act.

Additionally, the CARES Act raises the corporate charitable deduction limit to 25% of taxable income and provides a technical correction to the Tax Act to generally provide qualified improvement property a 15-year cost-recovery period and allow 100% bonus depreciation. The enactment of the CARES Act did not result in any material adjustments to our income tax provision for the year ended December 31, 2020, or to our U.S. federal and state net deferred tax liabilities as of December 31, 2020.

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13. Share-based Compensation

2017 Incentive Plan

The 2017 Plan was approved by our stockholders in May 2017 and replaced the 2004 Plan effective May 10, 2017. The 2017 Plan is a broad based plan that provides for the grant of equity awards including restricted stock and restricted stock units (collectively referred to as Restricted Stock), incentive and non-qualified stock options, and other stock-related awards to our directors, officers, key employees and consultants, for up to a maximum of 18.2 shares in addition to awards outstanding under the 2004 Incentive Plan on or after March 14, 2017 that are subsequently canceled, cash settled, expired, forfeited, or otherwise terminated without the delivery of such shares, subject to the limitations in the 2017 Plan. Stock options granted under the 2017 Plan have a maximum contractual term of ten years from the date of grant, have an exercise price not less than the fair value of the stock on the grant date and generally vest over four years. Restricted Stock awards also generally vest over four years, with performance-based restricted stock units having a three-year vesting period.

Stock Options

A summary of the status of our stock options as of December 31, 2020, and changes during the year then ended is presented in the table and narrative below:

	Number of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2019	3.0	$ 119.51		
Granted	—	75.10		
Exercised	(0.7)	64.79		
Forfeited and canceled	(0.1)	146.19		
Outstanding as of December 31, 2020	2.2	$ 134.15	3.52	$ 67.3
Vested and unvested expected to vest as of December 31, 2020	2.2	$ 134.15	3.52	$ 67.2
Exercisable as of December 31, 2020	2.2	$ 134.35	3.49	$ 66.3

Total intrinsic value of stock options exercised during the years ended December 31, 2020, 2019 and 2018 was $39.3, $14.7 and $27.5, respectively. We primarily utilize newly issued shares to satisfy the exercise of stock options. The total fair value of options vested during the years ended December 31, 2020, 2019 and 2018 was $4.8, $10.1 and $27.2, respectively.

We did not grant any stock options during the years ended December 31, 2020, 2019 and 2018.

Restricted Stock

A summary of the status of our nonvested Restricted Stock as of December 31, 2020 and changes during the year then ended is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested Restricted Stock as of December 31, 2019	4.3	$ 128.24
Shares granted	3.9	100.95
Shares forfeited	(0.6)	119.07
Shares vested	(2.2)	122.86
Nonvested Restricted Stock as of December 31, 2020	5.4	$ 111.54

The fair value of Restricted Stock at the date of grant is based on the fair market value of the shares of common stock underlying the awards on the date of grant. The weighted average fair value at the date of grant for Restricted Stock awards granted during the years ended December 31, 2020, 2019 and 2018, including restricted stock units with performance conditions, was $100.95, $133.89 and $119.27 per share, respectively. Included in

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the number of shares granted during 2020 is 0.4 shares of replacement awards related to our acquisition of Portola and 0.3 shares relating to incremental shares earned for performance-based awards granted in prior years.

The total fair value of Restricted Stock vested during the years ended December 31, 2020, 2019 and 2018 was $271.3, $ 161.3 and $181.7, respectively. Restricted Stock vested during 2020 includes 0.6 shares with a total fair value of $71.8 due to accelerated vesting of Restricted Stock and performance-based awards.

During 2020, we granted 0.5 shares to senior management that include both market-based and non-market-based performance conditions which provide the recipient the right to receive restricted stock at the end of a three year performance period. We used payout simulation models to estimate the grant date fair value of these awards. The grant date fair value of these awards was estimated to be $94.03 based on the probable achievement of the performance targets. The expense recognized for performance-based awards during the years ended December 31, 2020, 2019 and 2018 was $66.6, $46.3 and $14.9, respectively.

Employee Stock Purchase Plan

During 2015, the Company adopted the ESPP under which employees can purchase shares of our common stock based on a percentage of their compensation subject to certain limits. The purchase price per share is equal to the lower of 85.0% of the fair market value of our common stock on the offering date or the purchase date with a six month look-back feature. Under the ESPP, up to 1.0 shares of common stock may be issued to eligible employees who elect to participate in the purchase plan. Shares issued and compensation expense recognized under the ESPP for the years ended December 31, 2020, 2019 and 2018 was not material.

Share-Based Compensation Expense

The following table summarizes the share-based compensation expense in the consolidated statements of operations:

	Year Ended December 31,		
	2020	2019	2018
Cost of sales (exclusive of amortization of purchased intangible assets)	$ 12.4	$ 14.1	$ 16.0
Research and development	68.6	61.8	57.5
Selling, general and administrative	179.7	161.1	129.5
Acquisition-related costs	20.4	—	—
Total share-based compensation expense	281.1	237.0	203.0
Income tax effect	(65.3)	(55.0)	(46.5)
Total share-based compensation expense, net of tax	$ 215.8	$ 182.0	$ 156.5

Share-based compensation expense capitalized to inventory during the years ended December 31, 2020, 2019 and 2018 was $11.9, $12.9, and $14.5, respectively.

As of December 31, 2020, there was $366.3 of total unrecognized share-based compensation expense related to non-vested share-based compensation arrangements granted under our share-based compensation plans. The expense is expected to be recognized over a weighted-average period of 1.68 years.

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14. Stockholders' Equity

Share Repurchases

In November 2012, our Board of Directors authorized a share repurchase program. In February 2017, our Board of Directors increased the amount that we are authorized to expend on future repurchases to $1,000.0 under our repurchase program, which superseded all prior repurchase programs. The entire amount authorized pursuant to this February 2017 Board approval has been utilized. On October 22, 2019, the Board of Directors approved a share repurchase authorization of up to $1,000.0. On July 28, 2020, the Board of Directors approved a new share repurchase authorization of up to an additional $1,500.0. The repurchase program does not have an expiration date and we are not obligated to acquire a particular number of shares. The repurchase program may be discontinued at any time at our discretion. Under the program, we repurchased 4.9 and 3.8 shares of our common stock at a cost of $510.8 and $416.0 during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, there is a total of $2,024.7 remaining for repurchases under the repurchase programs.

15. Other Comprehensive Income and Accumulated Other Comprehensive Income

The following table summarizes the changes in AOCI, by component, for the years ended December 31, 2020, 2019 and 2018:

	Defined Benefit Pension Plans	Unrealized Gains (Losses) from Debt Securities	Unrealized Gains (Losses) from Hedging Activities	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balances, December 31, 2017	$ (4.8)	$ 0.2	$ (13.9)	$ (15.9)	$ (34.4)
Other comprehensive income (loss) before reclassifications	1.5	0.1	32.9	(0.5)	34.0
Amounts reclassified from other comprehensive income	0.7	(0.6)	(9.4)	—	(9.3)
Net other comprehensive income (loss)	2.2	(0.5)	23.5	(0.5)	24.7
Balances, December 31, 2018	$ (2.6)	$ (0.3)	$ 9.6	$ (16.4)	$ (9.7)
Other comprehensive income (loss) before reclassifications	(6.6)	0.2	(11.1)	(1.0)	(18.5)
Amounts reclassified from other comprehensive income	—	—	(38.6)	—	(38.6)
Net other comprehensive income (loss)	(6.6)	0.2	(49.7)	(1.0)	(57.1)
Balances, December 31, 2019	$ (9.2)	$ (0.1)	$ (40.1)	$ (17.4)	$ (66.8)
Other comprehensive income (loss) before reclassifications	(1.5)	0.1	(88.1)	5.7	(83.8)
Amounts reclassified from other comprehensive income	0.5	—	25.5	—	26.0
Net other comprehensive income (loss)	(1.0)	0.1	(62.6)	5.7	(57.8)
Balances, December 31, 2020	$ (10.2)	$ —	$ (102.7)	$ (11.7)	$ (124.6)

The table below provides details regarding significant reclassifications from AOCI during the years ended December 31, 2020, 2019 and 2018:

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(amounts in millions except per share amounts)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income during the year ended December 31, 2020	2019	2018	Affected Line Item in the Consolidated Statements of Operations
Unrealized Gains (Losses) on Hedging Activity				
Forward exchange forward contracts	$ 4.7	$ 36.8	$ (1.8)	Net product sales
Interest rate swap contracts	(37.5)	13.3	13.6	Interest expense
	(32.8)	50.1	11.8	
	7.3	(11.5)	(2.4)	Income tax (benefit) expense
	$ (25.5)	$ 38.6	$ 9.4	
Defined Benefit Pension Items				
Amortization of prior service costs and actuarial losses	$ (0.7)	$ —	$ (0.3)	
Curtailment	—	—	(0.6)	
	(0.7)	—	(0.9)	
	0.2	—	0.2	Income tax (benefit) expense
	$ (0.5)	$ —	$ (0.7)	

16. Fair Value Measurement

Authoritative guidance establishes a valuation hierarchy for disclosure of the inputs to the valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020 and 2019, and indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair value.

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(amounts in millions except per share amounts)

Balance Sheet Classification	Type of Instrument	Fair Value Measurement at December 31, 2020 Total	Level 1	Level 2	Level 3
Cash equivalents	Money market funds	$ 833.7	$ —	$ 833.7	$ —
Marketable securities	Mutual funds	$ 34.9	$ 34.9	$ —	$ —
Other assets	Equity securities	$ 143.2	$ 122.7	$ 20.5	$ —
Prepaid expenses and other current assets	Foreign exchange forward contracts	$ 26.1	$ —	$ 26.1	$ —
Other current liabilities	Foreign exchange forward contracts	$ 80.1	$ —	$ 80.1	$ —
Other liabilities	Foreign exchange forward contracts	$ 1.2	$ —	$ 1.2	$ —
Other current liabilities	Interest rate contracts	$ 45.9	$ —	$ 45.9	$ —
Other liabilities	Interest rate contracts	$ 45.4	$ —	$ 45.4	$ —
Current portion of contingent consideration	Acquisition-related contingent consideration	$ 114.9	$ —	$ —	$ 114.9
Contingent consideration	Acquisition-related contingent consideration	$ 299.4	$ —	$ —	$ 299.4

Balance Sheet Classification	Type of Instrument	Fair Value Measurement at December 31, 2019 Total	Level 1	Level 2	Level 3
Cash equivalents	Money market funds	$ 635.9	$ —	$ 635.9	$ —
Cash equivalents	Commercial paper	$ 227.9	$ —	$ 227.9	$ —
Cash equivalents	Corporate bonds	$ 20.6	$ —	$ 20.6	$ —
Cash equivalents	Bank certificates of deposit	$ 19.2	$ —	$ 19.2	$ —
Cash equivalents	Other government-related obligations	$ 60.4	$ —	$ 60.4	$ —
Marketable securities	Mutual funds	$ 23.1	$ 23.1	$ —	$ —
Marketable securities	Commercial paper	$ 19.0	$ —	$ 19.0	$ —
Marketable securities	Corporate bonds	$ 3.7	$ —	$ 3.7	$ —
Marketable securities	Other government-related obligations	$ 10.0	$ —	$ 10.0	$ —
Marketable securities	Bank certificates of deposit	$ 8.2	$ —	$ 8.2	$ —
Other assets	Equity securities	$ 79.0	$ 51.2	$ 27.8	$ —
Prepaid expenses and other current assets	Foreign exchange forward contracts	$ 29.9	$ —	$ 29.9	$ —
Other assets	Foreign exchange forward contracts	$ 0.6	$ —	$ 0.6	$ —
Other current liabilities	Foreign exchange forward contracts	$ 26.6	$ —	$ 26.6	$ —
Other liabilities	Foreign exchange forward contracts	$ 1.1	$ —	$ 1.1	$ —
Other current liabilities	Interest rate contracts	$ 19.5	$ —	$ 19.5	$ —
Other liabilities	Interest rate contracts	$ 41.9	$ —	$ 41.9	$ —
Contingent consideration	Acquisition-related contingent consideration	$ 192.4	$ —	$ —	$ 192.4
Other current liabilities	Other contingent payments	$ 24.0	$ —	$ —	$ 24.0

There were no securities transferred between Level 1, 2 and 3 during the year ended December 31, 2020.

Valuation Techniques

We classify mutual fund investments and equity securities, which are valued based on quoted market prices in active markets with no valuation adjustment, as Level 1 assets within the fair value hierarchy.

Cash equivalents and marketable securities classified as Level 2 within the valuation hierarchy include money market funds, commercial paper, U.S. and foreign government-related debt, corporate debt securities and certificates

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of deposit. We estimate the fair values of these marketable securities by taking into consideration valuations obtained from third-party pricing sources. These pricing sources utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include market pricing based on real-time trade data for similar securities, issuer credit spreads, benchmark yields, and other observable inputs. We validate the prices provided by our third-party pricing sources by understanding the models used, obtaining market values from other pricing sources and analyzing pricing data in certain instances.

Other investments in equity securities of publicly traded companies which are subject to holding period restrictions are carried at fair value using an option pricing valuation model and classified as Level 2 equity securities within the fair value hierarchy. The most significant assumptions within the option pricing valuation model are the term of the restrictions and the stock price volatility, which is based upon the historical volatility of the applicable company or similar companies. We also use a constant maturity risk-free interest rate to match the remaining term of the restrictions on such investments.

Our derivative assets and liabilities include foreign exchange and interest rate derivatives that are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk as well as an evaluation of our counterparties' credit risks. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy.

Contingent consideration liabilities related to business acquisitions and derivative liabilities associated with other contingent payments are classified as Level 3 within the valuation hierarchy and are valued based on various estimates, including probability of success, discount rates and amount of time until the conditions of the milestone payments are met.

As of December 31, 2020, there has not been any impact to the fair value of our derivative liabilities due to our own credit risk. Similarly, there has not been any significant adverse impact to our derivative assets based on our evaluation of our counterparties' credit risks.

Acquisition-Related Contingent Consideration

In connection with prior business combinations, we may be required to pay future consideration that is contingent upon the achievement of specified development, regulatory approvals or sales-based milestone events. We determine the fair value of these obligations using various estimates that are not observable in the market and represent a Level 3 measurement within the fair value hierarchy. As of December 31, 2020, the resulting probability-weighted cash flows were discounted using a cost of debt ranging from 2.8% to 3.3% for developmental and regulatory milestones and a weighted average cost of capital of 9.0% for sales-based milestones.

Each reporting period, we adjust the contingent consideration to fair value with changes in fair value recognized in operating earnings. Changes in fair values reflect new information about the probability and timing of meeting the conditions of the milestone payments. In the absence of new information, changes in fair value will only reflect the interest component of contingent consideration related to the passage of time.

As of December 31, 2020, estimated future contingent milestone payments related to prior business combinations range from zero if no milestone events are achieved, to a maximum of $905.6 if all development, regulatory and sales-based milestones are reached. As of December 31, 2020, the fair value of acquisition-related contingent consideration was $414.3. During the next 12 months, we expect to make milestone payments of $120.0 associated with our prior business combinations. The following table represents a roll-forward of our acquisition-related contingent consideration:

	Year ended December 31, 2020
Balance as of December 31, 2019	$ 192.4
Amounts issued	160.7
Changes in fair value	61.2
Balance as of December 31, 2020	$ 414.3

Other Contingent Payments

In January 2019, we entered into an agreement with Caelum, a biotechnology company that is developing CAEL-101 for light chain (AL) amyloidosis. Under the terms of the agreement, we acquired a minority equity interest

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in preferred stock of Caelum and an exclusive option to acquire the remaining equity in Caelum based on Phase II data, for pre-negotiated economics. We paid $30.0 during the first quarter 2019 and agreed to pay up to an additional $30.0 in contingent development milestones prior to our exercise of the option to acquire the remaining equity in Caelum. These contingent payments met the definition of a derivative liability and were initially recorded at fair value of $27.1, based on the probability-weighted cash flows, discounted using a cost of debt ranging from 3.3% to 3.5%.

In December 2019, following FDA feedback which resulted in the redesign and expansion of Caelum's planned clinical development program for CAEL-101, we amended the terms of our existing option agreement with Caelum. The amendment modified the terms of the option to acquire the remaining equity in Caelum based on data from the expanded Phase II/III trials. The amendment also modified the development-related milestone events associated with the initial $30.0 in contingent payments, provided for an additional $20.0 in upfront funding, as well as funding of $60.0 in exchange for an additional equity interest at fair value upon achievement of a specific development-related milestone event. As of December 31, 2019 and in connection with the amendment, we remeasured the derivative liability related to the initial $30.0 in contingent payments to its fair value, or $ 24.0, based on the probability-weighted cash flows, discounted using a cost of debt of 2.1% and accrued for the additional $20.0 in upfront funding. We paid the additional $20.0 in upfront funding and the initial $30.0 in contingent payments in 2020.

Each reporting period, we adjust the derivative liability associated with the contingent payments to fair value with changes in fair value recognized in other income and (expense). Changes in fair values reflect new information about the probability and anticipated timing of meeting the conditions of the milestone payments. In the absence of new information, changes in fair value will only reflect the interest component of the liability related to the passage of time. The aggregate $ 30.0 milestone payments made during 2020 settled the derivative liability and reduced the derivative liability balance to zero. We recorded $6.0 of expense in other income and (expense) during the year ended December 31, 2020. We recorded $3.1 of income in other income and (expense) during the year ended December 31, 2019, including $4.1 as a result of the amendment to our agreement with Caelum.

17. Restructuring and Related Expenses

During the third quarter 2020, we initiated restructuring activities primarily within our commercial organization as part of an initiative intended to redefine our operating model. The actions are intended to reallocate resources necessary to align our organization with our diversifying portfolio of new products and strategic objectives, and will include investments in digital capabilities, technologies and solutions to support a more virtual and digital customer experience and tailored to the markets in which we operate.

The actions are expected to be substantially completed during 2021, with the cumulative pretax costs to be incurred by the Company to implement the program estimated to be approximately $10.0, which has primarily been recognized during the year ended December 31, 2020. We expect that the pretax costs will primarily result in cash outlays, as the costs primarily relate to employee separation expenses.

In the first quarter 2019, we initiated corporate restructuring activities to re-align our international commercial organization through re-prioritization of certain geographical markets and to implement operational excellence through strategic reallocation of resources. Actions under the first quarter 2019 restructuring program have been completed.

In the first quarter 2017, we initiated a company-wide restructuring designed to help position the Company for sustainable, long-term growth that we believe will further allow us to fulfill our mission of serving patients and families with rare diseases. In September 2017, we committed to an operational plan to re-align the global organization with its refocused corporate strategy. The re-alignment included the relocation of the Company's headquarters to Boston, Massachusetts and a reduction of the Company's global workforce. The restructuring was designed to result in cost savings by focusing the development portfolio, simplifying business structures and process across the Company's global operations, and closing multiple Alexion sites. Costs incurred during 2018 relate to the 2017 restructuring plan. Actions under the 2017 restructuring programs have been completed.

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(amounts in millions except per share amounts)

The following table summarizes the total expenses recorded related to the restructuring activities by type of activity and the locations recognized within the consolidated statements of operations:

	December 31, 2020				December 31, 2019				December 31, 2018			
	Employee Separation Costs	Asset-Related Charges	Other	Total	Employee Separation Costs	Asset-Related Charges	Other	Total	Employee Separation Costs	Asset-Related Charges	Other	Total
Cost of sales (exclusive of amortization of purchased intangible assets)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 5.8	$ —	$ 5.8
Research and development	—	—	—	—	—	—	—	—	—	0.1	—	0.1
Selling, general and administrative	—	—	—	—	—	—	—	—	—	19.4	—	19.4
Restructuring expenses	8.4	—	1.9	10.3	8.4	—	3.6	12.0	4.6	—	20.9	25.5
Other income and (expense)	—	—	—	—	—	—	—	—	—		(0.1)	(0.1)
	$ 8.4	$ —	$ 1.9	$ 10.3	$ 8.4	$ —	$ 3.6	$ 12.0	$ 4.6	$ 25.3	$ 20.8	$ 50.7

Employee separation costs are associated with headcount reductions.

Asset-related charges consist of accelerated depreciation costs and asset impairment charges. Accelerated depreciation costs primarily relates to site closures, including ARIMF (which was sold to a third-party in 2018). Accelerated depreciation costs represent the difference between the depreciation expense recognized over the revised useful life of the asset, based upon the anticipated date the site closure, and the depreciation expense as determined using the useful life prior to the restructuring activities. Asset impairment charges primarily related to manufacturing assets that will no longer be utilized due to the 2017 restructuring activities.

Other costs consist of contract termination expenses, relocation costs, and other costs incurred as a direct result of an exit plan.

The following table presents a reconciliation of the restructuring reserve recorded within accounts payable and accrued expenses on the Company's consolidated balance sheets for the years ended December 31, 2020 and 2019:

	December 31, 2020			December 31, 2019		
	Employee Separation Costs	Other	Total	Employee Separation Costs	Other	Total
Liability, beginning of year	$ 3.3	$ 3.5	$ 6.8	$ 4.2	$ —	$ 4.2
Charges	14.3	2.4	16.7	14.2	3.0	17.2
Settlements	(3.5)	(5.4)	(8.9)	(9.3)	(0.1)	(9.4)
Adjustments to previous estimates	(5.9)	(0.5)	(6.4)	(5.8)	0.6	(5.2)
Liability, end of year	$ 8.2	$ —	$ 8.2	$ 3.3	$ 3.5	$ 6.8

The restructuring reserve of $8.2 and $ 6.8 is recorded in accounts payable and accrued expenses on the Company's consolidated balance sheet as of December 31, 2020 and 2019, respectively. The accrued amounts are expected to be paid in the next twelve months. We currently estimate incurring an immaterial amount of restructuring expenses in 2021 related to the third quarter 2020 action.

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(amounts in millions except per share amounts)

18. Segment Information

We operate in a single segment, focusing on serving patients affected by rare diseases and devastating conditions through the discovery, development and commercialization of life-changing therapies. Consistent with our operational structure, our chief operating decision maker manages and allocates resources at a global, consolidated level. Therefore, results of our operations are reported on a consolidated basis for purposes of segment reporting, consistent with our management reporting. Disclosures about net product sales and long-lived assets by geographic area are presented below.

Net Product Sales

Net product sales by product and geographic region are as follows:

	Year Ended December 31,			% Change	
	2020	2019	2018	2020 compared to 2019	2019 compared to 2018
SOLIRIS					
United States	$ 2,259.7	$ 2,014.0	$ 1,588.4	12.2 %	26.8 %
Europe	1,033.3	1,049.8	1,036.7	(1.6)%	1.3 %
Asia Pacific	343.0	423.5	382.0	(19.0)%	10.9 %
Rest of World	428.2	459.1	555.9	(6.7)%	(17.4)%
	$ 4,064.2	$ 3,946.4	$ 3,563.0	3.0 %	10.8 %
ULTOMIRIS					
United States	$ 646.0	$ 236.8	$ —	172.8 %	**
Europe	170.4	52.2	—	226.4 %	**
Asia Pacific	255.3	49.9	—	411.6 %	**
Rest of World	5.0	—	—	**	**
	$ 1,076.7	$ 338.9	$ —	**	**
STRENSIQ					
United States	$ 562.9	$ 451.7	$ 374.3	24.6 %	20.7 %
Europe	80.8	77.0	61.7	4.9 %	24.8 %
Asia Pacific	61.0	50.4	27.9	21.0 %	80.6 %
Rest of World	27.1	13.4	11.2	102.2 %	19.6 %
	$ 731.8	$ 592.5	$ 475.1	23.5 %	24.7 %
ANDEXXA					
United States	$ 71.7	$ —	$ —	**	**
Europe	6.8	—	—	**	**
Asia Pacific	—	—	—	**	**
Rest of World	—	—	—	**	**
	$ 78.5	$ —	$ —	**	**
KANUMA					
United States	$ 63.7	$ 60.0	$ 51.3	6.2 %	17.0 %
Europe	35.6	27.1	21.6	31.4 %	25.5 %
Asia Pacific	4.3	4.6	3.7	(6.5)%	24.3 %
Rest of World	14.3	20.5	15.4	(30.2)%	33.1 %
	$ 117.9	$ 112.2	$ 92.0	5.1 %	22.0 %
Total Net Product Sales	$ 6,069.1	$ 4,990.0	$ 4,130.1	21.6 %	20.8 %

** Percentages not meaningful

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(amounts in millions except per share amounts)

Long-Lived Assets

Long-lived assets consist of property, plant and equipment.

	December 31, 2020	2019
United States	$ 261.0	$ 272.8
Europe	976.2	889.6
Other	1.6	0.9
	$ 1,238.8	$ 1,163.3

19. Quarterly Financial Information (unaudited)

The following condensed quarterly financial information is for the years ended December 31, 2020 and 2019:

2020	March 31	June 30	September 30	December 31
Total revenues	$ 1,444.8	$ 1,444.6	$ 1,588.7	$ 1,591.8
Cost of sales (exclusive of amortization of purchased intangible assets) (A)	111.7	144.9	144.7	152.2
Gross profit	1,333.1	1,299.7	1,444.0	1,439.6
Operating expenses	637.6	2,669.9 (1)	759.1	817.5
Operating income (loss)	695.5	(1,370.2) (1)	684.9	622.1
Net income (loss)	$ 557.6	$ (1,068.1) (1)	$ 578.1	$ 535.8
Earnings (loss) per common share:				
Basic	$ 2.52	$ (4.84)	$ 2.64	$ 2.45
Diluted	$ 2.50	$ (4.84)	$ 2.62	$ 2.42

2019	March 31	June 30	September 30	December 31
Total revenues	$ 1,140.4	$ 1,203.3	$ 1,263.1	$ 1,384.3
Cost of sales (exclusive of amortization of purchased intangible assets) (A)	85.8	99.2	95.2	114.3
Gross profit	1,054.6	1,104.1	1,167.9	1,270.0
Operating expenses	537.8	571.5	637.9	729.0
Operating income	516.8	532.6	530.0	541.0
Net income	$ 587.9 (2)	$ 459.8	$ 467.6	$ 889.0 (3)
Earnings per common share:				
Basic	$ 2.63	$ 2.05	$ 2.09	$ 4.02
Diluted	$ 2.61	$ 2.04	$ 2.08	$ 4.00

(A) Gross profit is calculated as total revenues less cost of sales

(1) Included within operating expenses for the second quarter 2020, we recorded an impairment charge of $2,042.3 to write-down the KANUMA intangible asset to fair value. The KANUMA intangible asset impairment resulted in a deferred tax benefit of $377.3. Refer to Note 4, *Intangible Assets and Goodwill* for additional information.

(2) During the first quarter 2019, we recognized one-time tax benefits of $95.7 and $30.3 associated with a tax election made with respect to intellectual property of Wilson Therapeutics AB and a release of an existing valuation allowance, respectively. Refer to Note 12, *Income Taxes* for additional information.

(3) During the fourth quarter 2019, we recognized a one-time tax benefit of $382.2 related to an intra-entity asset transfer of certain intellectual property within our captive foreign partnership. Refer to Note 12, *Income Taxes* for additional information.

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Alexion Pharmaceuticals, Inc.

Notes to Consolidated Financial Statements
For the Years ended December 31, 2020, 2019 and 2018
(amounts in millions except per share amounts)

20. Subsequent Events

In January 2021, Alexion entered into a definitive asset purchase agreement with Rhythm Pharmaceuticals, Inc. (“Rhythm”) to acquire its Rare Pediatric Disease Priority Review Voucher (PRV) for $100.0. Alexion’s acquisition of Rhythm’s PRV is subject to the satisfaction of customary closing conditions and approval from relevant regulatory agencies, including the expiration or early termination of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act. Upon closing, we will make a $100.0 cash payment and we expect to capitalize the PRV as an acquired IPR&D intangible asset.

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Alexion Pharmaceuticals, Inc.

Condensed Consolidated Balance Sheets
(unaudited)
(amounts in millions, except per share amounts)

	March 31, 2021	December 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,429.6	$ 2,964.5
Marketable securities	39.7	34.9
Trade accounts receivable, net	1,473.0	1,409.3
Inventories	803.9	775.7
Prepaid expenses and other current assets	706.4	648.6
Total current assets	6,452.6	5,833.0
Property, plant and equipment, net	1,244.8	1,238.8
Intangible assets, net	3,048.3	3,002.4
Goodwill	5,100.1	5,100.1
Right of use operating assets	216.8	223.1
Deferred tax assets	2,140.6	2,199.4
Other assets	447.0	506.2
Total assets	$ 18,650.2	$ 18,103.0
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 125.3	$ 118.6
Accrued expenses	910.7	1,084.7
Current portion of long-term debt	143.2	142.4
Current portion of contingent consideration	120.0	114.9
Other current liabilities	127.0	164.1
Total current liabilities	1,426.2	1,624.7
Long-term debt, less current portion	2,388.8	2,419.6
Contingent consideration	303.5	299.4
Deferred tax liabilities	1,639.1	1,632.2
Noncurrent operating lease liabilities	170.8	177.1
Other liabilities	290.8	298.8
Total liabilities	6,219.2	6,451.8
Commitments and contingencies (Note 17)		
Stockholders' Equity:		
Common stock, $0.0001 par value; 290.0 shares authorized; 242.3 and 240.9 shares issued at March 31, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	9,243.3	9,152.9
Treasury stock, at cost, 21.4 shares at March 31, 2021 and December 31, 2020	(2,620.5)	(2,620.3)
Accumulated other comprehensive loss	(85.2)	(124.6)
Retained earnings	5,879.2	5,243.2
Total Alexion stockholders' equity	12,416.8	11,651.2
Noncontrolling interest	14.2	—
Total stockholders' equity	12,431.0	11,651.2
Total liabilities and stockholders' equity	$ 18,650.2	$ 18,103.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alexion Pharmaceuticals, Inc.

Condensed Consolidated Statements of Operations
(unaudited)
(amounts in millions, except per share amounts)

	Three months ended March 31, 2021	2020
Net product sales	$ 1,635.7	$ 1,444.6
Other revenue	0.8	0.2
Total revenues	1,636.5	1,444.8
Costs and expenses:		
Cost of sales (exclusive of amortization of purchased intangible assets)	125.4	111.7
Research and development	289.1	200.9
Selling, general and administrative	342.9	319.9
Amortization of purchased intangible assets	53.2	73.7
Change in fair value of contingent consideration	9.2	5.8
Acquired in-process research and development	193.3	—
Acquisition-related costs	13.2	38.1
Restructuring expenses	(0.7)	(0.8)
Gain on sale of assets	(25.3)	—
Total costs and expenses	1,000.3	749.3
Operating income	636.2	695.5
Other income and expense:		
Investment expense, net	(7.0)	(5.2)
Interest expense	(27.1)	(25.8)
Other income and (expense)	0.5	(0.9)
Income before income taxes	602.6	663.6
Income tax expense	113.4	106.0
Net income	489.2	557.6
Net loss attributable to noncontrolling interest	146.8	—
Net income attributable to Alexion	$ 636.0	$ 557.6
Earnings per common share attributable to Alexion:		
Basic	$ 2.89	$ 2.52
Diluted	$ 2.86	$ 2.50
Shares used in computing earnings per common share attributable to Alexion:		
Basic	220.1	221.6
Diluted	222.6	222.6

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alexion Pharmaceuticals, Inc.

Condensed Consolidated Statements of Comprehensive Income
(unaudited)
(amounts in millions)

	Three months ended March 31,	
	2021	2020
Net income	$ 489.2	$ 557.6
Other comprehensive income (loss), net of tax:		
Foreign currency translation	(13.1)	(8.0)
Unrealized losses on debt securities	—	(0.2)
Unrealized gains (losses) on hedging activities, net of tax expense (benefit) of $15.8 and $(8.2), respectively	52.5	(26.5)
Other comprehensive income (loss), net of tax	39.4	(34.7)
Comprehensive income	$ 528.6	$ 522.9
Comprehensive loss attributable to noncontrolling interest	146.8	—
Comprehensive income attributable to Alexion	$ 675.4	$ 522.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alexion Pharmaceuticals, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity
(unaudited)
(amounts in millions)

Three months ended March 31, 2021	Common Stock Shares Issued	Common Stock Amount	Additional Paid-In Capital	Treasury Stock at Cost Shares	Treasury Stock at Cost Amount	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Alexion Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances, December 31, 2020	240.9	$ —	$ 9,152.9	21.4	$ (2,620.3)	$ (124.6)	$ 5,243.2	$ 11,651.2	$ —	$ 11,651.2
VIE noncontrolling interest upon consolidation	—	—	—	—	—	—	—	—	161.0	161.0
Issuance of common stock under stock option and stock purchase plans	0.1	—	14.2	—	—	—	—	14.2	—	14.2
Issuance of restricted common stock	1.3	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	76.2	—	(0.2)	—	—	76.0	—	76.0
Net income (loss)	—	—	—	—	—	—	636.0	636.0	(146.8)	489.2
Other comprehensive income	—	—	—	—	—	39.4	—	39.4	—	39.4
Balances, March 31, 2021	242.3	$ —	$ 9,243.3	21.4	$ (2,620.5)	$ (85.2)	$ 5,879.2	$ 12,416.8	$ 14.2	$ 12,431.0

Three months ended March 31, 2020	Common Stock Shares Issued	Common Stock Amount	Additional Paid-In Capital	Treasury Stock at Cost Shares	Treasury Stock at Cost Amount	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Alexion Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
Balances, December 31, 2019	237.8	$ —	$ 8,804.7	16.5	$ (2,105.9)	$ (66.8)	$ 4,639.8	$ 11,271.8	$ —	$ 11,271.8
Repurchase of common stock	—	—	—	1.3	(107.1)	—	—	(107.1)	—	(107.1)
Issuance of common stock under stock option and stock purchase plans	0.1	—	2.8	—	—	—	—	2.8	—	2.8
Issuance of restricted common stock	1.0	—	—	—	—	—	—	—	—	—
Share-based compensation expense	—	—	57.4	—	—	—	—	57.4	—	57.4
Net income	—	—	—	—	—	—	557.6	557.6	—	557.6
Other comprehensive loss	—	—	—	—	—	(34.7)	—	(34.7)	—	(34.7)
Balances, March 31, 2020	238.9	$ —	$ 8,864.9	17.8	$ (2,213.0)	$ (101.5)	$ 5,197.4	$ 11,747.8	$ —	$ 11,747.8

The accompanying notes are an integral part of these condensed consolidated financial statements.

Alexion Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows
(unaudited)
(amounts in millions)

	Three months ended March 31, 2021	2020
Cash flows from operating activities:		
Net income	$ 489.2	$ 557.6
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	75.6	89.3
Change in fair value of contingent consideration	9.2	5.8
Share-based compensation expense	76.6	57.6
Consolidation of Caelum, including non-cash expense for acquired IPR&D and cash	210.2	—
acquired Deferred taxes	52.9	49.0
Unrealized foreign currency loss	10.9	7.1
Unrealized gain on forward contracts	(19.3)	(15.0)
Unrealized loss on strategic equity investments	9.6	9.2
Gain on sale of assets	(25.3)	—
Other	2.8	13.7
Changes in operating assets and liabilities, excluding the effect of acquisitions:		
Accounts receivable	(87.9)	(120.9)
Inventories (inclusive of inventories reported in other assets)	(59.5)	37.3
Prepaid expenses, right of use operating assets and other assets	11.0	(72.9)
Accounts payable, accrued expenses, lease liabilities and other liabilities	(118.4)	(68.2)
Net cash provided by operating activities	637.6	549.6
Cash flows from investing activities:		
Purchases of available-for-sale debt securities	—	(19.4)
Proceeds from maturity or sale of available-for-sale debt securities	—	141.4
Purchases of mutual funds related to nonqualified deferred compensation plan	(7.0)	(6.9)
Proceeds from sale of mutual funds related to nonqualified deferred compensation plan	3.3	3.3
Purchases of intangible assets	(110.0)	—
Purchases of property, plant and equipment	(20.2)	(12.2)
Payment for acquisition of businesses, net of cash and restricted cash acquired	—	(837.7)
Purchases of strategic equity investments and options	—	(34.5)
Net cash used in investing activities	(133.9)	(766.0)
Cash flows from financing activities:		
Payments on term loan	(32.6)	(32.6)
Repurchases of common stock	—	(107.1)
Net proceeds from issuance of common stock under share-based compensation	15.2	2.8
arrangements Other	(1.3)	(1.3)
Net cash used in financing activities	(18.7)	(138.2)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(13.1)	(13.2)
Net change in cash and cash equivalents and restricted cash	471.9	(367.8)
Cash and cash equivalents and restricted cash at beginning of period	3,034.6	2,723.6
Cash and cash equivalents and restricted cash at end of period	$ 3,506.5	$ 2,355.8

	Three months ended March 31, 2021	2020
Supplemental non-cash flow disclosures from investing and financing activities:		
Contingent consideration issued in acquisitions	$ —	$ 155.0
Exchange of intellectual property rights for strategic equity investments	$ 5.0	$ —
Operating ROU lease assets obtained in exchange for operating lease liabilities	$ 1.5	$ 3.7
Accounts payable and accrued expenses for purchases of property, plant and equipment and intangible assets	$ 5.4	$ 13.0

The following provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the total of such amounts shown in the condensed consolidated statements of cash flows:

	Three months ended March 31, 2021	2020
Cash and cash equivalents	$ 3,429.6	$ 2,315.0
Restricted cash included in other current assets	76.9	40.7
Restricted cash included in other noncurrent assets	—	0.1
Total cash and cash equivalents and restricted cash reported in the condensed consolidated statement of cash flows	$ 3,506.5	$ 2,355.8

Restricted cash included in other current assets and other noncurrent assets was $70.0 and $0.1, respectively, as of December 31, 2020. Amounts included in restricted cash primarily represent funds placed in escrow as a result of the judicial order issued by the Federal Court of Canada related to SOLIRIS pricing (refer to Note 17, *Commitments and Contingencies*).

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Business

Business

Alexion Pharmaceuticals, Inc. (Alexion, the Company, we, our or us) is a global biopharmaceutical company focused on serving patients and families affected by rare diseases and devastating conditions through the discovery, development and commercialization of life-changing medicines.

As a leader in rare diseases for more than 25 years, Alexion has developed and commercializes two approved complement inhibitors to treat patients with paroxysmal nocturnal hemoglobinuria (PNH) and atypical hemolytic uremic syndrome (aHUS), as well as the first and only approved complement inhibitor to treat anti-acetylcholine receptor (AChR) antibody-positive generalized myasthenia gravis (gMG) and neuromyelitis optica spectrum disorder (NMOSD) in patients who are anti-aquaporin-4 (AQP4) antibody positive. Alexion also has two highly innovative enzyme replacement therapies and the first and only approved therapies for patients with life-threatening and ultra-rare metabolic disorders, hypophosphatasia (HPP) and lysosomal acid lipase deficiency (LAL-D) as well as the first and only approved Factor Xa inhibitor reversal agent for patients treated with rivaroxaban or apixaban when reversal of anticoagulation is needed due to life-threatening or uncontrolled bleeding.

In addition to our marketed therapies, we have a diverse pipeline resulting from internal innovation and business development. Alexion focuses its research efforts on novel molecules and targets in the complement cascade and its development efforts on the core therapeutic areas of hematology, nephrology, neurology, metabolic disorders, cardiology, ophthalmology and acute care. We were incorporated in 1992 under the laws of the State of Delaware.

Merger Agreement with AstraZeneca

On December 12, 2020, we entered into an Agreement and Plan of Merger (the Merger Agreement) with AstraZeneca PLC, a public limited company incorporated under the laws of England and Wales (AstraZeneca), Delta Omega Sub Holdings Inc., a Delaware corporation and a wholly owned subsidiary of AstraZeneca (Bidco), Delta Omega Sub Holdings Inc. 1, a Delaware corporation and a direct, wholly owned subsidiary of Bidco (Merger Sub I) and Delta Omega Sub Holdings LLC 2, a Delaware limited liability company and a direct, wholly owned subsidiary of Bidco (Merger Sub II). The Merger Agreement provides, among other things, that subject to the satisfaction or waiver of the conditions set forth therein (1) Merger Sub I will merge with and into Alexion (the “First Merger”), with Alexion surviving the First Merger as a wholly owned subsidiary of Bidco, and (2) immediately following the effective time of the First Merger (the Effective Time), Alexion will merge with and into Merger Sub II (the Second Merger and, together with the First Merger, the Mergers), with Merger Sub II surviving the Second Merger as a wholly owned subsidiary of Bidco and an indirect wholly owned subsidiary of AstraZeneca.

Under the Merger Agreement, at the Effective Time (as defined in the Merger Agreement), each share of common stock, par value $0.0001 per share, of Alexion issued and outstanding immediately prior to the Effective Time (other than certain excluded shares as described in the Merger Agreement) will be converted into the right to receive (1) 2.1243 American depositary shares of AstraZeneca (or, at the election of the holder thereof, a number of ordinary shares of AstraZeneca equal to the number of underlying ordinary shares represented by such American depositary shares) and (2) $60.00 in cash, without interest (collectively, the Merger Consideration).

The boards of directors of both companies have unanimously approved the acquisition.

The respective obligations of Alexion and AstraZeneca to consummate the transactions contemplated by the Merger Agreement are subject to the satisfaction or waiver of a number of customary conditions, including: (1) the adoption of the Merger Agreement by Alexion’s stockholders; (2) approval of the transactions contemplated by the Merger Agreement by AstraZeneca’s shareholders; (3) the absence of any law or order prohibiting consummation of the Mergers; (4) AstraZeneca’s registration statement on Form F-4 having been declared effective by the Securities and Exchange Commission; (5) AstraZeneca’s shareholder circular (or, if required, prospectus) having been approved by the U.K. Financial Conduct Authority; (6) the American depository shares of AstraZeneca issuable in the Mergers (and the ordinary shares of AstraZeneca represented thereby) having been approved for listing on the Nasdaq; (7) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the approval of the Mergers under the antitrust and foreign investment laws of other specified jurisdictions; (8) accuracy of the other party’s representations and warranties, subject to certain materiality standards set forth in the Merger Agreement and (9) compliance by the other party in all material respects with such other party’s obligations under the Merger Agreement.

Without limiting the generality of the foregoing, we are subject to a variety of specified restrictions under the Merger Agreement. Unless we obtain AstraZeneca's prior written consent (which consent may not be unreasonably withheld, conditioned or delayed) and except (i) as required or expressly contemplated by the Merger Agreement, (ii) as required by applicable law or (iii) as set forth in the confidential disclosure schedule delivered by Alexion to AstraZeneca, we may not, among other things and subject to certain exceptions and aggregate limitations, incur additional indebtedness, issue additional shares of our common stock outside of our equity incentive plans, repurchase our common stock, pay dividends, acquire assets, securities or property, dispose of businesses or assets, enter into material contracts or make certain additional capital expenditures.

Under the Merger Agreement, Alexion will be required to make a payment to AstraZeneca equal to $1,180.0 if the Merger Agreement is terminated in certain circumstances, including because the Alexion board of directors has changed its recommendation in favor of the Mergers or we terminated the Merger Agreement in order to enter into an agreement providing for a Company Superior Proposal (as defined in the Merger Agreement), and Alexion will be required to make a payment to AstraZeneca equal to $270.0 if the Merger Agreement is terminated because Alexion's stockholders fail to adopt the Merger Agreement. AstraZeneca will be required to make a payment to Alexion equal to $1,415.0 if the Merger Agreement is terminated in certain circumstances, including because the AstraZeneca board of directors has changed its recommendation in favor of the Mergers or because AstraZeneca's shareholders fail to approve the transactions contemplated by the Merger Agreement.

The acquisition is expected to close during the third quarter 2021.

2. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These accounting principles were applied on a basis consistent with those of the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. In our opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of our financial statements for interim periods presented in accordance with accounting principles generally accepted in the United States. The condensed consolidated balance sheet as of December 31, 2020 was derived from audited annual financial statements but does not include all disclosures required by accounting principles generally accepted in the United States. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2020 included in our Annual Report on Form 10-K for the year ended December 31, 2020. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year or any other future periods.

Our significant accounting policies are described in Note 1 of the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020 and updated, as necessary in this report.

The financial statements of our subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollars using period-end exchange rates for assets and liabilities, historical exchange rates for stockholders' equity and weighted average exchange rates for operating results. Translation gains and losses are included in accumulated other comprehensive income (loss), net of tax, in stockholders' equity. Foreign currency transaction gains and losses are included in the results of operations in other income and expense.

The accompanying unaudited condensed consolidated financial statements include the accounts of Alexion Pharmaceuticals, Inc. and its subsidiaries, including Caelum Biosciences (Caelum), a variable interest entity (VIE) for which we are the primary beneficiary, refer to Note 10, *Caelum Biosciences*. All intercompany balances and transactions have been eliminated in consolidation.

We assess whether we are the primary beneficiary of a VIE at the inception of the arrangement and at each reporting date. This assessment is based on our power to direct the activities of the VIE that most significantly impact the VIE's economic performance and our obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. For the consolidation of Caelum, we record net income (loss) attributable to noncontrolling interest in our consolidated statements of operations based on the ownership interest retained by the respective noncontrolling parties.

New Accounting Pronouncements

ASU 2020-04, "Reference Rate Reform, Facilitation of the Effects of Reference Rate Reform on Financial Reporting": In response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. In March 2020, the Financial Accounting Standards Board (FASB) issued a new standard that provides optional guidance for a limited time to ease the potential burden in accounting for the effects of reference rate reform, including optional expedients and exceptions for the accounting implications of contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.

The amendments in this new standard only apply to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the standard do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. We are currently reviewing our contracts impacted by reference rate reform and are assessing the impact of this standard on our financial condition and results of operations.

Recently Adopted Accounting Pronouncements

Accounting Standards Update (ASU) 2019-12, "Income Taxes: Simplifying the Accounting for Income Taxes": In December 2019, the FASB issued a new standard intended to simplify the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for annual periods beginning after December 15, 2020 and interim periods within, with early adoption permitted. Adoption of the standard requires certain changes to be made prospectively, with some changes to be made retrospectively. We adopted the new standard on January 1, 2021. The adoption of this standard did not have an impact on our financial condition and results of operations.

ASU 2020-01, "Investments - Equity Securities, Investments - Equity Method and Joint Ventures, and Derivatives and Hedging - Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815": In January 2020, the FASB issued a new standard intended to clarify the interactions between Accounting Standards Codification (ASC) 321, ASC 323 and ASC 815. The new standard addresses accounting for the transition into and out of the equity method and measurement of certain purchased options and forward contracts to acquire investments. The standard is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. Adoption of the standard requires changes to be made prospectively. We adopted the new standard on January 1, 2021. The adoption of this standard did not have an impact on our financial condition and results of operations.

3. Acquisitions

Business Combinations

Achillion Pharmaceuticals, Inc.

In October 2019, Alexion entered into a definitive agreement to acquire Achillion Pharmaceuticals, Inc. (Achillion), a clinical-stage biopharmaceutical company focused on the development of oral Factor D inhibitors. Achillion was developing oral small molecule Factor D inhibitors to treat people with complement alternative pathway-mediated rare diseases, such as PNH and C3 glomerulopathy (C3G). Achillion had two clinical stage medicines in development, including danicopan (ACH-4471/ALXN2040) and ACH-5228 (ALXN2050).

The acquisition of Achillion closed on January 28, 2020. Under the terms of the agreement, we acquired all outstanding common stock of Achillion for $6.30 per share, or an aggregate of $926.2, inclusive of the settlement of Achillion's outstanding equity awards. The acquisition was funded with cash on hand. The transaction includes the potential for additional consideration in the form of non-tradeable contingent value rights (CVRs), which will be paid to Achillion shareholders if certain clinical and regulatory milestones are achieved within specified periods. These include $1.00 per share for the U.S. Food and Drug Administration (FDA) approval of danicopan and $1.00 per share for the initiation of a Phase III clinical trial in ACH-5228.

(amounts in millions, except per share amounts)

The transaction was accounted for as a business combination. The following table summarizes the total consideration transferred to acquire Achillion and the estimated fair value of the identified assets acquired and liabilities assumed at the acquisition date:

Consideration		
Upfront payment to shareholders and option holders	$	926.2
Upfront payment, fair value of equity compensation attributable to the post-combination service period		(20.0)
Upfront cash paid, net		906.2
Contingent consideration		160.7
Contingent consideration, fair value of equity compensation attributable to the post-combination service period		(5.7)
Total consideration	$	1,061.2
Assets Acquired and Liabilities Assumed		
Cash and cash equivalents	$	68.5
Marketable securities		106.1
In-process research & development assets (IPR&D)		918.0
Goodwill		37.8
Deferred tax liabilities, net		(62.9)
Other assets and liabilities, net		(6.3)
Total net assets acquired	$	1,061.2

Our accounting for this acquisition was finalized during the second quarter of 2020. Measurement period adjustments increased goodwill by $3.1 during the second quarter of 2020 due to purchase price allocation increases to deferred tax liabilities, net. Measurement period adjustments were recorded as a result of studies completed during the second quarter of 2020 to determine the tax deductibility of certain acquisition-related costs and the valuation of historical net operating loss and income tax credit carryforwards.

The initial fair value estimate of the contingent consideration in the form of non-tradeable CVRs was $160.7, which was recorded as a noncurrent liability in our condensed consolidated balance sheets, including $5.7 related to compensation attributable to the post-combination service period. We determined the fair value of these milestone-related payment obligations using various estimates, including probabilities of success prior to expiration of the specified period, discount rates and the amount of time until the conditions of the milestone payments are expected to be met. This fair value measurement was based on significant inputs not observable in the market, representing Level 3 measurements within the fair value hierarchy. The resulting probability-weighted cash flows were discounted using a cost of debt rate ranging from 2.1% to 2.3%. The range of estimated milestone payments upon closing of the acquisition was from zero, if no milestones are achieved for any product, to $306.3 if certain development and regulatory milestones are achieved.

Subsequent to the acquisition date, we have adjusted the contingent consideration to fair value with changes in fair value recognized in operating earnings. Changes in fair values reflect new information about the probability and timing of meeting the conditions of the milestone payments. In the absence of new information, changes in fair value will only reflect the interest component of contingent consideration related to changes in the discount rates and the passage of time as development work progresses towards the potential achievement of the milestones. As of March 31, 2021, the fair value of the contingent consideration for the Achillion acquisition was $212.8 based on the probability-weighted cash flows, discounted using a cost of debt ranging from 2.5% to 3.0%. Changes in fair value of the contingent consideration associated with the Achillion acquisition for the three months ended March 31, 2021 and 2020, was $2.2 and $1.7, respectively.

The aggregate fair value of equity compensation attributable to the post-combination service period was $25.7. This amount was excluded from the total consideration transferred and was recognized as a charge to acquisition-related costs in our condensed consolidated statements of operations during the first quarter 2020. These amounts were associated with the accelerated vesting of stock options previously granted to Achillion employees. Excluding the $5.7 of contingent consideration related to equity compensation attributable to the post-combination service period, such amounts were paid during the first quarter 2020.

Intangible assets associated with IPR&D relate to two development-stage programs, ACH-4471 (ALXN2040) and ACH-5228 (ALXN2050). The estimated fair value of $918.0 was determined using the excess earnings valuation method, a variation of the income valuation approach. The excess earnings valuation method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset. Some of the more significant assumptions utilized in our asset valuations included the estimated net cash flows for each asset, including net revenues, cost of sales, research and development and other operating expenses, the potential regulatory and commercial success rates, competitive trends impacting the assets, and tax rates. The fair value using the excess earnings valuation method was determined using an estimated weighted average cost of capital for Achillion of 11.5%, which represents a rate of return that a market participant would expect for these assets. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. In the second quarter 2020, we recognized an impairment charge of $11.0 to write off our ACHN-4471 (ALXN2040) IPR&D asset due to clinical results received during the quarter.

The excess of purchase price over the fair value of the assets acquired and liabilities assumed represents the goodwill resulting from the acquisition. The goodwill, which is not tax-deductible, has been recorded as a noncurrent asset and is not amortized, but is subject to an annual review for impairment. The factors that contributed to the recognition of goodwill include the value of the acquired workforce, synergies that are specific to our business and not available to market participants, and early research in preclinical Factor D inhibitors, as well as the effects of the establishment of a deferred tax liability for the acquired IPR&D intangible assets, which has no tax basis.

We recorded a net deferred tax liability of $62.9, inclusive of measurement period adjustments recorded during the second quarter 2020. This amount was primarily comprised of $205.3 of deferred tax liabilities relating to the IPR&D acquired, offset by $142.4 of deferred tax assets related to net operating loss carryforwards (NOLs), income tax credits, and other temporary differences.

Achillion's results of operations are included in the condensed consolidated financial statements from the date of acquisition. For the three months ended March 31, 2020, we recorded $ 13.9 of pre-tax operating losses associated with the operations of Achillion in our condensed consolidated statements of operations. We also recorded acquisition-related costs in connection with the acquisition during the three months ended March 31, 2020 as presented below. No revenues were recorded in the results of operations for the three months ended March 31, 2020 as neither ALXN2040 nor ALXN2050 has been approved for commercial sale by any regulatory agency.

Portola Pharmaceuticals, Inc.

In May 2020, Alexion entered into a definitive merger agreement to acquire Portola Pharmaceuticals, Inc. (Portola), a commercial-stage biopharmaceutical company focused on life-threatening blood-related disorders. Portola’s commercialized medicine, ANDEXXA®, marketed as ONDEXXYA® in Europe, is the first and only approved Factor Xa inhibitor reversal agent, and has demonstrated transformative clinical value by rapidly reversing the anticoagulant effects of Factor Xa inhibitors rivaroxaban and apixaban in severe and uncontrolled bleeding. The acquisition provides the opportunity to grow Alexion's commercial portfolio and is a strategic fit with our existing expertise in acute care, hematology and neurology.

Alexion completed the acquisition through a tender offer and subsequent merger of Portola which closed on July 2, 2020. Under the terms of the tender offer and merger agreement, Alexion purchased all outstanding common stock of Portola for $18.00 per share, or an aggregate of approximately $1,380.8, including the settlement of certain of Portola's outstanding equity awards but excluding shares of Portola stock held by Alexion at closing. The acquisition was funded by cash on hand.

Prior to the acquisition of Portola, in March 2020 and April 2020, we purchased $14.5 and $ 3.6, respectively, of common stock of Portola, which we recorded at fair value. Upon the closing of the acquisition of Portola, the fair value of the equity investment of $47.8 was derecognized and included in the fair value of consideration transferred. For additional information on our Portola equity investment, refer to Note 11, *Other Investments.*

The aggregate fair value of equity compensation attributable to the post-combination service period was $11.1. This amount was excluded from the total consideration transferred and was recognized as a charge to acquisition-related costs in our condensed consolidated statements of operations during the third quarter of 2020. These amounts were primarily associated with the accelerated vesting of stock options previously granted to Portola employees and were paid during the third quarter 2020.

(amounts in millions, except per share amounts)

We issued $41.5 of equity compensation replacement awards, of which the portion attributable to services performed prior to the acquisition date, or $7.2, was allocated to purchase consideration. The remaining fair value is attributable to future services and will be expensed as share-based compensation over the remaining service periods. Expense associated with the accelerated-vesting of the replacement awards in connection with employee terminations will be recognized as acquisition-related employee separation costs.

In connection with the acquisition, Alexion also paid $196.9 to settle certain debt held by Portola that was subject to preexisting change of control provisions.

The transaction was accounted for as a business combination. The following table summarizes the total consideration transferred to acquire Portola and the estimated fair value of the identified assets acquired and liabilities assumed at the acquisition date:

Consideration		
Upfront payment to shareholders and equity holders	$	1,380.8
Upfront payment, fair value of equity compensation attributable to the post-combination service period		(11.1)
Upfront cash paid, net		1,369.7
Fair value of equity shares held by Alexion at closing		47.8
Fair value of replacement equity awards attributable to the pre-combination period		7.2
Total consideration to acquire outstanding equity, net		1,424.7
Total consideration to settle preexisting debt		196.9
Total consideration	$	1,621.6
Assets Acquired and Liabilities Assumed		
Cash and cash equivalents	$	288.5
Marketable securities		17.8
Inventories, including noncurrent portion of $169.1 and validation batches of $60.9		362.5
Intangible assets		1,051.0
Goodwill		24.9
Deferred tax assets, net		116.6
Other assets		41.9
Accounts payable and accrued expenses		(75.6)
Long-term debt, including current portion of $7.7		(182.0)
Other liabilities		(24.0)
Total net assets acquired	$	1,621.6

Our accounting for this acquisition was finalized during the fourth quarter of 2020. Measurement period adjustments decreased goodwill by $0.6 during the fourth quarter of 2020 due to purchase price allocation increases to deferred tax assets, net. Measurement period adjustments were recorded as a result of studies completed during the fourth quarter of 2020 to determine the tax deductibility of certain acquisition-related costs and the valuation of historical net operating loss and income tax credit carryforwards.

We acquired $362.5 of ANDEXXA inventory, inclusive of $60.9 of validation batches manufactured under processes which are subject to regulatory approval and expected to be commercially saleable following approval. The estimated fair value of raw material inventory was valued at replacement cost, which is equal to the value a market participant would pay to acquire the inventory. The estimated fair value of work-in-process and finished goods inventory was based on the expected selling price of the inventory, adjusted for incremental costs to complete the

manufacturing process, for direct selling efforts, and for a normal profit on the remaining manufacturing and selling costs. Additionally, as the inventory acquired, inclusive of validation batches, is expected to be realized over a period of approximately 3 years, the fair value of the inventory was determined using a discount rate of 17.5%, representing the rate of return that a market participant would expect for the inventory, which shares risk that is similar to the underlying intellectual property. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements. The acquired inventory, inclusive of the acquisition-date fair value step-up, will be expensed within cost of sales as the inventory is sold to customers. We classified the ANDEXXA inventory that is expected to be utilized beyond our normal operating cycle as a long-term asset. The fair value of the non-current portion of inventory, in addition to the validation batches, are classified within other assets in our condensed consolidated balance sheets.

Intangible assets consist of purchased technology of $1,036.0 and IPR&D of $ 15.0. The purchased technology intangible asset relates to Portola's lead product ANDEXXA. The estimated fair value was determined using the excess earnings valuation method, a variation of the income valuation approach. The excess earnings valuation method estimates the value of an intangible asset equal to the present value of the incremental after-tax cash flows attributable to that intangible asset. Some of the more significant assumptions utilized in our asset valuation included the estimated net cash flows for ANDEXXA, including net revenues, cost of sales, research and development and other operating expenses, the potential regulatory and commercial success rates associated with ANDEXXA's current conditional approval status and planned extension into the urgent surgery setting, competitive trends impacting the assets, and tax rates. The fair value using the excess earnings valuation method was determined using a discount rate commensurate with the risks of ANDEXXA of 17.5%, which represents a rate of return that a market participant would expect for the asset. The acquired purchased technology intangible asset is being amortized over an estimated useful life of approximately 10 years. IPR&D relates to the cerdulatinib development-stage asset. The estimated fair value of the IPR&D asset was determined using a relief from royalty (RFR) method, a variation of the income approach that is based on the cost savings that accrue to the owner of an intangible asset who would otherwise have to pay royalties on revenues earned through the use of the asset. The RFR method was modified to reflect the cash flow forecast of Portola's pre-existing in-license of cerdulatinib from Astellas Pharma, Inc. The acquired fair value of $15.0 represents an increase in the value of the asset relative to when it was initially in-licensed by Portola. Some of the more significant assumptions utilized in the IPR&D asset valuation included the estimated net revenue, royalty rate, and tax rates. The fair value using the RFR method was determined using an estimated discount rate commensurate with the risks of cerdulatinib of 17.5%, which represents a rate of return that a market participant would expect for the asset. These fair value measurements were based on significant inputs not observable in the market and thus represent Level 3 fair value measurements.

In connection with the acquisition, we assumed royalty-based debt which requires repayment through tiered royalties on future net worldwide sales of ANDEXXA. Total potential royalty payments are capped at $290.6, of which $13.7 were paid by Portola prior to the acquisition. The fair value of the remaining $276.9 in royalty-based payments as of the date of acquisition was $182.0. The estimated fair value was measured using Level 3 inputs and was calculated using a real options method, which runs simulations using various estimates, including probability-weighted net sales of ANDEXXA and volatility. Using the simulation results, the fair value was calculated based on the expected probability-weighted risk-neutral royalties, discounted at our estimated cost of debt, ranging from 3.3% to 7.1%, commensurate with the cost of debt at each period in which the royalty-based payments are estimated to be made.

We recorded net deferred tax assets of $116.6, inclusive of measurement period adjustments recorded during the fourth quarter 2020. This amount was primarily comprised of $ 301.6, $41.8, $42.4 and $39.3 of deferred tax assets relating to net operating loss carryforwards (NOLs), income tax credits, royalty-based debt, and other temporary differences, respectively, offset by $245.1 and $63.4 of deferred tax liabilities relating to intangible assets acquired and inventory fair value adjustments, respectively.

The excess of purchase price over the fair value of the assets acquired and liabilities assumed represents the goodwill resulting from the acquisition. The goodwill, which is not tax-deductible, has been recorded as a noncurrent asset and is not amortized, but is subject to an annual review for impairment. The factors that contributed to the recognition of goodwill primarily include the value of the acquired workforce and the effects of the establishment of a deferred tax liability for the fair value step-up of acquired inventory and intangible assets which exceed the incremental book value of acquired deferred tax assets over their fair value.

(amounts in millions, except per share amounts)

Pro forma financial information (unaudited)

The following unaudited pro forma information presents the combined results of Alexion and Achillion as if the acquisition of Achillion had been completed on January 1, 2019, with adjustments to give effect to pro forma events that are directly attributable to the acquisition. The unaudited pro forma results do not reflect operating efficiencies or potential cost savings that may have resulted from the consolidation of operations. Accordingly, the unaudited pro forma financial information is not necessarily indicative of the results of operations had we completed the transaction on January 1, 2019.

	Three months ended March 31,	
	2020	2019
Pro forma revenue	$ 1,444.8	$ 1,140.4
Pro forma net income	$ 574.9	$ 515.7

The unaudited pro forma consolidated results include pro forma adjustments related to non-recurring activity. Alexion and Achillion acquisition-related costs of $53.3, net of tax, were excluded from income for the three months ended March 31, 2020. These expenses were included in net income for the three months ended March 31, 2019.

Acquisition-Related Costs

Acquisition-related costs recorded within the condensed consolidated statements of operations associated with our acquisitions of Achillion and Portola and our definitive merger agreement with AstraZeneca for the three months ended March 31, 2021 and 2020 include the following:

	Three months ended March 31	
	2021	2020
Transaction costs [1]	$ 5.4	$ 1.4
Integration costs	4.1	0.1
Fair value of equity compensation attributable to the post-combination service period	—	25.7
Employee costs [2]	3.7	10.9
	$ 13.2	$ 38.1

(1) Transaction costs primarily include legal fees. First quarter 2020 transaction costs also include costs to effectuate the settlement of the Achillion outstanding options
(2) Employee separation costs include severance payments and costs associated with one-time short-term retention awards

Acquisition-related costs attributable to the Merger Agreement with AstraZeneca for the three months ended March 31, 2021 were $8.2. Acquisition-related costs attributable to the Portola acquisition for the three months ended March 31, 2021 were $5.0. Acquisition-related costs attributable to the Achillion acquisition for the three months ended March 31, 2020 were $38.1.

(amounts in millions, except per share amounts)

4. Inventories

The components of inventory are as follows:

	March 31, 2021	December 31, 2020
Raw materials	$ 97.8	$ 91.2
Work-in-process	324.7	260.8
Finished goods	489.6	510.3
Total inventories	$ 912.1	$ 862.3
Balance Sheet Classification:		
Inventories	$ 803.9	$ 775.7
Other assets	$ 108.2	$ 86.6

The acquired ANDEXXA inventory includes the acquisition-date fair value step-up, which is expensed within cost of sales as the inventory is sold to customers. For additional information on our acquisition of Portola, please refer to Note 3, *Acquisitions*.

We classify our inventory as long-term when we expect to utilize the inventory beyond our normal operating cycle and include these costs in other assets in our condensed consolidated balance sheets. Inventories classified as long-term relate to ULTOMIRIS 100mg/ml inventory and ANDEXXA inventory, including inventory acquired in connection with the Portola acquisition.

As of March 31, 2021 and December 31, 2020, the carrying value of capitalized inventory manufactured at production facilities and through manufacturing processes that have not yet received regulatory approval was $86.1 and $39.8, respectively. All such inventory as of March 31, 2021 received regulatory approval in April 2021.

5. Intangible Assets and Goodwill

The following table summarizes the carrying amount of our intangible assets and goodwill, net of accumulated amortization and impairment charges:

	Estimated Life (years)	March 31, 2021 Cost	March 31, 2021 Accumulated Amortization	March 31, 2021 Net	December 31, 2020 Cost	December 31, 2020 Accumulated Amortization	December 31, 2020 Net
Licensing rights	3-8	$ 57.0	$ (39.4)	$ 17.6	$ 57.0	$ (38.5)	$ 18.5
Patents	7	10.5	(10.5)	—	10.5	(10.5)	—
Purchased technology	6-16	5,746.5	(3,737.9) (a)	2,008.6	5,746.5	(3,684.7) (a)	2,061.8
Other intangibles	5	0.4	(0.3)	0.1	0.4	(0.3)	0.1
Priority review voucher	Indefinite	100.0	—	100.0	—	—	—
Acquired IPR&D	Indefinite	922.0	—	922.0	922.0	—	922.0
Total		$ 6,836.4	$ (3,788.1)	$ 3,048.3	$ 6,736.4	$ (3,734.0)	$ 3,002.4
Goodwill	Indefinite	$ 5,103.0	$ (2.9)	$ 5,100.1	$ 5,103.0	$ (2.9)	$ 5,100.1

(a) Includes an impairment charge of $2,042.3 recognized during the second quarter 2020 related to the KANUMA intangible asset

In January 2021, we entered into a definitive asset purchase agreement with Rhythm Pharmaceuticals, Inc. (“Rhythm”) to acquire its Rare Pediatric Disease Priority Review Voucher (PRV) for $100.0, inclusive of transaction costs. The acquisition of the PRV closed on February 17, 2021. As there is probable future economic benefit from the PRV, we capitalized the $100.0 payment as an indefinite-lived intangible asset.

Amortization expense for the three months ended March 31, 2021 and 2020 was $54.1 and $74.7, respectively. As of March 31, 2021, assuming no changes in the gross cost basis of intangible assets, the total estimated amortization expense for finite-lived intangible assets is $162.4 for the nine months ending December 31, 2021, and approximately $216.0 for each of the years ending December 31, 2022 through December 31, 2026.

6. Debt

Credit Agreement

On June 7, 2018, we entered into an Amended and Restated Credit Agreement (the Credit Agreement), with Bank of America, N.A. as Administrative Agent. The Credit Agreement amended and restated our credit agreement dated as of June 22, 2015 (the Prior Credit Agreement).

The Credit Agreement provides for a $1,000.0 revolving credit facility and a $2,612.5 term loan facility. The revolving credit facility and the term loan facility mature on June 7, 2023. Beginning with the quarter ended June 30, 2019, we are required to make payments of 5.0% of the original principal amount of the term loan facility annually, payable in equal quarterly installments.

In connection with entering into the Credit Agreement and the Prior Credit Agreement, we paid an aggregate of $53.1 in financing costs in 2018. Financing costs are amortized as interest expense over the life of the debt. Amortization expense associated with deferred financing costs for the three months ended March 31, 2021 and 2020 was $1.2. Remaining unamortized deferred financing costs as of March 31, 2021 and December 31, 2020 were $9.9 and $11.1, respectively.

We made principal payments of $32.6 on the term loan during the three months ended March 31, 2021, and as of March 31, 2021, we had $2,351.3 outstanding on the term loan. We had no outstanding borrowings under the revolving credit facility as of March 31, 2021. As of March 31, 2021, we had open letters of credit of $1.0 that offset our availability in the revolving facility.

The amount outstanding under the term loan of $2,351.3 as of March 31, 2021 is subject to variable interest rates, which are based on current market rates, and as such, the Company believes the carrying amount of the obligation approximates fair value.

We were in compliance with all applicable covenants under the Credit Agreement as of March 31, 2021. In connection with the planned merger with AstraZeneca, we evaluated the terms of the Credit Agreement and determined the agreement could require acceleration of payments upon a change of control.

Royalty-based Financing

In connection with our acquisition of Portola during the third quarter 2020, we assumed royalty-based debt relating to a royalty sales agreement Portola had entered into with HealthCare Royalty Partners (HCR) whereby HCR acquired a tiered royalty interest in future worldwide net sales of ANDEXXA. Portola received $50.0 upon closing of the agreement in February 2017 and an additional $100.0 following the U.S. regulatory approval of ANDEXXA in May 2018. Tiered royalties ranging from 4.2% to 8.5% are required to be paid to HCR based on net worldwide sales of ANDEXXA. The applicable rate decreases as worldwide net annual sales levels increase above defined thresholds. Total potential royalty payments are capped at 195.0% of the funding received less certain transaction expenses, or $290.6. As of the date of acquisition, the remaining due to HCR was $276.9 in royalty-based payments.

We recorded the HCR debt at its fair value of $182.0 upon closing of the acquisition, representing an initial debt discount of $94.9. We have also recognized a deferred tax asset of $42.4 related to the royalty-based debt as of the acquisition date. For additional information on our acquisition of Portola, please refer to Note 3, *Acquisitions.* Interest expense is recognized using the effective interest rate method over the estimated period the related debt will be paid. This requires estimation of the timing and amount of future royalty payments to be generated from future sales of ANDEXXA. We reassess the expected royalty payments each reporting period and account for any changes through an adjustment to the effective interest rate on a prospective basis. The assumptions used in determining the expected repayment term of the debt require that we make estimates that could impact the short and long term classification of the debt carrying values.

Each period, we amortize the initial debt discount using the effective interest rate implied from the projected timing of royalty payments to HCR. The effective interest rate for the HCR royalty-based debt as of March 31, 2021 was 11.4%. During the three months ended March 31, 2021, we recognized interest expense associated with the amortization of the debt discount of $5.0. We made royalty-based debt payments of $3.3 during the three months ended March 31, 2021. As of March 31, 2021, the carrying value of the royalty-based debt includes approximately $2.5 of royalty payments on first quarter sales of ANDEXXA which will be paid during the second quarter of 2021.

As of March 31, 2021, the carrying value of the HCR royalty-based debt was $188.7, of which $16.3 was recorded within current portion of long-term debt and $172.4 was recorded within long-term debt, less current portion on our condensed consolidated balance sheets. As of December 31, 2020, the carrying value of the HCR royalty-

(amounts in millions, except per share amounts)

based debt was $187.0, of which $15.5 was recorded within current portion of long-term debt and $171.5 was recorded within long-term debt, less current portion on our condensed consolidated balance sheets.

Our payment obligations for HCR royalty-based debt are as follows:

	Three Months Ended March 31, 2021
Total repayment obligation as of December 31, 2020	$ 271.9
Less: Interest to be accreted in future periods	(79.9)
Less: Payments made	(3.3)
Carrying value as of March 31, 2021	$ 188.7

The carrying value of the royalty-based debt as of March 31, 2021 approximates fair value.

7. Earnings Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income attributable to Alexion by the weighted-average number of shares of common stock outstanding attributable to Alexion. For purposes of calculating diluted EPS, the denominator reflects the potential dilution that could occur if stock options, unvested restricted stock units or other contracts to issue common stock were exercised or converted into common stock, using the treasury stock method.

The following table summarizes the calculation of basic and diluted EPS for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Net income attributable to Alexion	$ 636.0	$ 557.6
Shares used in computing earnings per common share attributable to Alexion —basic	220.1	221.6
Weighted-average effect of dilutive securities:		
Stock awards	2.5	1.0
Shares used in computing earnings per common share attributable to Alexion —diluted	222.6	222.6
Earnings per common share attributable to Alexion:		
Basic	$ 2.89	$ 2.52
Diluted	$ 2.86	$ 2.50

We exclude from EPS the weighted-average number of securities whose effect is anti-dilutive. Excluded from the calculation of EPS for the three months ended March 31, 2021 and 2020 were 0.8 and 3.2 shares of Alexion common stock, respectively, because their effect is anti-dilutive.

8. Marketable Securities

The proceeds from maturities and sales of available-for-sale debt securities and resulting realized gains and losses are summarized below. In the second quarter of 2020 we liquidated all of our available-for-sale securities and in the third quarter of 2020 we liquidated all available-for-sale debt securities acquired in connection with the Portola acquisition.

(amounts in millions, except per share amounts)

	Three months ended March 31,	
	2021	2020
Proceeds from maturities and sales [1]	$ —	$ 812.5
Realized gains	$ —	$ —
Realized losses	$ —	$ —

(1) Proceeds from maturities and sales of available-for-sale debt securities include securities previously classified as cash and cash equivalents and marketable securities in the condensed consolidated balance sheets.

We utilize the specific identification method in computing realized gains and losses.

As a result of our liquidation of all available-for-sale debt securities during 2020, we have no remaining available-for-sale debt securities as of March 31, 2021 and December 31, 2020.

We sponsor a nonqualified deferred compensation plan which allows certain highly compensated employees to elect to defer income to future periods. Participants in the plan earn a return on their deferrals based on several investment options, which mirror returns on underlying mutual fund investments. We choose to invest in the underlying mutual fund investments to offset the liability associated with our nonqualified deferred compensation plan. These mutual fund investments are valued at net asset value per share and are carried at fair value with gains and losses included in investment income. The changes in the underlying liability to the employee are recorded in operating expenses. As of March 31, 2021 and December 31, 2020, the fair value of these investments was $39.7 and $34.9, respectively.

9. Derivative Instruments and Hedging Activities

We operate internationally and, in the normal course of business, are exposed to fluctuations in foreign currency exchange rates. The exposures result from portions of our revenues, as well as the related receivables, and expenses that are denominated in currencies other than the U.S. dollar, primarily the Euro and Japanese Yen. We are also exposed to fluctuations in interest rates on outstanding borrowings under our revolving credit facility, if any, and term loan facility. We manage these exposures within specified guidelines through the use of derivatives. All of our derivative instruments are utilized for risk management purposes, and we do not use derivatives for speculative trading purposes.

We enter into foreign exchange forward contracts to hedge exposures resulting from portions of our forecasted revenues, including intercompany revenues that are denominated in currencies other than the U.S. dollar. Revenue foreign exchange forward contracts in effect as of March 31, 2021 had durations of up to 23 months. The purpose of these hedges is to reduce the volatility of exchange rate fluctuations on our operating results. These hedges are designated as cash flow hedges upon contract inception. As of March 31, 2021, we had open revenue related foreign exchange forward contracts with notional amounts totaling $853.3 that qualified for hedge accounting with current contract maturities through June 2022.

To achieve a desired mix of floating and fixed interest rates on our term loan, we enter into interest rate swap agreements that qualify for and are designated as cash flow hedges. These contracts convert the floating interest rate on a portion of our debt to a fixed rate, plus a borrowing spread.

The following table summarizes the total interest rate swap contracts executed as of March 31, 2021:

Type of Interest Rate Swap Contract	Notional Amount	Effective Date	Termination Date	Fixed Interest Rate or Rate Range
Floating to Fixed	$450.0	December 2018	December 2022	2.60% - 2.79%
Floating to Fixed	$1,300.0	December 2019	December 2022	2.37% - 2.83%

The amount of gains and (losses) recognized in the condensed consolidated statements of operations for the three months ended March 31, 2021 and 2020 from foreign exchange and interest rate swap contracts that qualified as cash flow hedges were as follows:

(amounts in millions, except per share amounts)

Financial Statement Line Item in which the Effects of Cash Flow Hedges are Recorded	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Net Product Sales	Interest Expense	Net Product Sales	Interest Expense
Total amount presented in the Condensed Consolidated Statements of Operations	$ 1,635.7	$ (27.1)	$ 1,444.6	$ (25.8)
Impact of cash flow hedging relationships:				
Foreign exchange forward contracts	$ (11.8)	$ —	$ 11.4	$ —
Interest rate contracts	$ —	$ (11.4)	$ —	$ (4.6)

The impact on accumulated other comprehensive income (AOCI) and earnings from foreign exchange and interest rate swap contracts that qualified as cash flow hedges, for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,	
	2021	2020
Foreign Exchange Forward Contracts:		
Gain recognized in AOCI, net of tax	$ 33.4	$ 26.0
(Loss) gain reclassified from AOCI to net product sales, net of tax	$ (9.1)	$ 8.8
Interest Rate Swap Contracts:		
Gain (loss) recognized in AOCI, net of tax	$ 1.0	$ (47.3)
Loss reclassified from AOCI to interest expense, net of tax	$ (8.8)	$ (3.6)

Assuming no change in foreign exchange rates from market rates as of March 31, 2021, $9.7 of gains recognized in AOCI will be reclassified to revenue over the next 12 months. Assuming no change in LIBOR-based interest rates from market rates as of March 31, 2021, $45.7 of losses recognized in AOCI will be reclassified to interest expense over the next 12 months.

We enter into foreign exchange forward contracts designed to limit the balance sheet exposure of monetary assets and liabilities. We enter into these hedges to reduce the impact of fluctuating exchange rates on our operating results. Balance sheet hedges related to foreign exchange forward contracts in effect as of March 31, 2021 had durations of up to 3 months. Hedge accounting is not applied to these derivative instruments as gains and losses on these hedge transactions are designed to offset gains and losses on underlying balance sheet exposures. As of March 31, 2021, the notional amount of foreign exchange contracts where hedge accounting is not applied was $1,126.5.

We recognized a gain of $ 12.2 and $16.2, in other income and (expense) for the three months ended March 31, 2021 and 2020, respectively, associated with the foreign exchange contracts not designated as hedging instruments. These amounts were partially offset by gains or losses on monetary assets and liabilities.

(amounts in millions, except per share amounts)

The following tables summarize the fair value of outstanding derivatives as of March 31, 2021 and December 31, 2020:

	March 31, 2021			
	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	$ 19.2	Other current liabilities	$ 9.4
Foreign exchange forward contracts	Other assets	0.1	Other liabilities	—
Interest rate contracts	Prepaid expenses and other current assets	—	Other current liabilities	45.7
Interest rate contracts	Other assets	—	Other liabilities	32.9
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	22.3	Other current liabilities	12.2
Total fair value of derivative instruments		**$ 41.6**		**$ 100.2**

	December 31, 2020			
	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	$ —	Other current liabilities	$ 44.3
Foreign exchange forward contracts	Other assets	—	Other liabilities	1.2
Interest rate contracts	Prepaid expenses and other current assets	—	Other current liabilities	45.9
Interest rate contracts	Other assets	—	Other liabilities	45.4
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expenses and other current assets	26.1	Other current liabilities	35.8
Total fair value of derivative instruments		**$ 26.1**		**$ 172.6**

(amounts in millions, except per share amounts)

Although we do not offset derivative assets and liabilities within our condensed consolidated balance sheets, our International Swap and Derivatives Association agreements provide for net settlement of transactions that are due to or from the same counterparty upon early termination of the agreement due to an event of default or other termination event. The following tables summarize the potential effect on our condensed consolidated balance sheets of offsetting our foreign exchange forward contracts and interest rate contracts subject to such provisions:

	March 31, 2021					
				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
Description	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/Liabilities Presented in the Condensed Consolidated Balance Sheet	Derivative Financial Instruments	Cash Collateral Received (Pledged)	Net Amount
Derivative assets	$ 41.6	$ —	$ 41.6	$ (21.3)	$ —	$ 20.3
Derivative liabilities	$ (100.2)	$ —	$ (100.2)	$ 21.3	$ —	$ (78.9)

	December 31, 2020					
				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
Description	Gross Amounts of Recognized Assets/Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/Liabilities Presented in the Condensed Consolidated Balance Sheet	Derivative Financial Instruments	Cash Collateral Received (Pledged)	Net Amount
Derivative assets	$ 26.1	$ —	$ 26.1	$ (26.1)	$ —	$ —
Derivative liabilities	$ (172.6)	$ —	$ (172.6)	$ 26.1	$ —	$ (146.5)

10. Caelum Biosciences

Background

In January 2019, we entered into an agreement with Caelum, a biotechnology company that is developing CAEL101 for light chain (AL) amyloidosis. Under the terms of the agreement, we acquired a minority equity interest in preferred stock of Caelum and an exclusive option to acquire the remaining equity in Caelum based on Phase II data, for pre-negotiated economics. We paid $30.0 in the first quarter 2019 and agreed to pay up to an additional $30.0 in contingent development milestones prior to the exercise of the option to acquire the remaining equity in Caelum. These contingent payments met the definition of a derivative liability and were initially recorded at fair value of $ 27.1, based on the probability-weighted cash flows, discounted using a cost of debt ranging from 3.3% to 3.5%. We allocated the total consideration of $57.1, inclusive of the fair value of the contingent payments, to the equity investment in Caelum and the option to acquire the remaining equity in Caelum based on the relative fair values of the assets.

Following discussions with the FDA, Caelum changed its clinical development plan for CAEL-101 in the fourth quarter 2019. In December 2019, we amended the terms of the agreement with Caelum to modify the option to acquire the remaining equity in Caelum based on data from the modified Phase II/III trials. The amendment also modified the development-related milestone events associated with the initial $30.0 in contingent payments, provided for an additional $20.0 in upfront funding, as well as funding of $60.0 in exchange for an additional equity interest at fair value upon achievement of a specific development-related milestone event.

In December 2019, we accounted for the amendment as an exchange transaction as the terms of the modified option were determined to be substantially different than the terms of the original option. In conjunction with this amendment, we recognized a gain of $32.0 during the fourth quarter 2019 in other income and (expense), which reflected an increase in the fair value of the option, less $ 20.0 in incremental upfront funding which we accrued as of December 31, 2019 and paid during the first quarter 2020, and $4.1 associated with the change in the fair value of contingent payments which we also modified as part of the amendment.

(amounts in millions, except per share amounts)

A Phase II trial for CAEL-101 subsequently commenced during the first quarter of 2020 and met its primary objectives, supporting the safety and tolerability of CAEL-101 and confirmed the dose and regimen to be adopted for the Phase III studies. In September 2020, Alexion and Caelum announced the initiation of the Cardiac Amyloid Reaching for Extended Survival (CARES) program. This includes two parallel Phase III trials to evaluate the survival benefits of CAEL-101.

In December 2020, in connection with entering into the Merger Agreement with AstraZeneca (refer to Note 1, *Business*), we determined that the fair value of our option to acquire the remaining equity of Caelum decreased as a result of a change to the expected option exercise date. This resulted in a $49.0 impairment charge which we recorded to investment income, net. The carrying value of the preferred stock was unaffected.

In March 2021, we amended the terms of our agreement with Caelum. The amended terms with Caelum modified the previously agreed upon funding of $60.0 in exchange for additional equity and included provisions to provide additional support to Caelum. Upon execution of the second amendment in March 2021, we provided $46.0 to Caelum in exchange for preferred equity and agreed to pay $14.0 upon achievement of a specified development milestone. We also committed to provide services to Caelum at no cost and to reimburse Caelum for costs incurred for incremental clinical trial activities that we requested be completed.

We continue to hold a minority equity interest in Caelum. Including the equity acquired in connection with the execution of the second amendment, we hold a 33.3% fully-diluted interest in Caelum as of March 31, 2021.

In the event we exercise the exclusive purchase option, the agreement provides for additional payments to Caelum for up to $500.0, which includes an upfront option exercise payment of $ 150.0 and potential regulatory and commercial milestone payments of up to $350.0. The pending acquisition of Alexion by AstraZeneca will accelerate the expiration period of the exclusive purchase option to 6-months after the close of the acquisition.

Our arrangement with Caelum, including through our preferred equity investments, provides Alexion the obligation to absorb losses and the right to receive benefits from Caelum. From the date of the initial agreement in January 2019 up until the date of the second amendment in March 2021, Caelum was not consolidated in our condensed consolidated financial statements as we did not have the power to direct the activities of Caelum that most significantly impact its economic performance, notably the completion of the clinical trials and activities to support regulatory approval of CAEL-101. As a result of the second amendment in March 2021, we became the primary beneficiary of Caelum and began consolidating Caelum as the incremental funding and support for clinical trial activities provides us the deemed power to direct the activities of Caelum that most significantly impact its economic performance.

Accounting for Caelum as a Consolidated VIE

Upon the initial consolidation of Caelum in March 2021, we recorded a $161.0 noncontrolling interest and derecognized our equity investment and purchase option of $41.0 and $ 15.0, respectively. Additionally, we recorded net assets of $217.0, comprised of cash and cash equivalents and other assets and liabilities, net in our condensed consolidated balance sheets. Caelum is a VIE that does not meet the definition of a business and as a result, no goodwill was recognized. The following table summarizes the assets acquired and liabilities assumed in connection with the consolidation of Caelum:

Assets Acquired and Liabilities Assumed	
Cash and cash equivalents	$ 16.9
Acquired in-process research and development	193.3
Other assets and liabilities, net	6.8
Total net assets acquired	$ 217.0

Substantially all of the fair value of the gross assets of Caelum is concentrated in a single in-process research and development asset, CAEL-101. Due to the stage of development of this asset at the date of consolidation, significant risk remained and it was not yet probable that there was future economic benefit from this asset. Absent successful clinical results and regulatory approval for the asset, there is no alternative future use associated with CAEL-101. Accordingly, the value of this asset was expensed during the first quarter of 2021.

Caelum net loss included in our condensed consolidated statements of operations was $196.0, including acquired in-process research and development of $193.3, for the three months ended March 31, 2021, of which

(amounts in millions, except per share amounts)

$146.8 was attributed to the noncontrolling interest. The carrying value of the assets and liabilities associated with Caelum included in the condensed consolidated balance sheets as of March 31, 2021, which are limited in use for its operations and do not have recourse against our general credit are as follows:

	March 31, 2021
Cash and cash equivalents	$ 56.5
Prepaid expenses and other current assets	$ 8.6
Other assets	$ 7.8
Accounts payable	$ 3.6
Accrued expenses	$ 2.3

Accounting for Caelum Prior to Consolidation

Prior to our consolidation of Caelum in March 2021, we recognized our equity investment in Caelum and the option to acquire the remaining equity in Caelum within other assets in our condensed consolidated balance sheets. As our equity investment in Caelum and option to acquire the remaining equity in Caelum did not have readily determinable fair values, we only adjusted the carrying value of the assets for impairment and any subsequent changes resulting from an observable price change in an orderly transaction for identical or similar equity securities of the same issuer. There were no observable price changes or impairments associated with these assets during the three months ended March 31, 2021 prior to consolidation or during the three months ended March 31, 2020.

In addition to our equity investment, we recognized the $ 30.0 in contingent development milestones at fair value as a derivative liability during 2020. We paid the associated development milestones in the second and third quarters of 2020 and as a result reduced the derivative liability balance to zero. Each reporting period, we adjusted the derivative liability associated with the contingent payments to fair value with changes in fair value recognized in other income and (expense). Changes in fair values reflected new information about the probability and anticipated timing of meeting the conditions of the milestone payments. In the absence of new information, changes in fair value reflected the interest component of the liability related to the passage of time. We recorded $2.3 of expense in other income and (expense) during the three months ended March 31, 2020 related to the change in the fair value of the liability. No expense was recognized during the three months ended March 31, 2021 as the derivative liability was previously settled.

11. Other Investments

Other investments include strategic investments in equity securities of certain biotechnology companies which we acquired in connection with strategic business development transactions, including license and option agreements. These investments are included in other assets in our condensed consolidated balance sheets.

Dicerna

In October 2018, we purchased $10.3 of Dicerna Pharmaceuticals Inc. (Dicerna) common stock in connection with an agreement that we entered into with Dicerna, a publicly-traded biopharmaceutical company. As our equity investment in Dicerna common stock has a readily determinable fair value, we are recording the investment at fair value. During the three months ended March 31, 2021 and 2020, we recognized an unrealized gain of $3.0 and unrealized loss of $3.1, respectively, in investment income to adjust our equity investment in Dicerna to fair value.

The fair value of this investment was $21.4 and $18.4 as of March 31, 2021 and December 31, 2020, respectively.

Zealand

In March 2019, we purchased $13.8 (Kr. 90.9) of Zealand Pharma A/S (Zealand) common stock in connection with an agreement that we entered into with Zealand, a publicly-traded biopharmaceutical company based in Copenhagen, Denmark. Refer to Note 17, *Commitments and Contingencies,* for additional information on the agreement. As our equity investment in Zealand common stock has a readily determinable fair value, we are recording the investment at fair value. During the three months ended March 31, 2021 and 2020, we recognized an unrealized loss of $2.5 and $0.2, respectively, in investment income to adjust our equity investment in Zealand to fair value.

The fair value of this investment was $25.4 and $29.1 as of March 31, 2021 and December 31, 2020, respectively.

BridgeBio (Eidos)

In September 2019, we purchased $19.9 of Eidos Therapeutics, Inc. (Eidos) common stock, in connection with an agreement that we entered into with Eidos, a publicly-traded biopharmaceutical company and subsidiary of BridgeBio Pharma, Inc. Refer to Note 17, *Commitments and Contingencies,* for additional information on the agreement. In January 2021, BridgeBio Pharma, Inc. (BridgeBio) completed its acquisition of all the outstanding shares of Eidos common stock that BridgeBio did not already own at which time we received 1.85 shares of BridgeBio common stock for each share of Eidos common stock previously held. As our equity investment in BridgeBio common stock has a readily determinable fair value, we are recording the investment at fair value. During the three months ended March 31, 2021 and 2020, we recognized an unrealized loss of $9.8 and $3.7, respectively, in investment income to adjust our equity investment in BridgeBio (formerly Eidos) to fair value.

The fair value of this investment was $63.4 and $73.2 as of March 31, 2021 and December 31, 2020, respectively.

Portola

In March 2020 and April 2020, we purchased $ 14.5 and $3.6, respectively, of common stock of Portola Pharmaceuticals, Inc., a publicly traded commercial-stage biological company which we acquired on July 2, 2020. As our equity investment in Portola common stock had a readily determinable fair value, we recorded the investment at fair value. During the three months ended March 31, 2020, we recognized an unrealized gain of $0.6, in investment income to adjust our equity investment in Portola to fair value. Upon the closing of the acquisition of Portola on July 2, 2020, the fair value of the equity investment of $47.8 was derecognized and included in the fair value of consideration transferred, resulting in a realized gain of $29.7 in investment income on our initial investment. Refer to Note 3, *Acquisitions*, for additional information.

Inozyme

On July 17, 2020, we sold certain intellectual property rights and assets focusing on ENPP1 gene deficiencies to Inozyme Pharma (Inozyme), a publicly traded biopharmaceutical company, in exchange for $ 14.8 of Inozyme Pharma common stock, which was initially recorded at its IPO offering price, net of the effects of a nine month holding period restriction. We recognized the $14.8 of consideration received as a gain within gain on sale of assets in our condensed consolidated statements of operations in the third quarter of 2020. As our equity investment in Inozyme common stock has a readily determinable fair value, we are recording the investment at fair value. We have considered the effects of the holding period restriction and determined that the impact on the fair value of the investment is immaterial as of March 31, 2021. During the three months ended March 31, 2021, we recognized an unrealized gain of $1.5, in investment income to adjust our investment in Inozyme to fair value.

The fair value of this investment was $22.0 and $20.5 as of March 31, 2021 and December 31, 2020, respectively.

Other Strategic Investments

We have other strategic investments in equity securities of $5.8 and $2.6 as of March 31, 2021 and December 31, 2020, respectively. During the three months ended March 31, 2021 and 2020, purchases relating to these investments were immaterial and we recognized immaterial losses in investment income related to these investments.

(amounts in millions, except per share amounts)

12. Stockholders' Equity

Share Repurchases

In November 2012, our Board of Directors authorized a share repurchase program. In February 2017, our Board of Directors increased the amount that we are authorized to expend on future repurchases to $1,000.0 under our repurchase program, which superseded all prior repurchase programs. The entire amount authorized pursuant to this February 2017 Board approval has been utilized. On October 22, 2019, the Board of Directors approved a share repurchase authorization of up to $1,000.0. On July 28, 2020, the Board of Directors approved a new share repurchase authorization of up to an additional $ 1,500.0. The repurchase program does not have an expiration date and we are not obligated to acquire a particular number of shares. The repurchase program may be discontinued at any time at our discretion. We did not repurchase shares of our common stock during the three months ended March 31, 2021. Under the program, we repurchased 1.3 shares of our common stock at a cost of $107.1 during the three months ended March 31, 2020. As of March 31, 2021, there is a total of $2,024.7 remaining for repurchases under the repurchase programs.

13. Other Comprehensive Income and Accumulated Other Comprehensive Income

The following tables summarize the changes in AOCI, by component, for the three months ended March 31, 2021 and 2020:

	Defined Benefit Pension Plans	Unrealized Gains (Losses) from Debt Securities	Unrealized Gains (Losses) from Hedging Activities	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balances, December 31, 2020	$ (10.2)	$ —	$ (102.7)	$ (11.7)	$ (124.6)
Other comprehensive income (loss) before reclassifications	—	—	34.6	(13.1)	21.5
Amounts reclassified from other comprehensive income	—	—	17.9	—	17.9
Net other comprehensive income (loss)	—	—	52.5	(13.1)	39.4
Balances, March 31, 2021	$ (10.2)	$ —	$ (50.2)	$ (24.8)	$ (85.2)

	Defined Benefit Pension Plans	Unrealized Gains (Losses) from Debt Securities	Unrealized Gains (Losses) from Hedging Activities	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balances, December 31, 2019	$ (9.2)	$ (0.1)	$ (40.1)	$ (17.4)	$ (66.8)
Other comprehensive income (loss) before reclassifications	—	(0.2)	(21.3)	(8.0)	(29.5)
Amounts reclassified from other comprehensive income	—	—	(5.2)	—	(5.2)
Net other comprehensive income (loss)	—	(0.2)	(26.5)	(8.0)	(34.7)
Balances, March 31, 2020	$ (9.2)	$ (0.3)	$ (66.6)	$ (25.4)	$ (101.5)

(amounts in millions, except per share amounts)

The table below provides details regarding significant reclassifications from AOCI during the three months ended March 31, 2021 and 2020:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income during the three months ended March 31, 2021	2020	Affected Line Item in the Condensed Consolidated Statements of Operations
Unrealized Gains (Losses) on Hedging Activity			
Foreign exchange forward contracts	$ (11.8)	$ 11.4	Net product sales
Interest rate contracts	(11.4)	(4.6)	Interest expense
	(23.2)	6.8	
	5.3	(1.6)	Income tax expense
	$ (17.9)	$ 5.2	

14. Fair Value Measurement

Authoritative guidance establishes a valuation hierarchy for disclosure of the inputs to the valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020, and indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair value.

Balance Sheet Classification	Type of Instrument	Fair Value Measurement as of March 31, 2021 Total	Level 1	Level 2	Level 3
Cash equivalents	Money market funds	$ 1,258.8	$ —	$ 1,258.8	$ —
Marketable securities	Mutual funds	$ 39.7	$ 39.7	$ —	$ —
Other assets	Equity securities	$ 137.4	$ 137.4	$ —	$ —
Prepaid expenses and other current assets	Foreign exchange forward contracts	$ 41.5	$ —	$ 41.5	$ —
Other assets	Foreign exchange forward contracts	$ 0.1	$ —	$ 0.1	$ —
Other current liabilities	Foreign exchange forward contracts	$ 21.6	$ —	$ 21.6	$ —
Other current liabilities	Interest rate contracts	$ 45.7	$ —	$ 45.7	$ —
Other liabilities	Interest rate contracts	$ 32.9	$ —	$ 32.9	$ —
Current portion of contingent consideration	Acquisition-related contingent consideration	$ 120.0	$ —	$ —	$ 120.0
Contingent consideration	Acquisition-related contingent consideration	$ 303.5	$ —	$ —	$ 303.5

(amounts in millions, except per share amounts)

Balance Sheet Classification	Type of Instrument	Fair Value Measurement as of December 31, 2020 Total	Level 1	Level 2	Level 3
Cash equivalents	Money market funds	$ 833.7	$ —	$ 833.7	$ —
Marketable securities	Mutual funds	$ 34.9	$ 34.9	$ —	$ —
Other assets	Equity securities	$ 143.2	$ 122.7	$ 20.5	$ —
Prepaid expenses and other current assets	Foreign exchange forward contracts	$ 26.1	$ —	$ 26.1	$ —
Other current liabilities	Foreign exchange forward contracts	$ 80.1	$ —	$ 80.1	$ —
Other liabilities	Foreign exchange forward contracts	$ 1.2	$ —	$ 1.2	$ —
Other current liabilities	Interest rate contracts	$ 45.9	$ —	$ 45.9	$ —
Other liabilities	Interest rate contracts	$ 45.4	$ —	$ 45.4	$ —
Current portion of contingent consideration	Acquisition-related contingent consideration	$ 114.9	$ —	$ —	$ 114.9
Contingent consideration	Acquisition-related contingent consideration	$ 299.4	$ —	$ —	$ 299.4

There were no securities transferred between Level 1, 2 and 3 during the three months ended March 31, 2021.

Valuation Techniques

We classify mutual fund investments and equity securities, which are valued based on quoted market prices in active markets with no valuation adjustment, as Level 1 assets within the fair value hierarchy.

Cash equivalents classified as Level 2 within the valuation hierarchy relate to money market funds. The fair value of our money market funds was determined through third-party pricing sources.

Other investments in equity securities of publicly traded companies which are subject to holding period restrictions are carried at fair value using an option pricing valuation model and classified as Level 2 equity securities within the fair value hierarchy. The most significant assumptions within the option pricing valuation model are the term of the restrictions and the stock price volatility, which is based upon the historical volatility of the applicable company or similar companies. We also use a constant maturity risk-free interest rate to match the remaining term of the restrictions on such investments.

Our derivative assets and liabilities include foreign exchange and interest rate derivatives that are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk as well as an evaluation of our counterparties' credit risks. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy.

Contingent consideration liabilities related to business acquisitions are classified as Level 3 within the valuation hierarchy and are valued based on various estimates, including probability of success, discount rates and amount of time until the conditions of the milestone payments are met.

As of March 31, 2021, there has not been any impact to the fair value of our derivative liabilities due to our own credit risk. Similarly, there has not been any significant adverse impact to our derivative assets based on our evaluation of our counterparties' credit risks.

Acquisition-Related Contingent Consideration

In connection with our prior business combinations, we may be required to pay future consideration that is contingent upon the achievement of specified development, regulatory approvals or sales-based milestone events. We determine the fair value of these obligations using various estimates that are not observable in the market and represent a Level 3 measurement within the fair value hierarchy. As of March 31, 2021, the resulting probability-weighted cash flows were discounted using a cost of debt ranging from 2.5% to 3.0% for developmental and regulatory milestones and a weighted average cost of capital of 9.0% for sales-based milestones. As of December 31, 2020, the resulting probability-weighted cash flows were discounted using a cost of debt ranging from 2.8% to 3.3% for developmental and regulatory milestones and a weighted average cost of capital of 9.0% for sales-based milestones.

(amounts in millions, except per share amounts)

Each reporting period, we adjust the contingent consideration to fair value with changes in fair value recognized in operating income. Changes in fair values reflect new information about the probability and timing of meeting the conditions of the milestone payments. In the absence of new information, changes in fair value will only reflect the interest component of contingent consideration related to changes in discount rates and the passage of time.

As of March 31, 2021, estimated future contingent milestone payments related to our business combinations range from zero if no milestone events are achieved, to a maximum of $905.6 if all development, regulatory and sales-based milestones are reached. In the first quarter of 2021, a sales-based milestone associated with our acquisition of Enobia Pharma Corp. was achieved. In connection with such achievement, we will make a $120.0 milestone payment in the second quarter of 2021. No additional milestone payments associated with our prior business combinations are expected during the next 12 months. As of March 31, 2021, the fair value of acquisition-related contingent consideration was $423.5. The following table represents a roll-forward of our acquisition-related contingent consideration:

	Three Months Ended March 31, 2021
Balance as of December 31, 2020	$ 414.3
Changes in fair value	9.2
Balance as of March 31, 2021	$ 423.5

(amounts in millions, except per share amounts)

15. Revenue Recognition

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into product and geographical regions as summarized below.

	Three months ended March 31,	
	2021	2020
SOLIRIS		
United States	$ 553.9	$ 556.2
Europe	251.3	263.5
Asia Pacific	102.4	87.1
Rest of World	120.0	116.1
Total	$ 1,027.6	$ 1,022.9
ULTOMIRIS		
United States	$ 206.9	$ 131.5
Europe	63.8	33.8
Asia Pacific	73.3	57.1
Rest of World	2.9	0.4
Total	$ 346.9	$ 222.8
STRENSIQ		
United States	$ 155.2	$ 128.1
Europe	18.9	24.0
Asia Pacific	17.0	13.6
Rest of World	6.4	6.5
Total	$ 197.5	$ 172.2
ANDEXXA		
United States	$ 25.3	$ —
Europe	3.6	—
Asia Pacific	—	—
Rest of World	—	—
Total	$ 28.9	$ —
KANUMA		
United States	$ 17.1	$ 16.4
Europe	10.8	7.5
Asia Pacific	1.2	0.9
Rest of World	5.7	1.9
Total	$ 34.8	$ 26.7
Total Net Product Sales	$ 1,635.7	$ 1,444.6

(amounts in millions, except per share amounts)

Contract Balances and Receivables

Contract liabilities primarily relate to consideration received and/or billed for goods that have not been delivered to the customer and for which the performance obligation has not yet been completed. These amounts are included within other current liabilities in the condensed consolidated balance sheets.

The following table provides information about receivables and contract liabilities from our contracts with customers.

	March 31, 2021	December 31, 2020
Receivables, which are included in "Trade accounts receivable, net"	$ 1,473.0	$ 1,409.3
Contract liabilities, which are included in "Other current liabilities"	$ 23.8	$ 3.0

16. Income Taxes

Tax Rate

The following table provides a comparative summary of our income tax expense and effective income tax rate for the three months ended March 31, 2021:

	Three months ended March 31,	
	2021	2020
Income tax expense	$ 113.4	$ 106.0
Effective income tax rate	18.8 %	16.0 %

Income tax expense is attributable to the U.S. federal, state and foreign income taxes on our profitable operations. The increase in the effective tax rate for the three months ended March 31, 2021 as compared to the same period in the prior year is primarily attributable to the consolidation of Caelum during the first quarter 2021. Caelum's net loss included in our condensed consolidated statement of operations for the three months ended March 31, 2021 was $196.0, including acquired in-process research and development expense of $193.3, for which no tax benefit has been recognized. This resulted in an increase to the effective tax rate of 5.2% for the three months ended March 31, 2021.

In April 2020 we became aware of a European withholding tax regulation that could be interpreted to apply to certain of our previous intra-group transactions. We recorded an immaterial reserve related to this matter during the second quarter of 2020.

We have recorded tax on the undistributed earnings of our controlled foreign corporation (CFC) subsidiaries. To the extent CFC earnings may not be repatriated to the U.S. as a dividend distribution due to limitations imposed by law, we have not recorded the related potential withholding, foreign, local, and U.S. state income taxes.

We continue to maintain a valuation allowance when it is more likely than not that all or a portion of certain deferred tax assets will not be realized.

17. Commitments and Contingencies

Asset Acquisition and In-License Agreements

We have entered into asset purchase agreements, license agreements, and option arrangements in order to advance and obtain technologies and services related to our business. These agreements generally require us to pay an initial fee and certain agreements call for future payments upon the attainment of agreed upon development, regulatory and/or commercial milestones. These agreements may also require minimum royalty payments based on sales of products developed from the applicable technologies, if any. Refer to Note 10, *Caelum Biosciences,* for information on commitments and additional payments that may be required in connection with our agreement with Caelum, which has been consolidated as a variable interest entity in our condensed consolidated balance sheets.

In March 2019, we entered into an agreement with Zealand which provides us with exclusive worldwide licenses, as well as development and commercial rights, for subcutaneously delivered preclinical peptide therapies

directed at up to four complement pathway targets. Pursuant to the agreement, Zealand will lead joint discovery and research efforts through the preclinical stage, and Alexion will lead development efforts beginning with the investigational new drug filing and Phase I studies. In addition to the agreement, we made an equity investment in Zealand (refer to Note 11, *Other Investments*). Under the terms of the agreement, we made an upfront payment of $40.0 for an exclusive license to the lead target and the equity investment, as well as for preclinical research services to be performed by Zealand in relation to the lead target. The market value of the equity investment was $13.8 as of the date of acquisition, which we recorded in other assets in our condensed consolidated balance sheets. We also recognized prepaid research and development expense of $5.0 within the condensed consolidated balance sheets associated with the research activities to be performed by Zealand. Due to the early stage of the asset we are licensing, we recorded the upfront license payment of $21.2 as research and development expense during the first quarter 2019. As of March 31, 2021, we could be required to pay up to $610.0, for the lead target, upon the achievement of specified development, regulatory and commercial milestones, as well as royalties on commercial sales. In addition, we could be required to pay up to an additional $115.0 in development and regulatory milestones if both a long-acting and short-acting product are developed with respect to the lead target. Each of the three subsequent targets can be selected for an option fee of $15.0 and has the potential for additional development, regulatory and commercial milestones, as well as royalty payments, at a reduced price to the lead target.

In September 2019, we entered into an agreement with Eidos through which Alexion obtained an exclusive license to develop and commercialize AG10 in Japan. AG10 is a small molecule designed to treat the root cause of transthyretin amyloidosis (ATTR) and is currently in a Phase III study in the U.S., Europe and Japan for ATTR cardiomyopathy (ATTR-CM). In addition, we made an equity investment in Eidos (refer to Note 11, *Other Investments*). Under the terms of the agreement, we made an upfront payment of $50.0 for the exclusive license to AG10 in Japan and the equity investment. The market value of the equity investment was $19.9 as of the date of acquisition, which we recorded in other assets in our condensed consolidated balance sheets. Due to the early stage of the asset we are licensing, we recorded the upfront license payment of $30.1 as research and development expense during the third quarter 2019. In January 2021, BridgeBio completed its acquisition of all the outstanding shares of Eidos common stock that BridgeBio did not already own. As of March 31, 2021, we could be required to pay $30.0 upon achievement of a Japanese-based regulatory milestone as well as royalties on commercial sales.

In October 2018, we entered into a collaboration agreement with Dicerna that provides us with exclusive worldwide licenses and development and commercial rights for two preclinical RNA interference (RNAi) subcutaneously delivered molecules for complement-mediated diseases, as well as an exclusive option for other preclinical RNAi molecules for two additional targets within the complement pathway. In addition to the collaboration agreement, we made an equity investment in Dicerna. Under the terms of the agreements, we made an upfront payment of $ 37.0 for the exclusive licenses and the equity investment. The market value of the equity investment was $10.3 as of the date of acquisition, which we recorded in other assets in our condensed consolidated balance sheets. Due to the early stage of the assets we are licensing, we recorded the upfront license payment of $26.7 as research and development expense during the fourth quarter 2018. In December 2019, we exercised our option for exclusive rights to two additional targets within the complement pathway under an existing agreement with Dicerna, which expands our existing research collaboration and license agreement with Dicerna to include a total of four targets within the complement pathway. In connection with the option exercise, we paid Dicerna $20.0, which we recorded as research and development expense in the fourth quarter 2019. As of March 31, 2021, we could be required to pay up to $604.1 for amounts due upon the achievement of specified research, development, regulatory and commercial milestones on the four licensed targets, as well as royalties on commercial sales.

In December 2017, we entered into a collaboration and license agreement with Halozyme Therapeutics, Inc. that allows us to use drug-delivery technology in the development of subcutaneous formulations for our portfolio of products for up to four targets. Under the terms of the agreement, we made an upfront payment of $40.0 for an exclusive license to two of the four potential targets and due to the early stage of the assets we are licensing, we recorded an expense for the upfront payment during the fourth quarter 2017. During the second quarter 2020, we forfeited our rights to one of the two targets we initially licensed. As of March 31, 2021, we could be required to pay up to $155.0 for the remaining licensed target upon achievement of specified development, regulatory and sales-based milestones, as well as royalties on commercial sales. Each of the two subsequent targets can be licensed for an option fee of $ 8.0, with contingent payments of up to $160.0 per target, subject to development, regulatory and commercial milestones, as well as royalties on commercial sales.

In connection with our prior acquisition of Syntimmune, Inc., a clinical-stage biotechnology company developing an antibody therapy targeting the FcRn, we could be required to pay up to $800.0 upon the achievement of specified development, regulatory and commercial milestones, of which $130.0 is specific to the subcutaneous formulation. We are currently subject to a claim in litigation in connection with the Syntimmune acquisition alleging that Alexion failed to meet its obligations under the merger agreement to use commercially reasonable efforts to achieve the milestones and plaintiff has requested payment of the full earn-out amount.

In addition, as of March 31, 2021, we have other license agreements under which we may be required to pay up to an additional $114.1 for currently licensed targets, if certain development, regulatory and commercial milestones are met, including up to $71.5 for the development of cerdulatinib in multiple indications pursuant to an in-licensing agreement with Astellas Pharma, Inc. which was assumed through the acquisition of Portola in the third quarter 2020. Additional amounts may be payable if we elect to acquire licenses to additional targets, as applicable, under the terms of these agreements.

During the next 12 months, we may incur milestone payments related to our asset acquisitions, option and in-license agreements of approximately $155.1 as of March 31, 2021, inclusive of $14.0 of potential milestone payments due to Caelum, which has been consolidated as a variable interest entity as of the first quarter 2021. Additionally, in the event we exercise the exclusive purchase option with Caelum, the agreement provides for additional payments to Caelum for up to $500.0, which includes an upfront option exercise payment of $150.0 and potential regulatory and commercial milestone payments of up to $350.0. The pending acquisition of Alexion by AstraZeneca will accelerate the expiration period of the exclusive purchase option to 6-months after the close of the acquisition.

Asset Sale and Out-License Arrangements

In connection with prior asset sale and out-license arrangements, including those assumed by Alexion through prior acquisitions, Alexion is entitled to receive contingent payments upon the achievement of various regulatory and commercial milestones and other events, as well as royalties on commercial sales. Income resulting from contingent milestone payments and royalties on commercial sales is generally recognized when the contingent consideration is probable and no longer constrained. Additionally, sales-based milestones and royalties on commercial sales resulting from an out-license arrangement are subject to the sales-and-usage based royalty scope exception and recognized only when the associated sales occur.

In September 2018, we sold all assets, rights and obligations of the ALXN1101 program to Origin Biosciences, Inc. (Origin) and, as a result, recognized a gain of $3.5 during the third quarter 2018. Under the terms of the agreement with Origin, Alexion is entitled to receive contingent payments upon the achievement of various regulatory and commercial milestones, including Origin's receipt of a PRV, as well as royalties on commercial sales. In the first quarter of 2021, ALXN1101, now branded as NULIBRY™ (fosdenopterin), received approval from the FDA. Origin also received a PRV in connection with this approval. As a result, we recognized income of $20.0 in gain on sale of assets in the condensed consolidated statements of operations for the three months ended March 31, 2021. This income primarily represents the change in our estimate of variable consideration expected to be received under this contract. Additional rights to receive contingent payments of approximately $21.0 upon certain contingent milestone events, as well as royalties on sales of NULIBRY™, remain fully constrained given the significant uncertainty in realizing any such amounts.

The amount of contingent consideration related to our other asset sale and out-license agreements is fully constrained and therefore has not been recognized as of March 31, 2021.

Manufacturing Agreements

We have various manufacturing development and license agreements to support our clinical and commercial product needs.

We rely on Lonza, a third party manufacturer, to produce a portion of commercial and clinical quantities of our commercial products and product candidates. We have various manufacturing and license agreements with Lonza, with remaining total non-cancellable future commitments of approximately $1,432.1 through 2030. This amount includes $ 97.9 of undiscounted, fixed payments applicable to our Contract Manufacturing Organization (CMO) embedded lease arrangement with Lonza. If we terminate certain supply agreements with Lonza without cause, we will be required to pay for product scheduled for manufacture under our arrangement. Under an existing arrangement with Lonza, we pay Lonza a royalty on the sales of SOLIRIS and ULTOMIRIS manufactured at Lonza facilities.

In addition to our commitments with Lonza, as of March 31, 2021 we have non-cancellable commitments of approximately $125.7 through 2023 with other third party manufacturers.

Contingent Liabilities

We are currently involved in various claims, disputes, lawsuits, investigations, administrative proceedings and legal proceedings. On a quarterly basis, we review the status of each significant matter and assess its potential financial exposure. In accordance with generally accepted accounting principles, if the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Because of uncertainties related to claims, proceedings and litigation, accruals are based on our best estimates based on information available at the time of the assessment. On a periodic basis, as additional information becomes available, or based on specific events such as the outcome of litigation, court decisions or settlement of claims (and offers of settlement), we may reassess the potential liability related to these matters and may revise these estimates, which could result in a material adverse adjustment to our operating results. Costs associated with our involvement in legal proceedings are expensed as incurred. The outcome of any such proceedings, regardless of the merits, is inherently uncertain. If we were unable to prevail in any such proceedings, our consolidated financial position, results of operations, and future cash flows may be materially impacted.

We have received, and may in the future receive, notices from third parties claiming that their patents may be infringed by the use, development, manufacture, importation or sale of our products or product candidates. Under the guidance of ASC 450, *Contingencies*, we record a royalty accrual based on our best estimate of the fair value percent of net sales of our products that we could be required to pay the owners of patents for technology used in the manufacture and sale of our products. A costly license, or inability to obtain a necessary license, could have a material adverse effect on our financial results.

In May 2015, we received a subpoena in connection with an investigation by the Enforcement Division of the Securities and Exchange Commission (SEC) requesting information related to our grant-making activities and compliance with the Foreign Corrupt Practices Act (FCPA) in various countries. In addition, in October 2015, we received a request from the Department of Justice (DOJ) for the voluntary production of documents and other information pertaining to Alexion's compliance with the FCPA. The SEC and DOJ also sought information related to Alexion's recalls of specific lots of SOLIRIS and related securities disclosures.

The investigations focused on operations in various countries, including Brazil, Colombia, Japan, Russia and Turkey, and Alexion's compliance with the FCPA and other applicable laws.

In May 2020, DOJ informed us that it has closed its inquiry into these matters.

On July 2, 2020, we reached a civil settlement with the SEC fully resolving the SEC's investigation into possible violations of the FCPA. Alexion neither admitted nor denied any wrongdoing in connection with the settlement but agreed to pay $21.5 to the SEC, consisting of amounts attributable to disgorgement, civil penalties, and pre-judgment interest. In connection with this settlement, in July 2020, we paid $21.5 to the SEC.

Following the settlement with the SEC, the Ministry of Health in Turkey initiated an investigation regarding the matters referenced in the SEC Order as they relate to the Company's operations in Turkey between 2010 and 2015. We are cooperating with this investigation.

Alexion is committed to continually focusing on its compliance program and continues to enhance its comprehensive company-wide program that is designed to enhance our business processes, structures, controls, training, talent, and systems across Alexion's global operations.

As previously reported, on December 29, 2016, a shareholder filed a putative class action against the Company and certain former employees in the U.S. District Court for the District of Connecticut, alleging that defendants made misrepresentations and omissions about SOLIRIS. On April 12, 2017, the court appointed a lead plaintiff. On July 14, 2017, the lead plaintiff filed an amended putative class action complaint against the Company and seven current or former employees. Defendants moved to dismiss the amended complaint on September 12, 2017. Plaintiffs filed an opposition to defendants' motion to dismiss on November 13, 2017, and defendants filed a reply brief in further support of their motion on December 28, 2017. On March 26, 2019, the court held a telephonic status conference. During that conference, the court informed counsel that it was preparing a ruling granting the defendants' pending motion to dismiss. The court inquired of plaintiffs' counsel whether they intended to seek leave to amend their complaint, and indicated that if they wished to file a second amended complaint, they would be allowed to do so. On April 2, 2019, the court granted plaintiffs until May 31, 2019 to file a second amended

complaint, thereby rendering moot defendants' pending motion to dismiss. On June 2, 2019, plaintiffs filed a second amended complaint against the same defendants. The complaint alleges that defendants engaged in securities fraud, including by making misrepresentations and omissions in its public disclosures concerning the Company's SOLIRIS sales practices, management changes, and related investigations, between January 30, 2014 and May 26, 2017, and that the Company's stock price dropped upon the purported disclosure of the alleged fraud. The plaintiffs seek to recover unspecified monetary relief, unspecified equitable and injunctive relief, interest, and attorneys' fees and costs. Defendants' filed a motion to dismiss the amended complaint on August 2, 2019; plaintiffs' filed their opposition to that motion on October 2, 2019; and defendants' filed their reply in further support of their motion on November 15, 2019. Given the early stage of these proceedings, we cannot presently predict the likelihood of obtaining dismissal of the case (or the ultimate outcome of the case if the motion to dismiss is denied by the court), nor can we estimate the possible loss or range of loss at this time.

In December 2016, we received a subpoena from the U.S. Attorney's Office for the District of Massachusetts requesting documents relating generally to our support of Patient Services, Inc. (PSI) and National Organization for Rare Disorders (NORD), 501(c)(3) organizations that provide financial assistance to Medicare patients taking drugs sold by Alexion; Alexion's provision of free drug to Medicare patients; and Alexion compliance policies and training materials concerning the anti-kickback statute and information on donations to PSI and NORD from 2010 through 2016. In April 2019, we entered into a civil settlement agreement with the DOJ and the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services to resolve this matter. As part of the settlement agreement, Alexion paid $13.1 to the DOJ and OIG. OIG did not require a Corporate Integrity Agreement with Alexion because it made fundamental organizational changes, including hiring a new executive leadership team, replacing half of the members of its Board of Directors, and effecting a significant change in the workforce.

In May 2017, Brazilian authorities seized records and data from our São Paulo, Brazil offices as part of an investigation being conducted into Alexion's Brazilian operations. We are cooperating with this inquiry.

In June 2017, we received a demand to inspect certain of our books and records pursuant to Section 220 of the General Corporation Law of the State of Delaware on behalf of a purported stockholder. Among other things, the demand sought to determine whether to institute a derivative lawsuit against certain of the Company's directors and officers in relation to the investigation by our Audit and Finance Committee announced in November 2016 and the investigations instituted by the SEC, DOJ, U.S. Attorney's Office for the District of Massachusetts, and Brazilian law enforcement officials that are described above. We have responded to the demand. Given the early stages of this matter, an estimate of the possible loss or range of loss cannot be made at this time.

On September 27, 2017, a hearing panel of the Canadian Patented Medicine Prices Review Board (PMPRB) issued a decision in a previously pending administrative pricing matter that we had excessively priced SOLIRIS in a manner inconsistent with the Canadian pricing rules and guidelines. In its decision, the PMPRB ordered Alexion to decrease the price of SOLIRIS to an upper limit based upon pricing in certain other countries, and to forfeit excess revenues for the period between 2009 and 2017. The amount of excess revenues for the period between 2009 and 2017 was determined not to be a material amount and was paid in 2018. In October 2017, Alexion filed an application for judicial review of the PMPRB's decision in the Federal Court of Canada. On May 23, 2019, the Federal Court of Canada dismissed Alexion's application for judicial review and, as a consequence, affirmed the decision of the PMPRB that we had excessively priced SOLIRIS. On June 21, 2019, Alexion filed a notice of appeal of the Federal Court of Canada's ruling, and, on October 17, 2019, Alexion filed a memorandum of fact and law in support of the appeal. On December 3, 2019, the Attorney General of Canada filed its memorandum of fact and law in support of the Federal Court of Canada's dismissal of Alexion's appeal of the PMPRB's decision. On December 19, 2019, the intervenor, the Minister of Health for the Province of British Columbia, filed a separate memorandum of fact and law in support of the Federal Court of Canada's decision. The Canadian Federal Court of Appeal heard the appeal on October 21 and 22, 2020, but has not issued a decision as of the date of this filing. Pursuant to an order made by the Federal Court of Canada, as of April 28, 2021, we have placed approximately $80.9 in escrow to secure our obligations pending the final resolution of all appeals in this matter. This amount reflects the difference between the list price for SOLIRIS and the price determined by the PMPRB to be non-excessive for sales of SOLIRIS in Canada for the period beginning September 2017 through March 31, 2021. In addition, on a quarterly basis, until the appeals process has concluded, Alexion will be required to place amounts into escrow for each vial of SOLIRIS sold in the applicable quarter equal to the difference between the list price for SOLIRIS and the price determined by the PMPRB to be non-excessive. Our revenues in Canada have been reduced by $54.7 cumulatively to date, which is our current best estimate of our liability through March 31, 2021 if we lose the appeal of this matter (the amount of our ultimate liability, however, may be greater than this estimate when the appeal process for this matter is concluded).

Chugai Pharmaceutical Co., Ltd. has filed three lawsuits against Alexion. The first was filed in November 2018 in the United States District Court for the District of Delaware against Alexion Pharmaceuticals, Inc. alleging that ULTOMIRIS infringes one U.S. patent held by Chugai Pharmaceutical Co., Ltd. Upon issuance of a new U.S. patent on November 12, 2019, Chugai filed a second lawsuit in the United States alleging that ULTOMIRIS infringes the new patent. The parties have agreed to consolidate the November 2018 and November 2019 lawsuits. Chugai filed a third lawsuit in December 2018 in the Tokyo District Court against Alexion Pharma GK (a wholly-owned subsidiary of Alexion) in Japan, and alleges that ULTOMIRIS infringes two Japanese patents held by Chugai Pharmaceutical Co., Ltd. Chugai's complaints seek unspecified damages and certain injunctive relief. On March 5, 2020, the Supreme Court of Japan dismissed Chugai's appeal against an earlier IP High Court of Japan decision which held that one of the Chugai patents-in-suit is invalid. Subsequently Chugai filed a correction to the claims of this patents-in-suit and Alexion has countered that the corrected claims are still invalid and not infringed. In all cases, Alexion has denied the charges and countered that the patents are neither valid nor infringed. A trial date for the U.S. case which was initially set for July 2021 has been re-scheduled for January 2022. The case is still at the briefing stage in Japan. Given the early stages of these litigations, an estimate of the possible loss or range of loss cannot be made at this time.

In connection with an ongoing matter, in August 2019, the Brazilian Federal Revenue Service provided a Notice of Tax and Description of the Facts (the "Tax Assessment") to two Alexion subsidiaries (the "Brazil Subsidiaries"), as well as to two additional entities, a logistics provider utilized by Alexion and a distributor. The Tax Assessment focuses on the importation of SOLIRIS vials pursuant to Alexion's free drug supply to patients program (referred to as Global Access to Medicines, or GATM) in Brazil. In September 2019, the Brazil Subsidiaries filed defenses to the Tax Assessment disputing the basis for liability under the Tax Assessment, based on, among others, the following: in connection with the operation of GATM, during the period from September 2014 to June 2019: (i) the importers responsible for the importation of the GATM SOLIRIS vials into Brazil were correctly identified and (ii) the correct customs value was utilized for the purpose of importing the GATM SOLIRIS vials provided to the patients free of charge. Alexion prevailed in the first level of administrative appeals in the Brazilian federal administrative proceeding system based on a deficiency in the Brazil Tax Assessment. The decision was subject to an automatic (*ex officio*) appeal to the second level of the administrative courts. On March 30, 2021, counter-arguments against the ex officio appeal were filed on behalf of the Brazil Subsidiaries. There are three separate levels of administrative appeals within the Brazilian federal administrative proceeding system and, if the outcome of these administrative appeals is unfavorable, the final decision of the federal administrative proceeding system can be disputed to the federal court systems in Brazil (at this time, Alexion intends to appeal the Tax Assessment if it is not overturned in the course of administrative appeals). Given the early stage of these proceedings, Alexion is unable to predict the duration, scope or outcome of this matter, but we expect that a final resolution will take three years or more. While it is possible that a loss related to the Tax Assessment may be incurred, given its ongoing nature, we cannot reasonably estimate the potential magnitude of any such possible loss or range of loss, or the cost of the ongoing administrative appeals (and potential appeals to the federal court system) of the Tax Assessment. Any determination that any aspects of the importation of free of charge medications into Brazil as set forth in the Tax Assessment are not, or were not, in compliance with existing laws or regulations could result in the imposition of fines, civil penalties and, potentially criminal penalties, and/or other sanctions against us, and could have an adverse impact on our Brazilian operations.

In connection with Alexion's acquisition of Portola, we have assumed litigation to which Portola was a party. Among the litigation assumed is a securities fraud class action filed against Portola and certain of its officers, directors and underwriters ("Defendants") under the Securities Act of 1933 and the Securities Exchange Act of 1934. Specifically, on January 16, 2020, February 7, 2020, and February 28, 2020, stockholders filed three putative class actions in the U.S. District Court for the Northern District of California, captioned *Hayden v. Portola Pharmaceuticals, Inc., et al., No. 3:20-cv-00367-VC (N.D. Cal.); McCutcheon v. Portola Pharmaceuticals, Inc., et al.,* No. 3:20-cv-00949 (N.D. Cal.)*; and Southeastern Pennsylvania Transportation Authority v. Portola Pharmaceuticals, Inc., et al.*, No. 3:20-cv-01501 (N.D. Cal.). These cases have since been consolidated, and on April 22, 2020, the Court issued an Order appointing the Alameda County Employees' Retirement Association ("ACERA") as Lead Plaintiff in the litigation. ACERA filed its amended consolidated complaint on May 20, 2020, asserting that Defendants made misrepresentations and omissions in public disclosures (including in materials issued in connection with the August 7, 2019 securities offering) concerning Portola's sales of andexanet alfa, marketed as ANDEXXA in the United States and ONDEXXYA in Europe, between January 8, 2019 and February 26, 2020. Specifically, plaintiffs allege that Defendants made materially false and/or misleading statements about the demand for ANDEXXA, usage of ANDEXXA by hospitals and healthcare organizations, and about Portola's accounting for its return reserves. Plaintiffs contend that the alleged fraud was revealed on January 9, 2020, when Portola announced its preliminary unaudited financial

results for the fourth quarter of 2019, and again on February 26, 2020, when Portola issued its fourth quarter 2019 financial results. In July 2020, Portola and the Portola Defendants filed a motion to dismiss with the Court. The court heard oral argument on September 24, 2020 and granted defendants' pending motion to dismiss, but with leave for plaintiffs to amend further their complaint. Plaintiffs filed an amended complaint on November 5, 2020. In December 2020, Portola and Portola Defendants filed a motion to dismiss with the Court. A hearing occurred on March 4, 2021, and the Court dismissed the case with leave to amend on March 10, 2021. The Plaintiffs filed a second amended complaint on March 31, 2021. Portola and the Portola Defendants must file a motion to dismiss by May 5, 2021, with the opposition scheduled to be filed by June 9,2021, and the reply scheduled to be filed by June 30, 2021. A hearing is scheduled for July 22, 2021. Plaintiffs seek to recover unspecified monetary relief, interest, and attorneys' fees and costs. Given the early stage of these proceedings, we cannot presently predict the likelihood of obtaining dismissal of the case (or the ultimate outcome of the case if that motion to dismiss is denied by the court), nor can we estimate the possible loss or range of loss at this time.

In connection with the transactions contemplated by the Merger Agreement with AstraZeneca, nine complaints have been filed by purported Alexion stockholders against Alexion and its current or former directors, and, in certain cases, AstraZeneca and the Merger Subs. The complaints are captioned Votto v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-02067 (S.D.N.Y); Wang v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-02095 (S.D.N.Y.); Wei v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-02100 (S.D.N.Y.); Naquin v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-02119 (S.D.N.Y.); Raul v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-02238 (S.D.N.Y.); Parshall v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-02670 (S.D.N.Y.); Davis v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-01429 (E.D.N.Y.); Kent v. Alexion Pharmaceuticals, Inc., et al., No. 1:21-cv-00441 (D. Del.); McKenzie v. Alexion Pharmaceuticals, Inc., et al., No. 2:21-cv-01515 (E.D. Pa.). The complaints generally allege that the preliminary registration statement filed with the SEC on February 19, 2021, omitted certain allegedly material information in connection with the transaction, and one of the complaints further alleges that the Alexion directors breached their fiduciary duties in connection with the transaction and that AstraZeneca and the other entity defendants aided and abetted the alleged breaches. The lawsuits seek various remedies, including enjoining the consummation of the transaction unless certain allegedly material information is disclosed, directing dissemination of additional allegedly material disclosures, rescission of the transaction, or rescissory damages in the event the transaction is consummated without such disclosures, and an accounting to the plaintiffs for any damages allegedly suffered. Given the early stage of the proceedings, an estimate of the possible loss or range of loss cannot be made at this time.