The Affordable Care Act: 2014 Outlook

May 2014

*This presentation is offered for informational purposes only, and the content should not be construed as legal advice on any matter.

Overview

The Affordable Care Act: Overview and Status

Key Provisions for Employers

- Employer mandate and penalties
- Small business tax credit
- SHOP Marketplaces

Trends in Employer-Sponsored Insurance

Legislative and Regulatory Outlook

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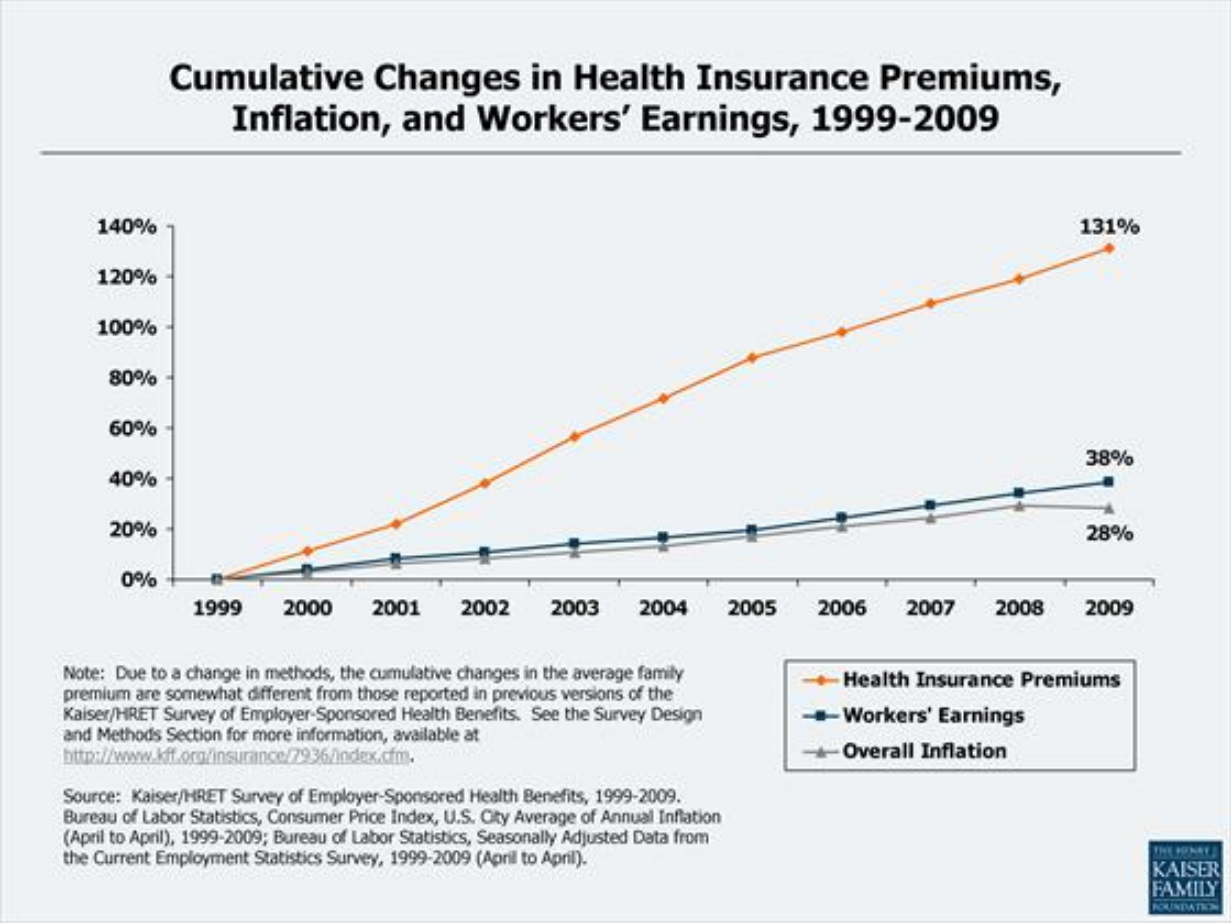
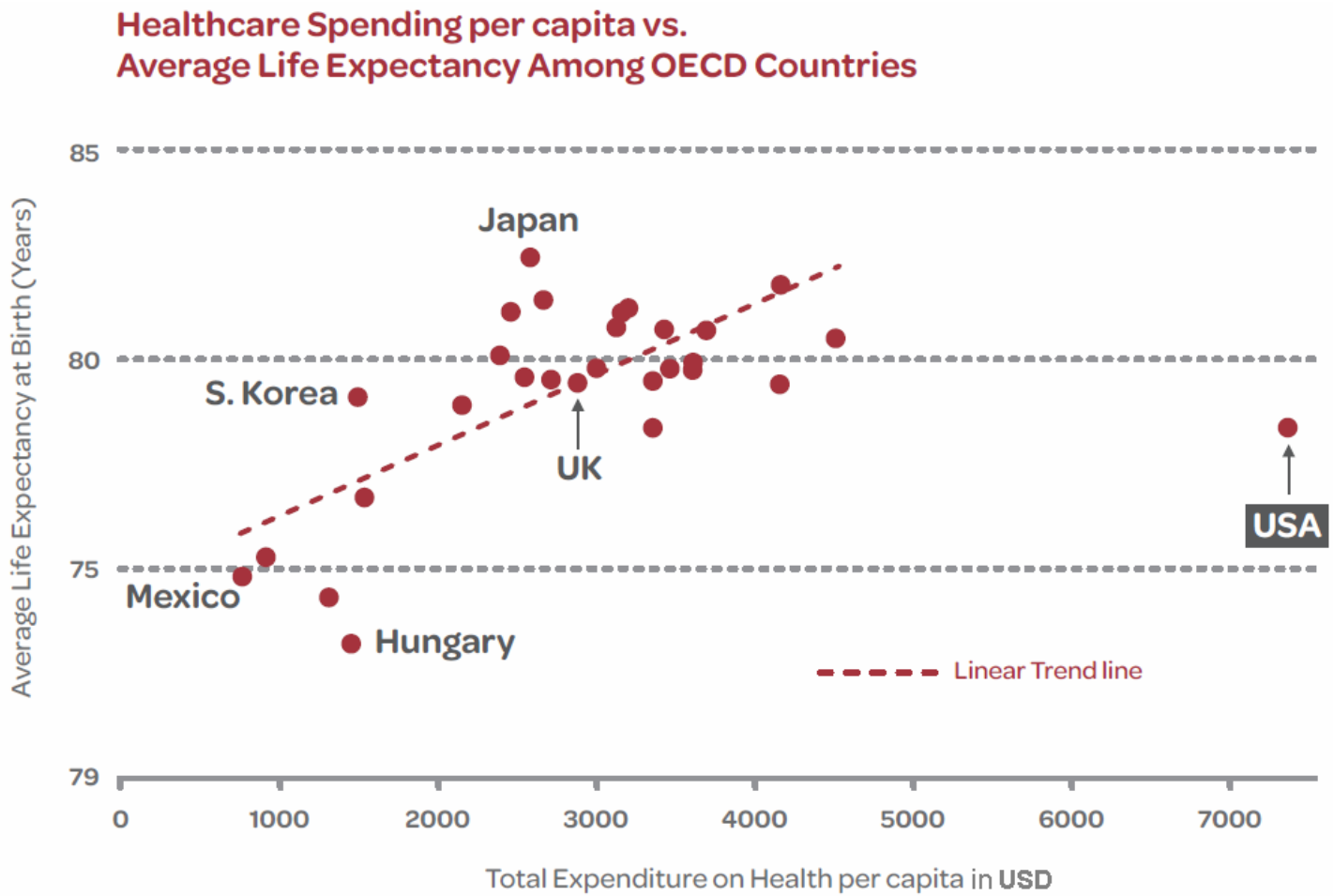
Why the ACA?
Rising Costs



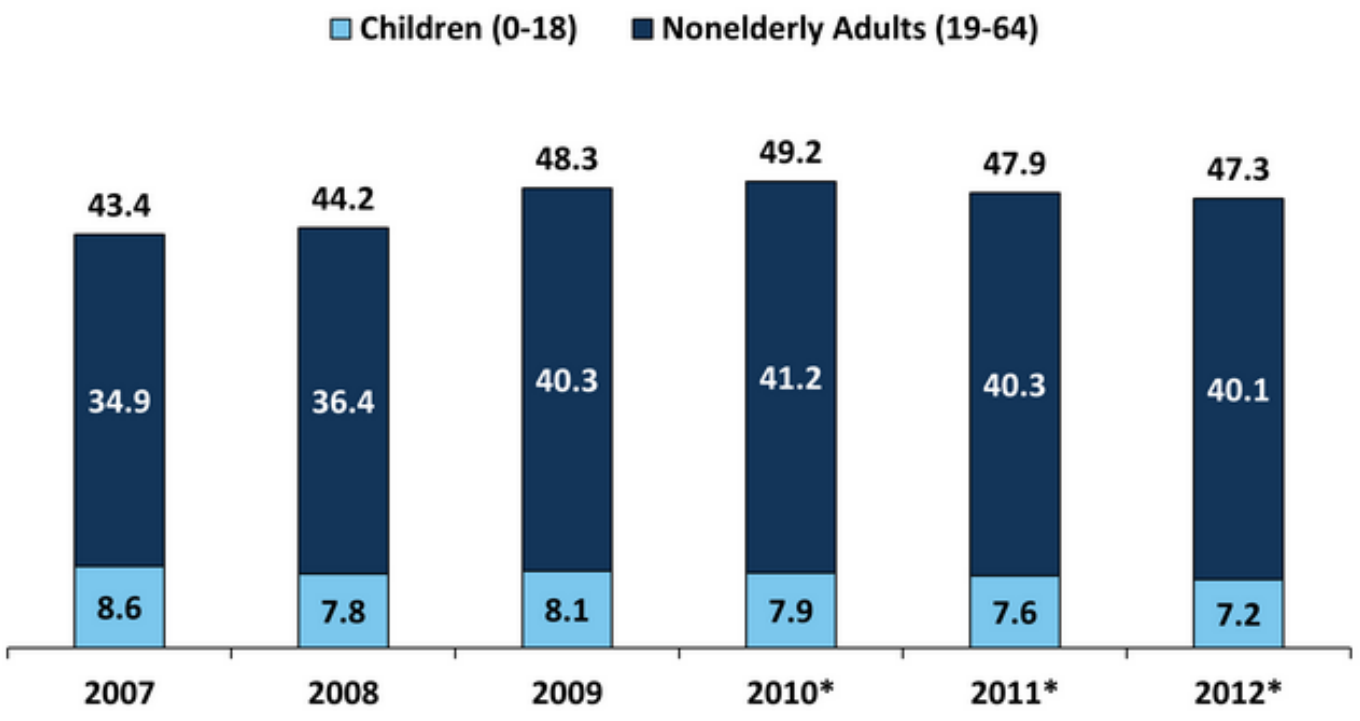
Why the ACA?
Rising Costs Not Associated With Higher Quality



Source: OECD Data (2009)

Why the ACA?
Uninsured and Underinsured

Number of Nonelderly Uninsured Individuals, 2007-2012

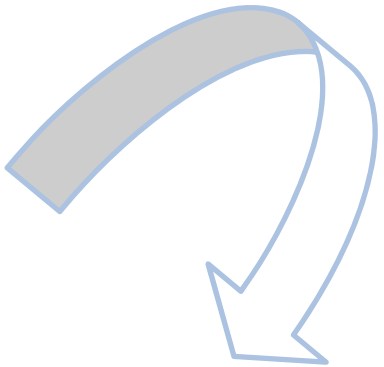


NOTE: May not sum to totals due to rounding. * Applied Census 2010-based population controls.
SOURCE: KCMU/Urban Institute analysis of 2009 through 2012 ASEC Supplement to the CPS. Holahan J and Chen V. "Changes in Health Insurance Coverage in the Great Recession, 2007-2010." Kaiser Commission on Medicaid and the Uninsured. December 2011.

Three Tranches of Reform

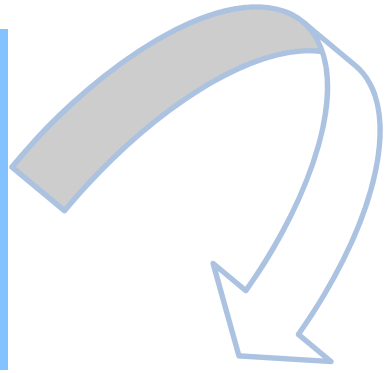
Regulation and coverage (2010 – 2013)

- Elimination of preexisting coverage exclusions for children and lifetime coverage limits and rescissions; dependent coverage through age 26
- MLR minimums for non-grandfathered plans
- Medicare Part D coverage gap narrows; Medicare Advantage rates frozen; bonuses available; beneficiary rebates; free preventive care
- Temporary high-risk pools
- Fee on brand-name pharmaceutical manufacturers
- Delivery reform demonstrations launched



Major expansion of coverage (2014)

- Individual mandate
- Employer mandate (delayed)
- Health Insurance Exchanges come online
- Medicaid expansion
- Small employer and individual subsidies
- Essential health benefits
- Health insurance tax
- Guaranteed issue, rating bands, and risk adjustment

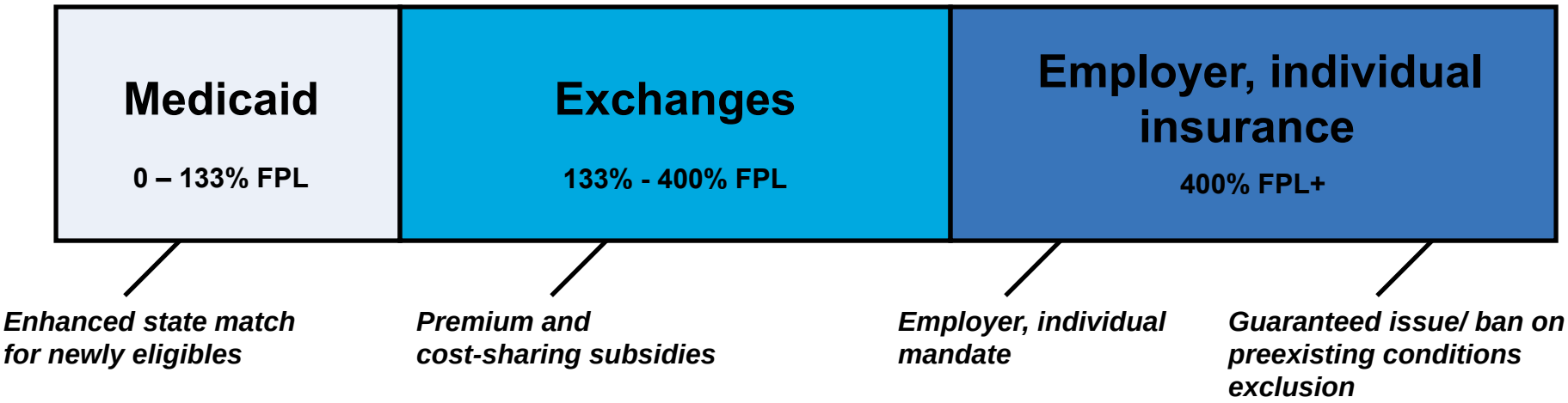


Bending the cost curve (2015 – on)

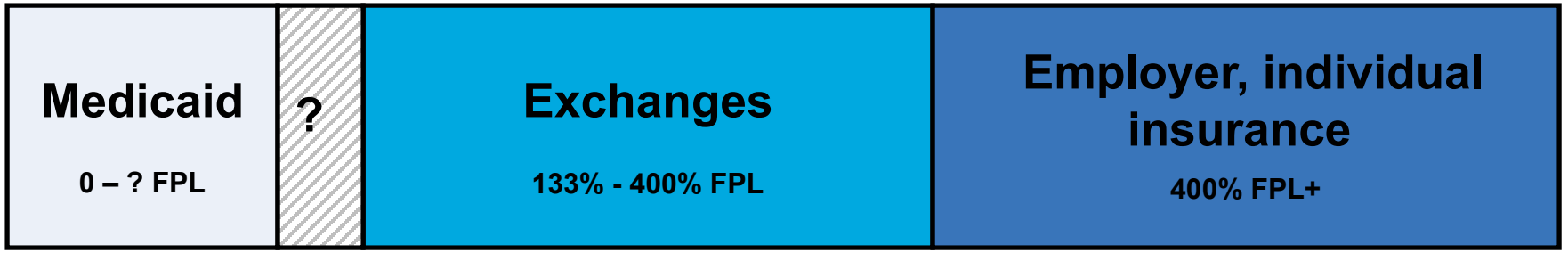
- Delivery reform demonstrations mature, potentially scaled nationally
- Penalty for not adopting electronic medical records
- High-cost plan excise tax
- Reduced payment for hospital-acquired conditions
- Value-Based Payment Modifier for Physicians
- Independent Payment Advisory Board (IPAB)
- Part D “donut hole” closes

Expansion of Coverage

Drafters' goal



Impact of Supreme Court decision



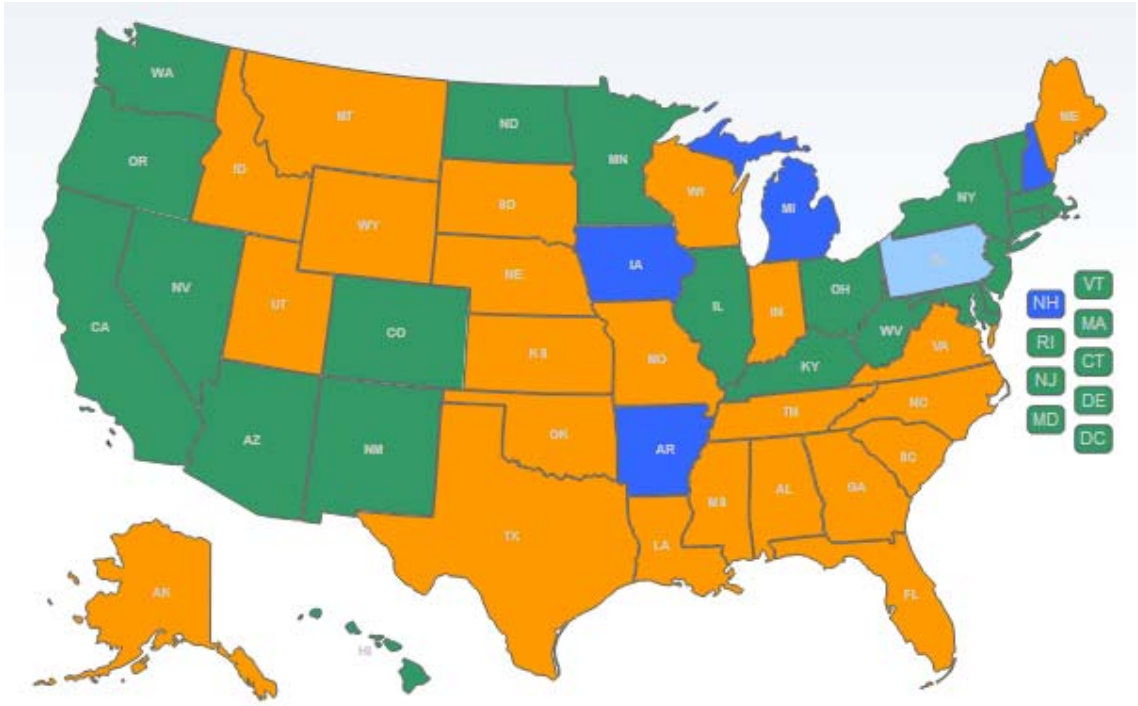
Expansion of Coverage
Exchanges

Produced by:
statereforum

Key:

- 15 State-based marketplace states expanding Medicaid for 2014
- 1 State-based marketplace state not expanding Medicaid for 2014
- 12 Federal/partnership marketplace states expanding Medicaid for 2014
- 23 Federal/partnership marketplace states not expanding Medicaid for 2014

Expansion of Coverage
Medicaid Expansion



Produced by: statereforum

Key:

- 23 states are not expanding Medicaid in 2014
- 23 states (count includes the District of Columbia) are expanding Medicaid in 2014
- 4 states are expanding Medicaid in 2014, but using an alternative to traditional expansion
- 1 state with Medicaid expansion waivers pending approval from CMS

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Employer Mandate and Penalties

- Originally slated to take effect in 2014; most recently delayed on February 10
- Effective for companies with at least 100 full-time employees (FTEs) starting in 2015; effective for companies with at least 50 FTE starting in 2016

Total number of FTEs **Plus** Total Hours Worked By Part-Time Employees / 120 **Equals** Total Number of Full-Time Equivalent Employees

- To avoid penalty, employers must offer coverage to 70% of their full-time employees in 2015 and 95% in 2016 and beyond
- Although most large employers already offer coverage for FTEs, remainder must decide whether to “pay or play”

Employer Mandate and Penalties (cont.)

- Employer mandate requires large employers to offer affordable coverage to FTEs (and their dependents)
  - A large employer (50 or more full-time equivalent employees) is subject to penalty if at least one FTE receives a premium tax credit for exchange coverage and the employer:
    - Fails to offer coverage to substantially all FTEs (and their dependents) (the "no coverage penalty") or
    - Coverage is unaffordable (employee contribution must be less than 9.5% of household income) or does not provide minimum value (the "inadequate coverage penalty")
  - Penalty amounts
    - No coverage penalty: $2,000 per year, per FTE in excess of 30 FTEs
    - Inadequate coverage penalty: $3,000 per year, per FTE for whom coverage is unaffordable and who receives a tax credit to purchase coverage through a government health exchange

Small Business Tax Credits

- Eligibility:
  - 25 or fewer FTEs (two half-time employees = one FTE)
  - Pay average wage of less than $50,000/year
  - Must cover at least 50% of the cost of single (not family) health care coverage for each employee
- Credit amount:
  - 50% of premiums paid for small business employers and 35% of premiums paid for small tax-exempt employers
  - Available for two consecutive years
- Must purchase insurance through the SHOP marketplace

SHOP Marketplaces

- Intended to allow small businesses to shop for coverage among multiple competing plans
- Open to employers with 50 or fewer full-time-equivalent employees

- Online enrollment in states with federally facilitated Exchanges delayed for a year; enrollment available through brokers and insurers via a paper application
- Administration also delayed provision allowing employees to pick a plan from among multiple options; until 2014, small businesses in states with federally facilitated Exchanges will select a single plan option for employees

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Trends in Employer-Sponsored Insurance

"Skinny" plans

Self-insurance

- Stop-loss insurance

Private Exchanges

- Defined contribution

Dropping coverage for PTEs

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Legislative and Regulatory Outlook

Legislative

- Continued gridlock headed into the 2014 elections
- Republican focus on oversight and investigations
- Attention to 30-hour work-week, medical device and health insurance tax
- Potential “fix-it” bills from vulnerable Senate Democrats
- Potential Republican alternative
- Bottom line: Significant changes unlikely

Regulatory

- Will the Exchanges have a healthy risk pool?
- How much will 2015 premiums rise?
- Will narrow networks and high out-of-pocket costs prove to be barriers to access?
- The next few months will help determine future Administration adjustments to deadlines and requirements
- Demonstration projects starting to produce results; some may be scaled nationally

Questions?

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Trends in Healthcare Enforcement

Directors Roundtable

World Recognition of Distinguished General Counsel:

Thomas M. Moriarty, General Counsel and Chief Health Strategy Officer of CVS Caremark

May 29, 2014

Presented by: Enu Mainigi, Williams & Connolly

FALSE CLAIMS ACT BASICS

- The False Claims Act, 31 USC sec. 3729, is the key tool used for enforcement
- The False Claims Act allows a private plaintiff (Relator) to file a qui tam action on behalf of the United States in federal court under seal, which remains in place for at least 60 days
- The Department of Justice must investigate the claim and then determine whether to (1) intervene, (2) decline intervention but allow the Relator to pursue the matter on behalf of the U.S., (3) dismiss the action such that the Relator cannot pursue it
- Law allows for treble damages and each false claim subject to a mandatory penalty of $5500 and $11,000 per violation, plus suspension and debarment possibilities
- Most states have their own version of a false claims statute

FCA THEORIES OF LIABILITY

- False Claim: knowing submission of or causing another to submit a false claim to the government or a recipient of government funds
- False Record or Statement: knowingly making or using a false record or statement material to a false claim
- Reverse False Claim: knowingly making a false record or statement material to an obligation to pay money to the government or knowingly avoiding an obligation to pay money to the government
- Conspiracy: conspiring to do any of the above

RECENT FCA LEGISLATIVE EFFORTS

- 2009: Fraud Enforcement and Recovery Act of 2009 (FERA)
- 2010: Patient Protection and Affordable Care Act of 2010 (ACA)
- 2010: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd Frank)

- **Result**: Changed Landscape for FCA Enforcement Efforts
  - Focused scrutiny on different areas
  - Increase in number of cases because of expansion of government's ability and tightening of "loopholes"

2009 FERA AMENDMENTS TO FCA

- First set of significant amendments since 1986 (ostensibly for financial institutions but affected everyone)
- Elimination of the need for "presentment" to the government
- Definition of "claim" expanded
- Conspiracy liability expanded
- Materiality element established
- Whistleblower protection expanded to subcontractors and agents
- Overpayment liability expanded
- Power to issue CIDs expanded

2010 ACA AMENDMENTS TO FCA

- Violation of Anti-Kickback Statute (AKS) established formally as a basis for false claims
- Specific intent no longer required to establish a AKS violation
- Per se violation of FCA for failing to report and return overpayments within 60 days
- Public disclosure bar loosened
  - Unclear whether it is still a jurisdictional bar
  - Court not required to dismiss on public disclosure grounds if government opposes
  - Only information from a "Federal" proceeding where "the Government or its agent is a party" counts as public disclosure; state proceedings excluded
- Original source requirement loosened

2010 DODD-FRANK AMENDMENTS TO THE FCA

- Expanded whistleblower protection to downstream contractors or agents

EXAMPLE: AKS AMENDMENTS

- Repealed specific intent requirement
- No need to demonstrate a connection between the kickback and the false claim – automatically a false claim

Result: a significant increase in AKB cases in the pharmaceutical space in particular in the last several years

EXAMPLE: Overpayments

- New definition of obligation: “an established duty, whether or not fixed, arising from . . . the retention of an overpayment”

- Accordingly, if one knowingly and improperly retains an overpayment from the government, there is potential liability

EXAMPLE: Overpayments

- **Result**: potential for large expansion of FCA cases
  - State of uncertainty as to questions such as when an overpayment payment is identified? Who can be held to have the knowledge to identify an overpayment? When is a provider not entitled to funds? What kind of inquiry needs to be made? How far back in time must you go?
  - Will lead to judicial interpretation and conflicting rulings
  - Internal audits potentially enough to identify overpayments
  - U.S. ex rel. Keltner v. Lakeshore Medical Clinic, Ltd. (E.D. Wis. 2013): finding that even though the defendants identified and corrected specific overpayments found during the audit, they made no effort to identify other errors and this was enough to have acted with reckless disregard for the truth

EXAMPLE: Public Disclosure Bar

- Prior to FERA amendments, public disclosure was a jurisdictional bar to any action based upon the "public disclosure" of information at issue from proceedings, reports and news sources
  - Was a critical MTD defense

- Recent amendments undercut the jurisdictional nature of the defense, allow the government to stop dismissal even if there was a jurisdictional bar defense and limit consideration to federal (as opposed to state) proceedings

EXAMPLE: PUBLIC DISCLOSURE BAR

Result: Expansion of the pool of FCA relators who can bring suit

- Those without direct knowledge of wrongdoing are filing qui tam suits – outside auditors, competitors, vendors
- Little v. Shell Exploration & Production Co., 2012 U.S. App. LEXIS 15785 (5th Cir. 2012): auditors from U.S. Department of Interior may bring a qui tam action although there may be ethical considerations in play

TRENDS IN HEALTHCARE ENFORCEMENT

- Large increase in FCA cases in recent years
- $3.8 billion in FCA recoveries in 2013 (2nd largest year ever)
- Record 752 qui tams filed in 2013 (100 more than previous year; compared to 433 in 2009)
- Return on Investment for the Government has doubled
  - 60-70% of recoveries are from the healthcare industry
  - 2/3 are pharmaceutical/pharmacy, 1/3 hospital
- Government intervention has reportedly doubled over the last five years
  - Government intervenes in 20-25% of cases but these cases make up 97% of recoveries

TRENDS IN HEALTHCARE ENFORCEMENT

- Government has a large backlog of qui tam cases under investigation
  - Over a 1000 pending under investigation
  - Large number of unintervened cases going through discovery
- Other offices now actively involved in FCA matters: WDNY, ND Ga, D Kansas, DDC, MD, MD FL, ND CA
- Greater focus on AKB cases: new off label
- Professional whistleblowers: auditors, vendors, contracts

TRENDS IN HEALTHCARE ENFORCEMENT

- Greater Involvement by State AGs
  - Recognize the value of these FCA cases
  - Have gotten passage of their own FCA statutes
  - Cases where feds have declined and states have decided to continue pursuing
- Going after executives as well as corporations
- Tighter CIAs
  - Certifications by management
  - Requirement of compliance experts
  - Executive clawback provisions

DOJ/COMPLIANCE ATMOSPHERICS

- Greater opportunity to convince governnment on front end that case does not warrant intervention
  - In intervened cases, success rate of 80-90%
  - In unintervened cases, success rate of 10-20%
- More unintervened cases going to trial
  - at least 4 FCA trials in 2013
- Direct compliance efforts to focus on new areas of emphases

Activists at the Gate: The Continuing Evolution of Shareholder Activism in the U.S.

By Clare O'Brien, Rory O'Halloran and J. Michael Dockery

Over the last several years, in light of the significantly higher activity levels of activist investors, U.S. public companies have begun to spend more time both preparing for possible advances from activist investors and communicating with their shareholder bases. According to Hedge Fund Research, total assets under management by activist hedge funds have doubled in the last four years to $84 billion today, and, according to FactSet Research Systems, in the last five years activists have initiated campaigns (or otherwise publicly advocated for change) at over 20% of the industrial companies in the S&P 500. As a result, it is much more common today than it was several years ago for companies to regularly update their directors on developments in the area of activist investing, to conduct periodic internal reviews aimed at identifying, in advance, issues at the company that activists may raise, and to regularly meet with their largest institutional shareholders.

Even in this environment of heightened awareness, however, the recent and highly publicized campaigns by activist investors at several high profile U.S. companies, including Apple, Dell, DuPont, Microsoft, PepsiCo, Procter & Gamble and Safeway, are a stark reminder that shareholder activism has become an issue that directors and management of larger U.S. public companies should be aware of and prepared for – in other words, these U.S. public companies should now think of an approach by one or more shareholder activists as a real, although not inevitable, possibility.

Shareholder activist investing – where, in its most basic terms, an investor takes a position in a publicly traded company and then seeks, usually quite soon after making its investment, to exert influence over the company to make changes that the investor thinks will result in a higher company stock price – is now a stand-alone investment strategy in its own right that is being pursued by both established activists and other money managers that had not previously employed this strategy. In light of the returns that activist hedge funds have generated over the last several years (according to The New York Times, activist hedge funds were up 9.6% for the first half of 2013, and returned an average annual return of nearly 13% between 2009 and 2012), it is likely that there will continue to be a meaningful expansion of the types of companies and issues that may be the subject of shareholder activist interest. It is in this context that we examine notable aspects of recent activity and the implications for many U.S. public companies.

"Mega"- Cap Companies Are No Longer Immune. Until relatively recently, many assumed that the largest public companies were effectively immune from being targeted by activist investors. In more traditional situations, the investor leverages a significant investment position in the

target (relative to the market capitalization of the target, and to the size of positions held by other shareholders of the target) to promote its agenda. Under this paradigm, the investor will usually be a significant shareholder of the target, a position that affords it meaningful influence at the company both in general terms (because public companies are usually inclined to engage with their largest shareholders) and in terms of the ability to influence the outcome of shareholder votes (including those concerning the election of the directors and the approval of mergers). The challenge for an activist in taking this approach with a large U.S. public companies is obvious – it is, practically speaking, impossible to amass a position that is significant relative to the company's market capitalization.

A select (but growing) group of notable activist investors now appear to be attempting to surmount this challenge by leveraging their reputations, instead of the size of their investment positions, and seeking to use detailed analyses to persuade companies and their shareholders that changes are warranted. Recent examples of this approach include:

> PepsiCo. In May 2012, Relational Investors disclosed an approximately $600 million investment in PepsiCo (representing approximately 0.6% of PepsiCo's market capitalization at that time), fueling speculation that Relational wanted PepsiCo to split into separate food and beverage companies. Nelson Peltz's Trian Partners subsequently disclosed in July 2013 an approximately $1.3 billion investment in PepsiCo and publicly called for the company to either merge with food and beverage company Mondelez International (a company in which Mr. Peltz also has a sizable investment) or split into separate food and beverage companies. In January 2014, Mr. Peltz was appointed to Mondelez's board of directors and announced that he would no longer be pushing for a merger between PepsiCo and Mondelez; however, the following month Trian Partners issued a public letter to the PepsiCo board of directors renewing its call for the company to be split into two. The PepsiCo board subsequently responded to Trian Partners via letter, noting the "seriousness with which [the PepsiCo board] examined" the Trian Partners proposal and "the firmness with which" the PepsiCo board rejects that proposal.

> Procter & Gamble. In July 2012, Pershing Square Capital Management disclosed an approximately $1.8 billion investment in Procter & Gamble (representing approximately 1% of P&G's market capitalization at that time). Subsequent press reports indicated that Pershing Square met with P&G board members and suggested replacing current Chief Executive Officer Bob McDonald and the implementation of other changes to improve the company's profitability. In May 2013, P&G announced that Mr. McDonald was retiring and was being replaced by his predecessor, A.G. Lafley. Pershing Square subsequently sold more than three-quarters of its investment in P&G.

> Apple. Beginning in early 2013, Greenlight Capital publicly called on Apple to issue shares of perpetual preferred stock (dubbed "iPrefs") as a means of utilizing Apple's very large cash balances (Greenlight's investment of approximately $696 million represents approximately 0.14% of Apple's market capitalization as of December 31, 2012). In March and April 2013, Apple announced dividend and stock repurchase programs that would return $100 billion in total (with $60 billion coming through stock repurchases) to shareholders by 2015 – making this the largest stock repurchase program ever announced. Four months later, long-time activist Carl Icahn announced via Twitter that he had taken a large position in Apple and communicated to

Apple's CEO that the size of the stock repurchase program should be increased. Mr. Icahn subsequently met with Apple's CEO in October 2013, and then in December 2013 submitted a proposal for inclusion in Apple's 2014 proxy statement that called for Apple to commit to completing at least $50 billion of share repurchases in fiscal year 2014 and increase the existing $60 billion authorization under its existing buyback program accordingly (at the time of Mr. Icahn's submission, Apple had already completed approximately $23 billion in buybacks).

In January 2014, after Apple recommended that shareholders vote against Mr. Icahn's buyback proposal, Mr. Icahn issued a public letter in which he called Apple "perhaps the most overcapitalized company in corporate history," and announced that he had further increased his stake in the company to an amount in excess of $3.5 billion. The following month, influential proxy advisory firm ISS and some institutional investors (including New York City Comptroller Scott Stringer, who oversees pension funds holding approximately $1.6 billion in Apple shares) expressed their support for Apple's announced stock buyback program and also recommended that Apple shareholders vote against Mr. Icahn's proposal. A short time later Mr. Icahn issued another public letter acknowledging Apple's "aggressive" repurchase of shares in the market and announcing that he would not persist with his proposal.

Mr. Icahn has announced and reported on these events via his Twitter account and newly-launched website Shareholders' Square Table. Mr. Icahn's use of Twitter and his new website may be a sign that activist investors will increasingly utilize "new" media to communicate with investors and advance their agenda (Mr. Icahn himself stated as much in a recent Wall Street Journal opinion piece, and his Twitter account had approximately 147,000 followers as of February 2014).
? Microsoft. In April 2013, ValueAct Capital announced a $2 billion investment in Microsoft (representing approximately 0.7% of Microsoft's market capitalization at the time). Discussions between ValueAct and Microsoft culminated in the August 30 announcement that they had signed a cooperation agreement that, among other things, affords a ValueAct principal the option of joining the Microsoft board.

While the true extent of the influence that the activist investor will wield in these "David vs. Goliath" situations remains to be seen, it seems that well-known activist investors can generate "outsize" reactions and interest following their decisions to invest in and engage with these very large U.S. public companies, and that, accordingly, these companies should consider themselves "fair game" for an approach from activist investors.

Operational and Strategic Activism. Activist investors frequently seek to influence the operational or strategic direction of public companies. In the case of operational activism, the investor acts almost as a management consultant to the company, and proposes, often publicly, changes to the company's operations (such as a reduction in certain expenses, or an allocation of the company's capital from one use to another) that the investor believes will benefit the company's business (and stock price). Trian Partners has taken this approach in a number of situations, including in connection with investments in securities administration firm State Street (proposing, among other changes, a reduction in certain expenses; a different approach to capital allocation; and a decreased focus on acquisition transactions), investment bank Lazard (advocating for the continued implementation of an operationally-focused strategic plan prepared

and announced by company management), and French health and nutrition company Danone (proposing, among other things, a reduction in certain expenses and an increase in investments in research and development and marketing activities). It is interesting to note that the many months (or years) that it usually takes to successfully execute on operational changes is not consistent with the conventional wisdom that activist investors are primarily interested in immediate changes that will produce a short-term rise in the target company's stock price. In that regard, this form of activism is sometimes considered "friendlier" than other forms and has been referred to (including by Mr. Peltz) as "constructivist" investing.

In the case of strategic activism, the investor is usually seeking to cause the break-up or sale of the target company. For example, Mr. Icahn has in recent years sought to force the sale of a number of companies including Netflix (still independent), Amylin Pharmaceuticals (acquired by Bristol-Meyers Squibb in August 2012) and Clorox (still independent). Mr. Icahn also recently successfully negotiated to appoint two directors to the board of speech recognition software maker Nuance Communications, resulting in speculation that Mr. Icahn will press for Nuance to be broken up or sold.

Recent years have also seen a number of instances of investors pursuing strategic activism by advocating for the sale or spin-off of individual businesses. While a number of these situations have been "successful" because a sale or spin-off transaction did occur, it is common for the target company to state that the transaction was the result of an internal strategic review and not pressure or input from the investor. Recent situations include Jana Partners' 2011 campaign for the separation of McGraw-Hill's education and finance businesses (the company announced in September 2011 that it would spin-off its education unit); Relational's 2011 campaign for the separation of a number of businesses held by conglomerate ITT (the company announced in January 2011 that it would split itself to three separate companies); the 2012 campaign of John Paulson (the hedge fund manager noted for his successful bet against the housing market in advance of the financial crisis of 2008, but a relative newcomer to the world of activist investing) for the sale of the Hartford Financial Services Group's life insurance unit (the company announced in September 2012 that it had agreed to sell the unit to another insurance company); Trian Fund Management's 2013 campaign at DuPont (the company announced in October 2013 the spin-off of its performance chemicals segment); and Mr. Icahn's recently launched campaign aimed at forcing eBay to spin-off its online-payments unit PayPal.

Opposition to Announced Transactions. While not an entirely new phenomenon, there has recently been an uptick in instances of significant announced transactions being opposed by activist investors. Examples of this approach include:

> Dell. In February 2013 a consortium led by its founder Michael Dell and Silver Lake Partners agreed to acquire Dell's publicly held shares. The transaction was almost immediately opposed by Southeastern Asset Management (one of Dell's largest shareholders at the time the transaction was announced, with a holding of approximately 8.5%) and, joining a short time later, Mr. Icahn (who acquired a significant position in Dell following the announcement of the transaction, and subsequently became Dell's largest outside shareholder following the acquisition of additional shares from Southeastern). In the course of their opposition, Southeastern and Icahn sent and published letters to both Dell and its shareholders, and also proposed a slate of directors

(including Mr. Icahn himself) for election at Dell's next annual meeting. Mr. Icahn also submitted acquisition proposals to Dell, and filed a lawsuit against Dell challenging certain aspects of the transaction.

Amid this opposition from Mr. Icahn and Southeastern, as well as other shareholders, Dell and the consortium negotiated and announced an increase in the consideration payable to Dell's public shareholders and certain related amendments to the terms of the original transaction. On September 9, 2013, Mr. Icahn announced that he was ceasing efforts to oppose the consortium transaction, which was approved by Dell shareholders on September 12. Mr. Icahn also announced that he would be exercising appraisal rights under Delaware law, which allows a shareholder that has not voted in favor of a merger to have its shares appraise d by the Delaware Chancery Court at their "fair value" (Mr. Icahn subsequently announced in October that he was withdrawing his demand for appraisal). The incidence of shareholders exercising appraisal rights for their shares in Delaware companies has historically been low, and it remains to be seen whether the use of appraisal proceedings will be a strategy pursued by activist investors in the future.

> MetroPCS. In February 2013, Paulson & Co. announced its opposition to the announced merger between MetroPCS and Deutsche Telekom unit T-Mobile (Paulson was MetroPCS's largest shareholder with a 9.9% holding). Paulson and other MetroPCS shareholders were critical of a number of aspects of the transaction, including the amount and terms of the debt that the combined company would carry. Reacting to these criticisms, Deutsche Telekom subsequently improved the terms of the proposed merger and obtained the approval of MetroPCS shareholders.

> Smithfield. In June 2013, Starboard Value announced its opposition to the acquisition of Smithfield Foods by China-based Shuanghui International Holdings Limited. Starboard (which held a stake of approximately 5.7% in Smithfield at the time it announced its opposition) believed that Smithfield could achieve greater value for its shareholders by selling its three operating divisions to separate purchasers, and hired financial advisors to assist it in identifying alternative purchasers for Smithfield. In early September, Starboard published an open letter to Smithfield shareholders that reported that Starboard and its financial advisors were working with "numerous parties" to formulate an alternative proposal to acquire Smithfield at a substantially increased value; however, Smithfield shareholders voted on September 24 to approve the sale to Shuanghui.

While adverse shareholder reaction to an announced transaction is not a new issue for public companies, the Dell, MetroPCS and Smithfield situations are timely reminders of the significant obstacle that activist investors can present to completing announced transactions.
Although U.S. public companies are not involved, another interesting development in oppositions to an announced transaction occurred when sovereign wealth fund Qatar Holding was successful in causing Glencore International to raise the price it paid to shareholders of Xstrata in Glencore's May 2013 acquisition of the 66% of Xstrata that it did not already own. Following the announcement of the transaction, Qatar Holding (an existing shareholder in Xstrata) purchased additional Xstrata shares so that it held approximately 12% of the outstanding shares. This made its approval necessary for the transaction to proceed, because the merger

required the approval of the holders of 75% of the shares not held by Glencore. Dissatisfied with the terms of the transaction, Qatar Holding requested that Glencore improve the terms by increasing the number of Glencore shares to be received by Xstrata shareholders. Following a meeting between Qatar Holding and Glencore in early September 2012, the two parties agreed upon an increase in the number Glencore shares to be exchanged for each Xstrata share, and the Xstrata board of directors recommended that shareholders approve the revised terms. Qatar Holding's role in Glencore's bid for Xstrata has been described in the media as "something of a watershed moment when a sovereign wealth fund acts like an activist shareholder."

Implications of the Current Activist Investing Environment. In light of the broad scope of companies and issues that activist investors are targeting, U.S. public companies, at least those of significant size, should be proactive in preparing for engagement with an activist investor and examine their business, strategic plan and governance practices with a view to identifying issues that activist investors may raise. These companies should be cognizant of the increasing media exposure that activist investors and their investments are receiving, and be prepared for some level of media and investor scrutiny of the company, directors and senior management in the event that the company becomes the subject of activist investor interest. One needs to look no further than the events at nutrition company Herbalife to comprehend how quickly these types of situations can escalate – although Herbalife was particularly unlucky to be caught in what appears to be the cross hairs of historical business relationships.

Steps that U.S. public companies can – and should – take to bolster preparations for an approach from an activist investor include periodic reviews of how the company is perceived by securities analysts and the media; monitoring its shareholder base (including whether anyone is acquiring or disposing of significant amounts of the company's stock); and consistently engaging in dialogue (including through periodic physical meetings) with the company's largest shareholders.

Although it is increasingly unlikely that any company of significant size can rule out the possibility of interest from an activist investor, experience suggests that there are companies that are more likely than others to be targeted. This group includes companies that (1) have a stock price that has significantly underperformed market benchmarks and industry peers; (2) are perceived as having "misallocated" capital – for example, by having large cash balances where the need for that level of cash is not clear, or are not comparing favorably to their industry peers in metrics relating to the return of cash to shareholders; (3) are perceived to be "conglomerates" or otherwise hold a number of different businesses that do not, at least on a superficial level, fit together (and therefore could be sold or separated without affecting the target's "core" business); and (4) are contemplating, or have announced, a significant M&A transaction.

Recently, the increase in activist activity has ignited a debate in the media and among academics, investors and corporate advisors around activist investing, including whether the activities of activist investors are beneficial for U.S. corporations and equity markets. While these questions are good ones, they are unlikely to be resolved in the near future, and so, at least for the time being, each U.S. public company of significant size should assume that it is likely to attract the interest of one or more activist investors and prepare accordingly.

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AstraZeneca Board rejects Pfizer's final proposal

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Monday, 19 May 2014

Final Proposal falls short of AstraZeneca's value as an independent science-led company

AstraZeneca has excellent momentum in the delivery of its clearly defined strategy, underpinning the Board's confidence in the Company's long term revenue targets and profitability

Pfizer's proposals bring uncertainty and risks for AstraZeneca shareholders

The Board of AstraZeneca PLC ("AstraZeneca" or the "Company") notes the announcement by Pfizer Inc. ("Pfizer") of its final proposal (the "Final Proposal"), comprising £24.76 in cash (45%) and 1.747 Pfizer shares (55%) per AstraZeneca share, representing a value of £55.00 per AstraZeneca share (based on the closing price of Pfizer shares on 16 May 2014). This proposal undervalues the Company and its attractive prospects and has been rejected by the Board of AstraZeneca.

Leif Johansson, Chairman of AstraZeneca said:

"Pascal Soriot, Marc Dunoyer and I had a lengthy discussion with Pfizer over the weekend about the proposal Pfizer made on Friday evening at a value of £53.50 per share. During this discussion, Pfizer said that it could consider only minor improvements in the financial terms of the Friday Proposal. In response, we indicated, even assuming that other key aspects of any proposal had been satisfactory, that the price at which the Board of AstraZeneca would be prepared to provide a recommendation would have to be more than 10% above the level contained in Pfizer's Friday Proposal. The Final Proposal is a minor improvement which continues to fall short of the Board's view of value and has been rejected."

"Pfizer's approach throughout its pursuit of AstraZeneca appears to have been fundamentally driven by the corporate financial benefits to its shareholders of cost savings and tax minimisation. From our first meeting in January to our latest discussion yesterday, and in the numerous phone calls in between, Pfizer has failed to make a compelling strategic, business or value case. The Board is firm in its conviction as to the appropriate terms to recommend to shareholders."

"AstraZeneca has created a culture of innovation, with science at the heart of its operations, which will continue to create significant value for patients, shareholders and all stakeholders of AstraZeneca."

"As an independent company, the entire value of AstraZeneca's pipeline will accrue to our shareholders. Under Pfizer's Final Proposal, this value would be significantly diluted."

"We have rejected Pfizer's Final Proposal because it is inadequate and would present significant risks for shareholders, while also having serious consequences for the Company, our employees and the life-sciences sector in the UK, Sweden and the US."

Background

After the close of business on 16 May 2014, the Board received a letter containing a revised non-

binding proposal from Pfizer comprising £21.57 in cash (40%) and 1.845 Pfizer shares (60%) per AstraZeneca share, representing a value of £53.50 per AstraZeneca share (based on the closing price of Pfizer shares on 16 May 2014) (the “Friday Proposal”). Pfizer's letter did not provide detail about other key aspects of its proposal, several of which are of importance to the Board’s evaluation.

The Board of AstraZeneca met on 17 May 2014 and concluded that the financial terms of the Friday Proposal substantially undervalued the Company and its attractive prospects. Accordingly, the Friday Proposal was rejected.

The Board wrote to Pfizer on the evening of 17 May 2014 to confirm that the Board had rejected the Friday Proposal. The Board offered to hold a meeting with Pfizer to explain its views around the substantial shortfall in value of the Friday Proposal. The Board also offered Pfizer the opportunity to explain the key aspects of its proposal that were not described in Pfizer’s letter, in particular four points central to the Board's concerns relating to value for AstraZeneca’s shareholders. These are:

- The business operating model and segmentation which would allow AstraZeneca to deliver on its research and development pipeline and prospects; and which would protect and preserve its culture of science and innovation, especially given the likelihood of material cost savings and research and development reductions;
- The details of Pfizer’s plans for cost savings, including around research and development, pipeline delivery and employment;
- Transaction execution risks, in particular Pfizer’s proposed tax inversion and regulatory clearances; and
- Pfizer’s plans for protecting the certainty of delivery of the value of any offer at closing.

Pfizer requested that this meeting be held by conference call. This conference call, between Leif Johansson (Chairman), Pascal Soriot (Chief Executive Officer) and Marc Dunoyer (Chief Financial Officer) of AstraZeneca and Ian Read (Chairman and CEO) and Frank D'Amelio (Chief Financial Officer) of Pfizer, took place on the afternoon of 18 May 2014.

The Chairman of Pfizer said that Pfizer could consider only minor improvements to the financial terms of the Friday Proposal. The Chairman of AstraZeneca responded that, even if the other key aspects of the Friday Proposal had been satisfactory, the price at which the Board of AstraZeneca would be prepared to provide a recommendation would have to be more than 10% above the level contained in Pfizer’s Friday Proposal. Pfizer stated that its Friday Proposal was final and would not be amended. As a consequence the discussion ended.

The Board of AstraZeneca met on 18 May 2014 after this telephone discussion and reconfirmed its rejection of Pfizer’s Friday Proposal.

A few hours later, without prior notice to AstraZeneca and contrary to its previous statement, Pfizer announced its Final Proposal to the market. The Board of AstraZeneca met again and rejected Pfizer’s Final Proposal for reasons set out below.

The Board believes Pfizer’s proposals fail to recognise the transformation of AstraZeneca and its attractive long term prospects as an independent science-led company

As set out in the presentation to shareholders on 6 May 2014:

- AstraZeneca has a growing and accelerating late stage pipeline, with aggregate risk-adjusted pipeline peak year sales potential of around $23 billion and non risk-adjusted pipeline peak year sales potential of around $63 billion;
- AstraZeneca's five key growth platforms are sustaining near-term growth, AstraZeneca remains confident that 2017 revenues should be broadly in line with 2013;
- AstraZeneca is targeting strong and consistent revenue growth from 2017, leading to annual revenues of greater than $45 billion by 2023; and
- AstraZeneca’s core earnings growth is expected to be in excess of revenue growth during the period from 2017 to 2023 as a result of operating leverage.

AstraZeneca has excellent momentum in the delivery of its clearly defined strategy, underpinning the Board's confidence in long term revenue targets and profitability

AstraZeneca continues to demonstrate strong momentum across all elements of its strategy, as evidenced by multiple recent significant pipeline developments in its core therapy areas. These pipeline developments, announced in 2014 after completion of the Company's 2013 Long Range Plan, underpin the Board's confidence in AstraZeneca's revenue targets due to increased probabilities of success for key oncology and other specialty franchise pipeline assets. As a result, AstraZeneca's margins are expected to benefit from this improved revenue mix.

Given that AstraZeneca is at a point of inflection, the Board believes that selling AstraZeneca at the final price proposed by Pfizer would deprive shareholders of the value from potential future pipeline success. Accordingly, the Board believes short term metrics, including premia over historical share prices, as referenced by Pfizer regarding the attractiveness of its proposals, are not appropriate bases for assessing the value of AstraZeneca.

Pfizer's Proposals and Business Model Bring Uncertainty and Risk

The majority of the consideration is in Pfizer shares which many AstraZeneca shareholders will be forced to sell. Further, for those AstraZeneca shareholders able to hold Pfizer shares, the Board believes Pfizer's proposals would materially alter the investment case and create risks and uncertainties. In particular the Board believes:

- Pfizer's proposals are predicated on the delivery of significant cost reductions and imply a meaningful reduction in research and development potential and capabilities;
- The associated integration would risk significant disruption to the delivery and value of AstraZeneca's pipeline;
- Pfizer's previous large scale acquisitions have highlighted the challenges around the negative impact of integration on research and development productivity and output; and
- Pfizer's announced business segmentation, if it were applied to AstraZeneca's business, would likely lead to value destruction.

In the context of the above, AstraZeneca notes the recent decline in Pfizer's share price, which has fallen by 5.3% since the release of Pfizer's Q1 2014 results.

The tax-driven inversion structure remains a key part of Pfizer's proposals. The inversion structure has already been the subject of intense public and governmental scrutiny, particularly in the US, as a result of Pfizer's possible offer for AstraZeneca. The Board believes this structure brings increased uncertainty as regards the delivery of value for AstraZeneca shareholders.

Rejection of the Final Proposal

The Board believes that Pfizer's Final Proposal, in relation to price, form of consideration and the four particular points that are central to the Board's concerns around value, remains inadequate. Accordingly, the Board has rejected the Final Proposal.

This statement is being made by AstraZeneca without prior agreement or approval of Pfizer. There can be no certainty that an offer will be made nor as to the terms on which any offer might be made. Shareholders are strongly advised to take no action.

A copy of this announcement will be available on AstraZeneca's website at www.astrazeneca.com.

NOTES TO EDITORS

About AstraZeneca

AstraZeneca is a global, innovation-driven biopharmaceutical business that focuses on the discovery, development and commercialisation of prescription medicines, primarily for the treatment of cardiovascular, metabolic, respiratory, inflammation, autoimmune, oncology, infection and neuroscience diseases. AstraZeneca operates in over 100 countries and its innovative medicines are used by millions of patients worldwide. For more information please

visit: www.astrazeneca.com

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Key sources, bases and assumptions

The AstraZeneca forecasts and targets in this announcement are derived from the AstraZeneca 2013 Long Range Plan for 2014 to 2023 (the "LRP"), the AstraZeneca papers produced to support the LRP and AstraZeneca papers subsequently produced as part of the business planning process. AstraZeneca produces a long range plan annually. The LRP was updated in the last quarter of 2013 and was reviewed by the Board of Directors in December 2013, and then, following revisions to reflect the acquisition of BMS' interest in the Diabetes franchise, reviewed by the Board of Directors in January 2014. The forecasts and targets are based on AstraZeneca's risk adjusted measures, where applicable.

Peak year sales referred to in this announcement are AstraZeneca management estimates for the highest annual net sales. Estimates are made based on customary forecasting methodologies used in the pharmaceutical industry. Many of the peak year sales occur in years later than 2023, but are consistent with the plans and projections of the LRP period.

Peak year sales may occur in different years for each NME depending on trial outcomes, launch dates and exclusivity periods amongst other things. The aggregation is for the peak year sales of each NME and not for one particular year. The peak year sales are net sales at nominal values and are undiscounted.

Risk-adjusted peak year sales are non-risk adjusted peak year sales adjusted for the individual probability of launch of each NME and the probability of success in further life cycle management trials. Estimates for these probabilities are based on industry wide data for relevant clinical trials in the pharmaceutical industry at a similar stage of development.

The development life cycle of pharmaceutical products is such that there is a range of possible outcomes from clinical development driven by numerous variables including safety, efficacy and product labelling as well as commercial factors including the patient population, the competitive environment, pricing and reimbursement. Accordingly, the actual revenues achieved in due course will be different, perhaps materially so, from the risk adjusted sales figures in this announcement and should be considered in this light.

In the case of the calculation of the aggregate risk-adjusted peak year sales potential of around $23 billion and non risk-adjusted peak year sales of around $63 billion, they each include each NME and key line extensions currently identified as in Phase III, Phase II and those in Phase I included in the LRP as launching before the end of 2023.

The long-term revenue targets in this announcement are consistent with the LRP for the period 2014-2023 at constant exchange rates, reflecting net sales. They reflect revenue forecasts adjusted for the individual probability of launch of each NME and the probability of success in further life cycle management trials. Estimates for these probabilities are based on industry wide data for relevant clinical trials in the pharmaceutical industry at a similar stage of development.

Attention is drawn to the notice set out under the heading Forward Looking Statements below.

Further Information

Robey Warshaw LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser exclusively for AstraZeneca and no one else in connection with the matters referred to in this announcement and will not regard any other person as its client in relation to the matters referred to in this announcement and will not be responsible to anyone other than AstraZeneca for providing the protections afforded to clients of Robey Warshaw LLP, nor for providing advice in relation to the matters referred to in this announcement.

Evercore Partners International LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser exclusively for AstraZeneca and no one else in connection with the matters referred to in this announcement and will not regard any other person as its client in relation to the matters referred to in this announcement and will not be responsible to anyone other than AstraZeneca for providing the protections afforded to clients of Evercore Partners International LLP, nor for providing advice in relation to the matters referred to in this announcement.

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for AstraZeneca and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than AstraZeneca for providing the protections afforded to clients of Goldman Sachs International, or for providing advice in connection with the matters referred to in this announcement.

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Dealing Disclosure Requirements

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an

Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Forward-Looking Statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Proposal, and other information published by AstraZeneca contain statements which are, or may be deemed to be, "forward-looking statements", including for the purposes of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of AstraZeneca about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although AstraZeneca believes that the expectations reflected in such forward-looking statements are reasonable, AstraZeneca can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the loss or expiration of patents, marketing exclusivity or trademarks, or the risk of failure to obtain patent protection; the risk of substantial adverse litigation/government investigation claims and insufficient insurance coverage; exchange rate fluctuations; the risk that R&D will not yield new products that achieve commercial success; the risk that strategic alliances and acquisitions will be unsuccessful; the impact of competition, price controls and price reductions; taxation risks; the risk of substantial product liability claims; the impact of any delays in the manufacturing, distribution and sale of any of AstraZeneca's products; the impact of any failure by third parties to supply materials or services; the risk of failure to manage a crisis; the risk of delay to new product launches; the difficulties of obtaining and maintaining regulatory approvals for products; the risk of failure to observe ongoing regulatory oversight; the risk that new products do not perform as AstraZeneca expects; the risk of environmental liabilities; the risks associated with conducting business in emerging markets; the risk of reputational damage; the risk of product counterfeiting; the risk of failure to successfully implement planned cost reduction measures through productivity initiatives

and restructuring programmes; the risk that regulatory approval processes for biosimilars could have an adverse effect on future commercial prospects; the impact of failing to attract and retain key personnel and to successfully engage with AstraZeneca's employees; and the impact of increasing implementation and enforcement of more stringent anti-bribery and anti-corruption legislation. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither AstraZeneca nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with its legal or regulatory obligations, AstraZeneca is not under any obligation, and AstraZeneca expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Statement from Pfizer Inc.

FINAL PROPOSAL TO ASTRAZENECA

Monday, May 19, 2014 - 6:41pm EDT

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION.

19 May 2014

This is an announcement of a possible offer falling under Rule 2.4 of the City Code on Takeovers and Mergers (the "Code"). It does not represent a firm intention to make an offer under Rule 2.7 of the Code. Accordingly, there can be no certainty that any offer will ultimately be made.

In response to enquiries from market participants, Pfizer would like to confirm the following in respect of its announcement of 18 May 2014 which set out its final proposal to AstraZeneca (the "Final Proposal Announcement").

In the Final Proposal Announcement, Pfizer announced a possible offer comprising, for each AstraZeneca share, 1.747 shares in the combined entity and 2,476 pence in cash, representing an indicative value of £55.00[1]. Pfizer stated that this proposal is final and cannot be increased except in limited circumstances specified in the Final Proposal Announcement. In addition, Pfizer stated that it will not make a hostile offer and will only announce a firm offer with the recommendation of the AstraZeneca board.

The effect of Pfizer's Final Proposal Announcement under the Takeover Code is that Pfizer will not be permitted to announce a firm offer unless such offer is on terms no higher than those set out in the Final Proposal Announcement (save as set out below) and such offer is recommended by AstraZeneca's board. Pfizer must, by 5.00 p.m. on 26 May 2014 or such later date as the Panel may agree at AstraZeneca's request, announce such a recommended firm offer or make a statement that it does not intend to make an offer for AstraZeneca. If Pfizer states that it does not intend to make an offer, Pfizer will be subject to the restrictions in Rule 2.8 and Note 2 on Rule 2.5 of the Code.

Pursuant to the Code, Pfizer will only be entitled to increase the final proposal in the following limited circumstances:

- If Pfizer's share price and/or the dollar/pound exchange rate changes such that the indicative value of Pfizer's final proposal would be less than £55.00 at the time of any firm offer announcement, then Pfizer has reserved the right to add further cash or Pfizer shares to its proposal in order to restore the indicative value of its offer to £55.00 (but no higher).
- Also, Pfizer has reserved the right to increase its proposal if, prior to the announcement of a firm offer by Pfizer, a third party announces a firm intention to make an offer for AstraZeneca pursuant to Rule 2.7 of the Code which, at the date Pfizer announces a firm offer for AstraZeneca, is valued at a price which is higher than the then indicative value of Pfizer's final proposal.
- If AstraZeneca ultimately decides to recommend Pfizer's final proposal and Pfizer announces a recommended offer on the terms set out in the Final Proposal Announcement, then Pfizer has reserved the right subsequently to increase its offer at any time. However, it is important to note that such right may be exercised only after Pfizer has obtained a recommendation from the AstraZeneca board of the terms set out in the Final Proposal Announcement and announced a recommended firm offer on this basis.

Pfizer has also made statements in the Final Proposal Announcement which reserve Pfizer's right to introduce other forms of consideration, vary the mix of consideration and reduce its proposal in certain circumstances.

A copy of this announcement will be available on Pfizer's website at www.pfizerupdate.com.

Merrill Lynch, Pierce, Fenner & Smith Inc and Merrill Lynch International, subsidiaries of Bank of America Corporation, are acting exclusively for Pfizer in connection with the possible offer and for no one else and will not be responsible to anyone other than Pfizer for providing the protections afforded to their clients or for providing advice in relation to this announcement or any matters referred to herein.

Guggenheim Securities, LLC ("Guggenheim Securities"), which is regulated as a broker-dealer by the Financial Industry Regulatory Authority in the United States, is acting as a financial adviser to Pfizer in relation to the possible offer and no-one else in connection with this announcement or the possible offer referred to herein, and will not be responsible to any person other than Pfizer for providing the protections afforded to customers or clients of Guggenheim Securities nor for providing any advice in relation to the possible offer or any matters referred to herein.

J.P. Morgan Securities LLC ("J.P. Morgan"), together with its affiliate J.P. Morgan Limited (which conducts its U.K. investment banking business as J.P. Morgan Cazenove and which is authorised and regulated by the Financial Conduct Authority in the United Kingdom), is acting exclusively for Pfizer in connection with the possible offer and for no one else, and is not, and will not be, responsible to anyone other than Pfizer for providing the protections afforded to clients of J.P. Morgan or its affiliates, or for providing advice in relation to the possible offer or any other matters referred to in this announcement.

Disclosure requirements of the Takeover Code (the "Code")

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

Disclosures are therefore required in the shares of Pfizer and AstraZeneca.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Forward-Looking Statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of Pfizer and the combined businesses of AstraZeneca and Pfizer and certain plans and objectives of Pfizer with respect thereto, including the expected benefits of a potential combination as well as whether a potential combination will be pursued. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use future dates or words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "hope", "aim", "continue", "will", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. There are several factors which could cause actual plans and results to differ materially from those expressed or implied in forward-looking statements. Such factors include, but are not limited to, the possibility that a possible offer will not be pursued or will be pursued on different terms and conditions, failure to obtain necessary regulatory approvals or any required financing or to satisfy any of the other conditions to a possible combination, adverse effects on the market price of Pfizer's common stock and on Pfizer's operating results because of a failure to complete the possible combination, failure to realise the expected benefits of the possible combination, negative effects of this announcement or the consummation of the possible combination on the market price of Pfizer's common stock, significant transaction costs and/or unknown liabilities, the uncertainties inherent in research and development, general economic and business conditions that affect the combined companies following a possible combination, changes in global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax laws, regulations, rates and policies, future business combinations or disposals and competitive developments. These forward-looking statements are based on numerous assumptions and assessments made by Pfizer in light of its experience and perception of historical trends, current conditions, business strategies, operating environment, future developments and other factors it believes appropriate. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this announcement could cause Pfizer's plans with respect to AstraZeneca, actual results, performance or achievements, industry results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. Pfizer assumes no obligation to update or revise the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law. A further list and description of risks and uncertainties can be found in Pfizer's Annual Report on Form 10-K for the fiscal year ended 31 December 2013 and in its subsequent reports on Form 10-Q and Form 8-K, the contents of which are not incorporated by reference into, nor do they form part of, this announcement.

Additional U.S.-Related Information

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[1] This indicative value of £55.00 was based on Pfizer's closing share price of $29.12 and an exchange rate of $1.00 : £0.5944 on 16 May 2014.

For additional information please visit: www.pfizerupdate.com

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PFIZER MAKES FINAL PROPOSAL TO ASTRAZENECA

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION.

STATEMENT FROM PFIZER INC.

Sunday, May 18, 2014 - 5:03pm EDT

This is an announcement of a possible offer falling under Rule 2.4 of the City Code on Takeovers and Mergers (the "Code"). It does not represent a firm intention to make an offer under Rule 2.7 of the Code. Accordingly, there can be no certainty that any offer will ultimately be made even if the pre-conditions referred to below are satisfied or waived.

.

Improved

proposal is final and cannot be increased

[1]

.

AstraZeneca shareholders would receive, for each AstraZeneca share,

1.747

shares in the combined entity and

2,476

pence in cash, representing an indicative value of £

55.00

[2]

.

Substantial increase of approximately

15

% over the current value of Pfizer's 2 May proposal

.

Cash consideration increased by £

8.78

per AstraZeneca share, or approximately £

11.3

billion ($

[3]

19.0

billion

[4]

)

.

Cash component increased as a proportion of the total consideration from

approximately 33

% to 45%

.

Pfizer will not make a hostile offer directly to AstraZeneca shareholders and will only proceed with an offer with the recommendation of the AstraZeneca board

[5]

.

Pfizer calls on supportive AstraZeneca shareholders to urge the AstraZeneca board to begin substantive engagement with Pfizer and extend the period for such talks prior to the 26 May deadline for making an offer

Pfizer Inc. today announces its final proposal to combine the two companies. This is the fourth proposal Pfizer has made and Pfizer believes that this final proposal provides a clear basis for AstraZeneca to extend the period for making a firm offer under the Code and to meaningfully engage with Pfizer.

On 16 May 2014, Pfizer sent a letter to the Chairman of AstraZeneca setting forth the terms and basis of an improved proposal with an indicative value of £53.50, comprising 1.845 shares in the combined entity and 2,157 pence per AstraZeneca share. In response, AstraZeneca indicated that its board believes that Pfizer's £53.50 proposal *substantially* undervalues the company. During discussions earlier today, AstraZeneca made clear that it is not currently prepared to accept a price close to Pfizer's £53.50 proposal. An edited copy of the 16 May letter will be filed with the SEC and is attached as an Appendix to this announcement.

Pfizer confirms that it will not make a hostile offer directly to AstraZeneca shareholders and will only proceed with an offer with the recommendation of the board of directors of AstraZeneca[6].

Final Proposal

Under the terms of the final proposal AstraZeneca shareholders would receive, for each AstraZeneca share, 1.747 shares in the combined entity and 2,476 pence in cash, representing an indicative value of £55.00 ($92.53) per share[7]. This proposal is final and will not be increased, except in the circumstances set out below. Relative to Pfizer's 2 May proposal, the final proposal represents:

- an increase of the cash consideration of £8.78 per share, or £11.3 billion[8];
- an increase in the cash component as a proportion of the total consideration from 33% to approximately 45%;
- a substantial increase in current indicative value of approximately 15%;
- an aggregate increase in the total current indicative value of approximately £9.1 billion or $15.3 billion[9].

Under the final proposal, Pfizer and AstraZeneca shareholders would own approximately 74% and 26%, respectively, of the combined company.[10]

On the basis of Pfizer's closing share price of $29.12 on 16 May 2014 and an exchange rate of $1.00:£0.5944 on 16 May 2014, the proposal represents a premium of approximately:

· 45% to the unaffected closing price of an AstraZeneca share of £37.82 on 17 April 2014 (being the date before market speculation of a possible offer by Pfizer for AstraZeneca);

· 53% to the closing price of an AstraZeneca share of £35.86 on 3 January 2014, being the trading day immediately prior to the date of Pfizer's January proposal;

· 24% to the current value of Pfizer's January proposal; and

· 34% to AstraZeneca's all time high closing price (prior to 17 April 2014) of £41.03 per AstraZeneca share since formation of the company in 1999.

In the absence of further discussions or an extension of the deadline for making a firm offer under the Code, Pfizer's proposal will expire at 5:00 p.m. London time on 26 May. Pfizer is asking AstraZeneca shareholders to urge the AstraZeneca board to immediately begin meaningful engagement with Pfizer following the talks on 18 May 2014, and extend the period for negotiating a possible transaction.

Commenting on the proposal, Ian Read, Chairman and CEO of Pfizer, said:

"*We believe our proposal is compelling for AstraZeneca's shareholders and that a Pfizer-AstraZeneca combination is in the best interests of all stakeholders. We are excited at the opportunity to create a scientific powerhouse, delivering great benefits to patients and science in the UK and across the globe. We stand by our unprecedented commitments to the UK Government. We believe that the benefits to all stakeholders can only be maximised through cooperative engagement between both companies*.

We have tried repeatedly to engage in a constructive process with AstraZeneca to explore a combination of our two companies. Following a conversation with AstraZeneca earlier today, we do not believe that the AstraZeneca board is currently prepared to recommend a deal at a reasonable price. We remain ready to engage in a meaningful dialogue but time for constructive engagement is running out. We have said from the beginning that we will remain disciplined in the price we are willing to pay and we will not depart from that guiding principle. We believe that our proposal represents compelling and full value for AstraZeneca and that other issues that have been raised by AstraZeneca do not represent material difficulties."

Other Matters

The making of any firm offer by Pfizer would be subject to the following pre-conditions (the first and third of which may be waived in whole or in part by Pfizer):

· satisfactory completion of a customary due diligence review by Pfizer;

· recommendation of the board of directors of AstraZeneca to the making of a firm offer by Pfizer; and

· the directors of AstraZeneca giving irrevocable undertakings to accept any offer in respect of their AstraZeneca shares on terms reasonably satisfactory to Pfizer.

Pfizer reserves the right to introduce other forms of consideration and/or vary the mix of consideration and waive in whole or in part the first and the third of the pre-conditions to making an offer referred to above. There can be no certainty that any offer will ultimately be made even if the pre-conditions referred to above are satisfied or waived, in whole or in part.

Pfizer reserves the right to make an offer for AstraZeneca at any time, at less than, for each AstraZeneca share, 1.747 shares in the combined entity and 2,476 pence in cash:

· with the agreement or recommendation of the AstraZeneca board;

· if a third party announces a firm intention to make an offer for AstraZeneca pursuant to Rule 2.7 of the Code which, at the date Pfizer announces a firm intention to make an offer for AstraZeneca, is valued at a lower price than contemplated by the terms of the proposal;

· following the announcement by AstraZeneca of a whitewash transaction[11] pursuant to the Code; or

· in the event that any AstraZeneca dividend is declared, made or paid in excess of what is expected by the consensus analyst forecasted dividends of 53.5 pence[12] per share due to be announced by AstraZeneca on 31 July 2014 (in which case a £ for £ adjustment reduction equal to the excess amount would be made).

Pfizer reserves the right to make an offer for AstraZeneca at any time, at more than, for each AstraZeneca share, 1.747 shares in the combined entity and 2,476 pence in cash:

· following the release of a firm offer announcement pursuant to Rule 2.7 of the Code;

· if the indicative value of such offer, when made, would not equal £55.00; or

· if a third party announces a firm intention to make an offer for AstraZeneca pursuant to Rule 2.7 of the Code which, at the date Pfizer announces a firm intention to make an offer for AstraZeneca, is valued at a higher price than contemplated by the terms of the proposal.

A copy of this announcement will be available on Pfizer's website at www.pfizerupdate.com.

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[1] Because this statement has been made, the Code will prohibit any subsequent increase. This statement will cease to apply following the making of any firm offer pursuant to Rule 2.7 of the Code.

[2] On the basis of Pfizer's closing share price of $29.12 (and an exchange rate of $1.00:£0.5944) on 16 May 2014. Pfizer reserves the right to make an offer at a lower or higher price and to revise the form and mixture of consideration, as described elsewhere in this announcement.

[3] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis.

[4] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis and an exchange rate of $1.00:£0.5944 on 16 May 2014.

[5] This statement will cease to apply following the making of any firm offer pursuant to Rule 2.7 of the Code.

[6] This statement will cease to apply following the making of a firm offer pursuant to Rule 2.7 of the Code.

[7] On the basis of Pfizer's closing share price of $29.12 (and an exchange rate of $1.00:£0.5944) on 16 May 2014.

[8] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis.

[9] On the basis of Pfizer's closing share price of $29.12 on 16 May 2014, 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis and an exchange rate of $1.00:£0.5944 on 16 May 2014.

[10] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis and 6,477.7 million Pfizer shares outstanding on a fully-diluted basis.

[11] Broadly, a whitewash transaction is one in which a person, alone or together with parties concerted with such person, acquires or consolidates control in AstraZeneca pursuant to the acquisition of shares issued by AstraZeneca.

[12] On the basis of the median consensus analyst forecast full year dividend of $2.80 per AstraZeneca share for the financial year ending 31 December 2014 sourced from Bloomberg on 16 May 2014; the historical split of first interim dividend of $0.90 per AstraZeneca share and second interim dividend of $1.90 per AstraZeneca share for the two previous financial years; and an exchange rate of $1.00:£0.5944.

Merrill Lynch, Pierce, Fenner & Smith Inc and Merrill Lynch International, subsidiaries of Bank of America Corporation, are acting exclusively for Pfizer in connection with the possible offer and for no one else and will not be responsible to anyone other than Pfizer for providing the protections afforded to their clients or for providing advice in relation to this announcement or any matters referred to herein.

Guggenheim Securities, LLC ("Guggenheim Securities"), which is regulated as a broker-dealer by the Financial Industry Regulatory Authority in the United States, is acting as a financial adviser to Pfizer in relation to the possible offer and no-one else in connection with this announcement or the possible offer referred to herein, and will not be responsible to any person other than Pfizer for providing the protections afforded to customers or clients of Guggenheim Securities nor for providing any advice in relation to the possible offer or any matters referred to herein.

J.P. Morgan Securities LLC ("J.P. Morgan"), together with its affiliate J.P. Morgan Limited (which conducts its U.K. investment banking business as J.P. Morgan Cazenove and which is authorised and regulated by the Financial Conduct Authority in the United Kingdom), is acting exclusively for Pfizer in connection with the possible offer and for no one else, and is not, and will not be, responsible to anyone other than Pfizer for providing the protections afforded to clients of J.P. Morgan or its affiliates, or for providing advice in relation to the possible offer or any other matters referred to in this announcement.

Disclosure requirements of the Takeover Code (the "Code")

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a

person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

Disclosures are therefore required in the shares of Pfizer and AstraZeneca.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

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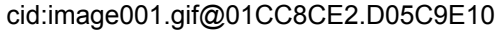
APPENDIX

Letter from Ian C. Read to Leif Johansson



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Ian Read

Chairman and Chief Executive Officer

AstraZeneca plc

2 Kingdom Street

London

W2 6BD

For the attention of: Leif Johansson Esq, Chairman

16 May 2014

Dear Leif,

Further to our conversation yesterday, I have set out below the terms of our substantially improved proposal which we believe provides a clear basis for constructive engagement between our two companies. We continue to believe that the combination of Pfizer and AstraZeneca presents compelling strategic, operational and financial advantages that are in the best interests of all stakeholders. We remain convinced that a recommended transaction will result in the greatest value creation for both sets of shareholders and agree with you that a collaborative approach would be best for both companies and their stakeholders.

Additionally, the concerns AstraZeneca has voiced publicly regarding integration of the combined company under Pfizer's new business structure and its potential impact on the combined company's ability to deliver high quality science suggest a misunderstanding of Pfizer's new structure. I continue to believe the only way to bridge this and other differences in understanding is for AstraZeneca and its board to engage with us.

In formulating our improved proposal, we have taken account of the statements made by AstraZeneca in relation to our prior proposals, together with the perspectives expressed by your key shareholders in our discussions with them over the last several weeks. *Redacted at the request of the UK Takeover Panel:* Based on our improved proposal, we believe these shareholders would be supportive of your immediate engagement with Pfizer. The improved proposal provides a highly attractive value creation opportunity for AstraZeneca shareholders through a substantial and immediate premium, a significant and increased cash component, and the longer term ability to participate in the success of the combined company.

Time is now of the essence and prompt engagement is necessary to see if we can establish a basis for a transaction that each of our boards can recommend to their respective shareholders. A period of discussion between Pfizer and AstraZeneca would provide a forum in which Pfizer could better understand your expectations for AstraZeneca's business, including the new long-range targets announced on 6 May, and the potential of your pipeline. During this period, we would also seek to address any questions you may have about our proposal.

We propose meeting with you and Pascal as soon as possible. As I mentioned on the telephone, given the limited time available it is important for us to have a definitive response from you to our improved proposal by 12 noon London time on Sunday 18 May. Of course, I would be pleased to hear from you sooner if you and

your board have reached a decision, or if we can provide you with any additional information.

The Improved Proposal

To provide a basis for your engagement, we have both materially increased the price per share of our proposal and significantly increased the cash component of the total consideration to be offered to AstraZeneca shareholders. Under our improved proposal, AstraZeneca shareholders would receive 1.845 shares in the combined entity and 2,157 pence per AstraZeneca share, representing an indicative value today of £53.50[1] per AstraZeneca share. This amounts to:

- an increase of the cash consideration as a proportion of the total consideration from 33% to approximately 40%, representing an increase in the cash consideration per AstraZeneca share of £5.59 and an increase in the total cash consideration of approximately £7.2 billion[2], whilst maintaining the share exchange ratio;

- a substantial increase of approximately 12% over the current value of our previous proposal; and

- an increase in the current indicative value per AstraZeneca share to £53.50, representing an aggregate increase in the total value of the proposal of approximately £7.2 billion or $12.1 billion[3].

Under the improved proposal, Pfizer and AstraZeneca shareholders would own approximately 73% and 27%, respectively, of the combined company[4].

The improved proposal values AstraZeneca today at approximately £69 billion[5] and represents:

- a 20% increase against the current value of our original proposal made on 5 January; and

- a premium of approximately 41.5% to the unaffected closing price of £37.82 on 17 April 2014 (being the date before market speculation of a possible offer by Pfizer for AstraZeneca).

I trust that this proposal provides the basis for immediate engagement in a coordinated effort to reach agreement on the terms of an offer that both our boards can enthusiastically recommend to all our stakeholders.

Offer Implementation

As we have indicated publicly, we have assessed the proposed transaction in detail and are confident it can be implemented successfully and in a way which meets all applicable legal and tax jurisdiction requirements. We have noted AstraZeneca's public comments citing concerns as to certain execution risks and we would welcome the opportunity to discuss the basis of our confidence in implementing the proposed offer.

Non-Binding Nature of Proposal and Other Matters

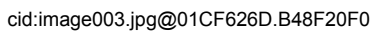
This letter and our proposal is a non-binding indication of interest intended to encourage you to meet with us to discuss a possible combination. This letter and our proposal do not constitute an offer or impose any obligation to make an offer, nor do they evidence an intention to make an offer within the meaning of the City Code on Takeovers and Mergers (the "Code"). For the avoidance of doubt, this letter and our proposal are not intended to give rise to an obligation to make an announcement under Rule 2 of the Code. In addition, nothing in this letter or our proposal is intended to create a legally binding agreement or obligation on either AstraZeneca or Pfizer.

We reserve the right to terminate, amend or withdraw our proposal at any time and for any reason.

This improved proposal is based on the same Principal Assumptions, Conditions and Due Diligence expectations as outlined in our Letter to Board of Directors of AstraZeneca dated 2 May 2014.

The ability to explore a unique value creation opportunity for our respective stakeholders now rests upon the AstraZeneca board's constructive engagement to see whether we can reach a recommended transaction. We await your reply.

Yours sincerely,



Ian C. Read

Chairman of the Board and Chief Executive Officer of Pfizer

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[1] On the basis of Pfizer's closing share price of $29.12 and an exchange rate of $1.00:£0.5944 on 16 May 2014.

[2] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis.

[3] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis and an exchange rate of $1.00: £0.5944 on 16 May 2014.

[4] On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis and 6,477.7 million Pfizer shares

outstanding on a fully diluted basis.

5 On the basis of 1,284.1 million AstraZeneca shares outstanding on a fully-diluted basis.

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Thomas M. Moriarty
Executive Vice President, Chief Health Strategy Officer and General Counsel

Thomas Moriarty is Executive Vice President, Chief Health Strategy Officer and General Counsel for CVS Caremark. In this role since October 2012, Moriarty leads the company's legal and government affairs departments and the Office of the Secretary.

A seasoned executive with many years of legal, regulatory and health policy experience in the health care sector, Moriarty most recently served as General Counsel at the Celgene Corporation, a biopharmaceutical company, where he was responsible for global legal strategy and served on the company's Management Committee.

Prior to that, Moriarty spent 12 years at Medco Health Solutions where he served as General Counsel and Corporate Secretary, and also as President of Global Pharmaceutical Strategies. He served on the company's Executive Committee and was a critical advisor to the team that developed and executed Medco's strategic merger with Express Scripts.

Previously, Moriarty worked at various positions in the Office of the General Counsel at Merck & Co., the global biopharmaceutical company. He began his career at the law firm of Mudge Rose Guthrie Alexander and Ferdon in New York.

Moriarty received his law degree from the University of Virginia School of Law and his undergraduate degree from Lafayette College.

Mary B. Langowski

Partner

CHAIR, HEALTH CARE POLICY AND REGULATORY PRACTICE
CHAIR, FOOD AND BEVERAGE SECTOR

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Mary Langowski has extensive experience helping companies navigate and strategically respond to global and domestic policy and marketplace trends through effective government relations strategies, pursuing business development opportunities and through effective communications and public affairs campaigns.

Mary has worked with for-profit and nonprofit organizations, as well as both federal and state governments.

Mary has worked extensively with health care and life science companies to help them navigate complex health care reform policies, rules and regulations. She advises several organizations on their longer term strategic approach to health care reform and marketplace changes. Mary also works with organizations on their response to food policy trends, on emerging market strategies, and on corporate development and philanthropy strategies.

Mary built the firm's Health Care Policy and Regulatory group and serves as former Senator Tom Daschle's chief advisor on health care and food policy issues.

RELATED SERVICES

International Trade, Regulatory and Government Affairs

RELATED SECTORS

Health Care

CREDENTIALS

Admissions

- District of Columbia

Prior Experience

Mary served as a managing director at a global AmLaw 100 firm, where she chaired the advocacy team. In that position, she counseled clients, including national associations, technology vendors, hospitals and health systems, pharmaceutical companies, provider groups, corporate entities, universities and large nonprofits.

Mary has also had her own successful consulting business, where she provided business development, government affairs and communications strategies for clients in the health care, biotechnology and innovation sectors.

In addition to her consulting experience, Mary has served as a senior policy advisor to Senator Tom Harkin, where

she managed the senator's health care policy initiatives and priorities, including public health and prevention, Medicare and pharmaceutical policy. She was also a member of the US Senate Agriculture Committee staff and worked on rural economic development issues.

Prior to joining Senator Harkin's office, Mary served as the chief policy advisor at the Iowa Department of Public Health under Governor Tom Vilsack, where she advised the director and the governor on health policy and was responsible for growing and managing federally-funded policy projects. She has also worked in the private sector on health care quality and cost containment issues with large self-insured businesses in Iowa.

Mary also previously served as the president and chief operating officer for a nonprofit community development organization. Over the course of her career, she has advised numerous congressional, senatorial, gubernatorial and presidential political candidates.

Education

- J.D., University of Iowa College of Law
- M.P.A., Drake University
- B.A., Drake University

Memberships

- Senior Advisor at the Bipartisan Policy Center
- Member of the Food Security and Sustainability Board at Aspen Institute
- Member of the American Health Lawyers Association
- Advisory Board Member, Wholesome Wave

INSIGHTS

Publications

Food and Beverage News and Trends
15 MAY 2014
Food and Beverage News and Trends Series
This regular publication by DLA Piper lawyers focuses on helping clients navigate the ever-changing business, legal and regulatory landscape.

Food and Beverage News and Trends
6 MAY 2014
Food and Beverage News and Trends Series
This regular publication by DLA Piper lawyers focuses on helping clients navigate the ever-changing business, legal and regulatory landscape.

Food and Beverage News and Trends
17 APR 2014
Food and Beverage News and Trends Series
This regular publication by DLA Piper lawyers focuses on helping clients navigate the ever-changing business, legal and regulatory landscape.

Federal agencies propose health IT regulatory framework, seek stakeholder input and participation in new initiatives

10 APR 2014
Likely the first in a series of guidance documents and regulations that will shape the federal government’s footprint in this space over the years to come

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Food and Beverage News and Trends
4 APR 2014
Food and Beverage News and Trends Series
This regular publication by DLA Piper lawyers focuses on helping clients navigate the ever-changing business, legal and regulatory landscape.

Food and Beverage News and Trends
26 MAR 2014
Food and Beverage News and Trends Series
This regular publication by DLA Piper lawyers focuses on helping clients navigate the ever-changing business, legal and regulatory landscape.

Food and Beverage News and Trends
13 MAR 2014
Food and Beverage News and Trends Series
This regular publication by DLA Piper lawyers focuses on helping clients navigate the ever-changing business, legal and regulatory landscape.

First Lady and nutrition: USDA and FDA propose sweeping food labeling and marketing regulations
27 FEB 2014
Today, First Lady Michelle Obama and the Food and Drug Administration released two long-awaited proposed regulations that would for the first time in 20 years make significant changes to the nutrition information found on food and dietary supplement labels.

FDA declines to define "Natural"
8 JAN 2014
In a much anticipated letter response, FDA has officially declined the opportunity to administratively determine whether foods containing bioengineered ingredients may be labeled as “Natural,” “All Natural” or “100% Natural,” and more generally, declined the opportunity to define “Natural” in the context of food labeling.

Defeat on Washington I-522 GMO Labeling
20 NOV 2013

The end of trans fats? FDA issues Tentative Determination on trans fats in processed foods
13 NOV 2013

Offering health care solutions at consumers' fingertips? What you should know about FDA regulation of mobile medical apps
10 OCT 2013

Letting the light in under the Sunshine Act
15 FEB 2013

Food safety from farm to fork: FDA publishes proposed rules aiming to ensure the safety and security of the

food supply
24 JAN 2013

California's Proposition 37 and food policy: what happens next?
28 Nov 2012

- Co-Author, "Don't fear the Sunshine (but wear your sunscreen)," *Compliance Today* (July 2013)
- Co-Author, "Innovative Opportunities for Home Health and Hospice," *Caring* (July 2012)

WILLIAMS & CONNOLLY LLP®

ENU A. MAINIGI, PARTNER

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EMAIL: EMAINIGI@WC.COM

Enu Mainigi has extensive experience in complex civil and criminal litigation in state and federal courts throughout the country and has tried multiple cases.

A significant part of Ms. Mainigi's practice includes leading the representation of corporations and individuals under investigation by the government either criminally or in the context of the civil False Claims Act. Ms. Mainigi has defended a significant number of health care companies, PBMs, pharmaceutical companies, hospitals, nursing homes, accounting firms and other companies contracting with the government as well as major executives at all stages of criminal or False Claims Act investigation and litigation. Ms. Mainigi has spoken frequently on topics related to government investigations and the False Claims Act.

Ms. Mainigi also routinely defends corporations in commercial disputes involving civil fraud, breach of contract, ERISA and breach of fiduciary duty, including in the multi-jurisdictional or class action setting. She also advises corporations on internal investigations and compliance issues. In recent years, Ms. Mainigi has also devoted a portion of her practice to both products liability defense and legal malpractice defense.

Ms. Mainigi is a current member of the Firm's Executive Committee and a past member of the Firm's Hiring Committee. In the winter of 2010-2011, Ms. Mainigi spent several months as Chair of the Transition of Governor Richard L. Scott of Florida, a long-time client of the Firm. Ms. Mainigi joined Williams & Connolly LLP in January 1997 and was elected to the partnership in December 2002. Immediately prior to joining Williams & Connolly LLP, Ms. Mainigi served as Director of Policy and Research for Senator Robert Dole's 1996 Presidential campaign.

REPRESENTATIVE EXPERIENCE

Criminal/False Claims Act

- Defended pharmaceutical manufacturers in several off-label promotion investigations and litigation. Defended head of sales of another pharmaceutical manufacturer in investigation involving off –label and other issues.
- Defended Fortune 50 company in a top to bottom FCA investigation and litigation of its business practices by the federal government and 20 states.

PRACTICE AREAS

- Arbitration
- Civil Litigation and Trial Practice
- Commercial Litigation
- Criminal Defense and Government Investigations
- False Claims Act and Qui Tam
- Federal Programs, Aerospace and Defense, and Government Contracts
- Health Care Fraud
- Product Liability, Torts, and Medicine
- Professional Liability

EDUCATION AND HONORS

- Harvard Law School, J.D., 1994
- American University, B.S., *summa cum laude*, 1991

BAR AND COURT ADMISSIONS

- District of Columbia and Maryland
- United States Courts of Appeals for the Sixth and Eleventh Circuits
- United States District Courts for the District of Columbia, District of Maryland, and Northern District of Florida

- Defended Big 4 accounting firm in government travel expense investigation.
- Defended an airline in a criminal environmental investigation.
- Defended former CEO of a healthcare company against a 132 count criminal indictment.
- Defended a hospital system in a criminal and civil investigations and litigation involving reimbursement and kickback issues.
- Defended an insurance carrier in FCA litigation involving Medicare reimbursement issues.
- Defended Fortune 100 corporation in an investigation of its accounting systems and practices.

Commercial/Civil Litigation

- Defended Fortune 50 corporation in ERISA class actions.
- Defended health care company in AAA arbitration related to data sale issues.
- Defended pharmaceutical manufacturer in multi-jurisdictional products liability cases.
- Defended Big 4 accounting firm in derivative litigation emanating from a client's corporate fraud scandal.
- Defended Fortune 50 corporation at a 6 week trial related to breach of contract and breach of fiduciary duty issues.
- Defended Fortune 50 corporation at a 8 week trial related to fraud and breach of contract issues.

GOVERNMENT SERVICE

- Law Clerk, Judge Franklin S. Van Antwerpen, United States District Court for the Eastern District of Pennsylvania, 1994-1995

SHEARMAN & STERLING LLP

Creighton O'M. Condon

Partner

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Creighton Condon is the firm's Senior Partner. Formerly European Managing Partner and co-head of the firm's Global Mergers & Acquisitions Group, he represents multinational corporations in acquisitions and sales of public and private companies and in joint ventures and regularly provides advice regarding issues of corporate governance and control. Mr. Condon also represents the mergers and acquisitions groups of a number of investment banks. Mr. Condon joined the firm in 1982 and became a partner in 1991. He also practiced for several years in the firm's San Francisco office.

Selected Experience

- Synthes in connection with its acquisition by Johnson & Johnson and in its acquisitions of N Spine and Spine Solutions
- Charter International plc in connection with its acquisition by Colfax Corporation
- Cadbury plc in connection with its acquisition by Kraft, its demerger of its beverage business, in the acquisition of the Adams candy business from Pfizer Inc. and in the sale of Cadbury's international beverage business to The Coca-Cola Company
- Citigroup in connection with various mergers and acquisitions transactions, including its sale of EMI Music Publishing to Sony and EMI Recorded Music to Universal Music Corp, its acquisition of Metalmark, its acquisition of Old Lane Partners, its sale of Citicorp Electronic Financial Services, Inc. to JPMorgan Chase Bank and numerous credit card-related transactions
- Viacom Inc., including, in connection with its split into two separately traded public companies, its acquisition of DreamWorks Studios, its business combination with CBS Corporation, its contested acquisition of Paramount Communications Inc., its acquisition and subsequent split-off of Blockbuster, its disposition of Madison Square Garden Corporation, including the New York Knicks, New York Rangers and MSG Network, the sale of Simon & Schuster to Pearson plc and the acquisition of Black Entertainment Television and of the minority publicly held shares of Infinity Broadcasting
- The Royal Bank of Scotland Group plc in connection with its consortium acquisition of ABN AMRO Holding N.V.
- New England Sports Ventures and Fenway Sports Group in connection with the acquisitions of Liverpool Football Club, the Boston Red Sox, the New England Sports Network and a 50% interest in Roush Fenway Racing and Fenway Sports Management in its sponsorship deal with LeBron James and his investment in Liverpool Football Club
- Infront Sports & Media shareholders in its sale to Bridgepoint
- B/E Aerospace in connection with its acquisition of the Consumables

Related Services

Practice

Mergers & Acquisitions

Corporate Governance

State Controlled Companies/Sovereign Wealth Funds

Industry

Healthcare

Sports

Media & Entertainment

Technology

Region

India

North America

Education

Columbia Law School, J.D., 1982, Stone Scholar

- Editor-in-Chief, *Columbia Journal of Transnational Law*

St. John's College, Cambridge 1978-1979

University of Pennsylvania, B.A., 1978

Admissions/Qualifications

New York

California

Solutions business of Honeywell International Inc.

- The Special Committee of the Board of Directors of ARAMARK in connection with ARAMARK's going private transaction
- The Special Committee of the Board of Directors of HCA Inc. in connection with HCA Inc.'s going private transaction
- Georgia-Pacific Corporation in its sale to Koch Industries, its acquisition of Fort James Corporation, its acquisition of Unisource Worldwide, Inc. and its contested acquisition of Great Northern Nekoosa Corporation
- Sungard Data Systems Inc. in its sale to Silver Lake Partners and six other private equity firms
- Seven-Eleven Japan in its acquisition of the minority publicly held shares of 7-Eleven, Inc.
- HLTH Corporation in its merger with WebMD and WebMD as regular corporate and mergers and acquisitions counsel

Awards & Accolades

- Ranked in the first tier for U.S. corporate/M&A in *Chambers Global*, as a leading corporate and M&A lawyer in *Chambers USA* and *Chambers UK*, as a Leading Lawyer for U.S. M&A in *IFLR*, and as a Leading Individual in *Legal 500 UK* and *Legal 500* (US Special Edition)
- Featured as Dealmaker of the Year in *The American Lawyer* (April 2003) in connection with his representation of John W. Henry and New England Sports Venture's acquisition of The Boston Red Sox and New England Sports Network

SULLIVAN & CROMWELL LLP

Lawyers

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Partner

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PRACTICES & CAPABILITIES

Financial Services

Mergers & Acquisitions

Healthcare & Life Sciences

Consumer & Retail

Private Equity

Latin America

EDUCATION

1991, UC Berkeley School of Law, J.D.

1988, University of California, Los Angeles, B.A.

BAR ADMISSIONS

California

New York

Matthew G. Hurd advises companies and their directors on domestic and cross-border mergers, acquisitions and similar strategic transactions. For over two decades Mr. Hurd has been actively involved in the development of the Firm's *Healthcare and Life Sciences Group*, of which he is Co-Head. He also has significant expertise with financial institutions and technology companies.

In 2014, Mr. Hurd has acted for the acquirors in:

Bayer's pending $14.2 billion acquisition of the consumer care business of Merck – the second-largest acquisition in Bayer's long corporate history – and its $2.9 billion acquisition of Algeta ASA, and

CVS Caremark's $2.1 billion acquisition of Coram from Apria Healthcare.

In 2013, Mr. Hurd acted for the acquirors in:

Amgen's completed $10.5 billion cash tender offer for Onyx Pharmaceuticals,

Bayer's completed $1.1 billion cash tender offer for Conceptus, the second-largest largest North American acquisition in Bayer's corporate history,

CVS Caremark's 50/50 joint venture with Cardinal Health, to form the largest generic sourcing entity in the U.S., and

Perrigo Company's $8.6 billion acquisition of Elan Pharmaceuticals.

In 2012, Mr. Hurd acted for the target companies in two of the largest healthcare mergers in North America, namely:

> *Medco*, North America's leading pharmacy benefits management provider, in its $34.3 billion acquisition by Express Scripts, and
>
> *Pharmasset*, an 80-employee clinical stage pharmaceutical company, in its $11 billion acquisition by Gilead – a transaction for which Mr. Hurd was recently named The American Lawyer's "Dealmaker of the Week."

Also in 2012, Mr. Hurd also acted for the acquirors in:

> *Amgen*'s acquisition of deCODE Genetics, an Icelandic company with unrivaled capabilities and resources for analyzing and understanding the human genome, and
>
> *Bayer*'s proposed $1.2 billion takeover of Schiff Nutrition, one of the leading branded vitamin and nutritional supplement companies in the United States.

In *Pharmaceuticals*, he regularly represents Amgen and Bayer on acquisition projects, and acts for various publicly traded and privately owned companies in particular strategic transactions and projects. In *Medical Devices*, Mr. Hurd has represented Philips Electronics in the largest acquisitions in its corporate history, which transformed Philips Healthcare into the second largest medical device company in the world.

Mr. Hurd has been associated with areas of the Firm's *Financial Services* practice throughout his career. In 2010, he led the negotiations in four transactions involving The Royal Bank of Scotland's divestiture of a large Latin American loan book and banks in Argentina, Chile and Colombia. During the 2008 financial crisis he acted for Mitsubishi UFJ in its equity investment in Morgan Stanley. He regularly represents Fiserv in acquisitions and divestitures, including its recent acquisitions of CashEdge and CheckFree.

Mr. Hurd was actively involved in developing the Firm's *Technology* practice, and during the technology boom he co-founded the Firm's Silicon Valley practice. Since his 2006 return to New York, he and another partner have mentored hundreds of beginning corporate lawyers as they undertake Sullivan & Cromwell's rigorous associate development program. Mr. Hurd speaks regularly at professional gatherings concerning mergers and acquisitions. His charitable and cultural interests include service on the board of the Metropolitan Opera and the International Women's Health Coalition.

Recognitions

> Featured in *Law360*'s Healthcare and Life Sciences Q&A (July 2012)
>
> Profiled in *Practical Law The Journal*'s "Expert's View" column

(February 2012) on trends and developments in public M&A deals

Named "Dealmaker of the Week" (November 23, 2011) by *The American Lawyer* for his role as counsel to Pharmasset in its acquisition by Gilead Sciences

Recognized as one of the *Lawdragon 500 Leading Lawyers in America* (2011-2013)

Recognized by *The Best Lawyers in America* as a leading lawyer in mergers and acquisitions (2007, 2008, 2009, 2010, 2011, 2012, 2013)

New York Super Lawyers (2012, 2013)

Vincent A. Cino
Chairman, Morristown Office
Jackson Lewis P.C.
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VINCENT A. CINO is the Chairman of Jackson Lewis and is responsible for the entire firm's day-to-day administration and management. Prior to assuming the role of Chairman, he served as the firm's National Director of Litigation. He also served on the firm's Executive Committee and was Counsel to the firm.

Mr. Cino has vast trial experience, having litigated every conceivable type of employment action in many jurisdictions throughout the United States. From 1987 to 1990, Mr. Cino was Chief of Litigation in the Office of the Essex County Counsel. In this role, he supervised a staff of attorneys as well as outside counsel. Prior to that, he was an Assistant Prosecutor for Union County. From 1981-1987, Mr. Cino was engaged in private practice in Hackensack, New Jersey, concentrating on civil litigation.

In one of his more well-known trials, Mr. Cino represented WNEW-TV, Golden West Television productions, Peter Falk and Arnold Shapiro, the Oscar-winning producer of the movie "Scared Straight." This was a libel and invasion of privacy case brought by several high school students. The trial lasted four weeks and resulted in a no-cause.

Mr. Cino's litigation accomplishments have been widely recognized, a testament to the fact that his peers rank him at the highest level of professional excellence. He has been named a New Jersey SuperLawyer since 2006 and has also been named a "leader in his field" by Chambers USA Legal Guide in 2009. He has been designated as one of the "Best Lawyers in America in 2010" and has been awarded the highest accolade in Martindale-Hubbell. Mr. Cino also served as a Master of the Arthur T. Vanderbilt Inn of Court.

Mr. Cino has lectured extensively on trial advocacy. His recent publications include "Boost for Bosses: Court Compels Arbitration," 130 N.J.L.J. 1354 (1992); "One-Sided Fee Shifting in LAD, CEPA Harms the Legal System," 185 N.J.L.J. 755 (2006).

Mr. Cino is a member of the New York and New Jersey Bars, the United States Supreme Court, the United States Court of Appeals for the Third Circuit, the United States Court of Appeals for the Fifth Circuit (1995), the United States Court of Appeals for the Tenth Circuit (1995), the United States District Court for the District of New Jersey, the United States District Court for the District of Connecticut, and the United States District Court for the Southern and Eastern Districts of New York. He is a member of the American and New Jersey Bar Associations and their litigation sections.

Mr. Cino received his *Juris Doctor* degree from Rutgers University School of Law in 1979 and conducted his undergraduate studies at Rutgers University from which he received a B.A. degree. He also holds a Master's degree in American Government from Rutgers University.

JOE LOCKHART

FOUNDING PARTNER AND MANAGING DIRECTOR

Joe Lockhart is a Founding Partner and Managing Director of The Glover Park Group and provides clients valuable insight in media relations and political strategy. He is the former chief spokesman and senior adviser to President Bill Clinton from 1998-2000 and more recently, he served as Vice President of global communications for Facebook from 2011-2013 where he managed corporate, policy & international communications.

Joe, a veteran of political campaigns, served as Senior Advisor to Senator John Kerry's 2004 presidential bid. He has also served as National Press Secretary for the 1996 Clinton-Gore campaign, Deputy Press Secretary for the 1988 Dukakis-Bentsen campaign, and Assistant Press Secretary for the 1984 Mondale-Ferraro campaign. In 1980, he was Regional Press Coordinator for President Carter's re-election bid.

In addition, Joe has a wealth of experience in strategic communications for a variety of clients. As Executive Vice President at Bozell Sawyer Miller, he advised a range of high-profile corporations and institutions.

An award-winning journalist, Joe has worked for both network and cable news outlets. He previously held posts as Assignment Editor at ABC News and Deputy Assignment Manager for CNN in Washington. Joe also served as foreign producer for SKY Television News, Europe's first 24-hour television broadcast news service. Joe received a Bachelor of Arts from Georgetown University.