Aide memoire
April 2019

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To whom it may concern,

This letter sets forth public information recently provided by AstraZeneca and others which could be helpful when estimating financial numbers for AstraZeneca for Q1 2019 financial results and beyond.

Sell-side analysts who wish to contribute to company-collected consensus estimates are requested to submit updated numbers by **Friday, 12 April 2019**. Details are provided in the appendix. As usual, those analysts who contribute will automatically receive the consensus data in return.

AstraZeneca would like to highlight the following significant recent disclosures:

1. FY 2019 guidance (at constant exchange rates (CER))

- Product sales are anticipated to increase by a high single-digit percentage (vs. FY 2018)
- Core EPS of $3.50-$3.70

The FY 2019 guidance was recently reconfirmed on 29 March 2019.

2. Product Sales

In Oncology, given the growing use of *Tagrisso* in the 1st-line setting, analysts are reminded from prior disclosures that *Iressa* is facing decline in some markets, including the EU.

Further in Oncology, analysts are reminded that *Faslodex* (fulvestrant) faced an initial loss of exclusivity in the US by the end of Q1 2019. *Faslodex* had strong performance in Q4 2018 with global sales of $269m.

In Cardiovascular, Renal and Metabolism (CVRM), please note that *Bydureon* sales declined by 5% (CER) in Q4 2018 reflecting ongoing supply constraints for the new autoinjector device.

Finally, also in CVRM, *Lokelma* was initially launched in the Nordic region in Q3 2018. Launches in major markets, including the US will take place over the course of 2019.

3. Collaboration Revenue and Other Operating Income and Expense

No new externalisation agreement generating initial revenue was announced during Q1 2019. Also no announcement was made on the Merck oncology collaboration making AstraZeneca eligible for any milestone payments.

At the time of writing, the only agreement impacting Other Operating Income that has been closed in 2019 is the SOBI (Swedish Orphan Biovitrum AB) transaction. The agreement, first announced in November 2018, transfers the US rights to *Synagis* to SOBI, as well as the rights to participate in the US profits and losses related to AstraZeneca's interest in MEDI8897, currently in collaboration with Sanofi.

Upon the completion in January 2019, AstraZeneca received an upfront payment of $966m and ordinary shares of SOBI with an initial fair market value of c.$600m. The majority of the consideration is allocable to the divestment of the US rights to *Synagis* and, after netting off an appropriate derecognition of the intangible asset (the total book value of gross assets attributable to *Synagis* in the US as per 31 December 2017 was approximately $1.0bn), will be reported within Other Operating Income & Expense in the Group's financial statements in the first quarter of 2019. A financial liability will be recognised for the consideration received in relation to MEDI8897.

[1] Core Operating Costs include R&D, SG&A and Distribution costs.

4. Daiichi Sankyo collaboration
On 29 March 2019, AstraZeneca announced a collaboration with Daiichi Sankyo on trastuzumab deruxtecan (DS-8201), a proprietary antibody-drug conjugate (ADC) and potential new targeted cancer medicine. Under the terms of the agreement, AstraZeneca will pay Daiichi Sankyo an upfront payment of $1.35bn, half of which is due upon execution, with the remainder payable 12 months later. Other contingent payments are potentially due later.

Overall, the transaction will be accounted for as an intangible asset acquisition, recognised initially at the present value of non-contingent consideration, with future milestones capitalised into the intangible asset as they are recognised. AstraZeneca and Daiichi Sankyo will share equally development and commercialisation costs as well as profits from trastuzumab deruxtecan worldwide, except for Japan.

Daiichi Sankyo will record sales in the US, certain countries in Europe and certain other markets where Daiichi Sankyo has affiliates. Profits shared with AstraZeneca will be accounted for as Collaboration Revenue by AstraZeneca. AstraZeneca is expected to record Product Sales in all other markets worldwide for which profits shared with Daiichi Sankyo will be accounted for as cost of goods sold.

The transaction is expected to be neutral to core earnings in 2019, with growing Core EPS accretion from 2020 and making a significant contribution in 2023. There are no closing conditions to the transaction and therefore the collaboration agreement became effective on the day of signing.

In conjunction to the above announcement, the Company also raised $3.5bn through a placing of new ordinary shares. The new outstanding number of shares (from 2 April 2019) is 1,312m.

The above-mentioned transaction and funding arrangements do not impact the Company's financial guidance for 2019 as published on 14 February 2019.

5. Net Finance Expense/Joint Ventures and Associates
Core net finance expense in FY 2018 was $736m. In addition to borrowing costs, other expenses (e.g. pension interest, discount unwind etc.) are also recorded in this line. Costs relating to Joint Ventures and Associates amounted to $113m in FY 2018.

6. Currency impact,
AstraZeneca's foreign-exchange rate sensitivity analysis is contained within the Operating and Financial Review Section of the FY 2018 Results Announcement and, if foreign-exchange rates for February to December 2019 were to remain at the average of rates seen in January 2019, it is anticipated that there would be a low single-digit percentage adverse impact on Product Sales and Core EPS.

If there are any questions, please feel free to contact us.

Sincere regards,

The AZN IR Team

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Appendix for contributing sell-side analysts (references are made to an Excel spreadsheet distributed separately)

Guidelines for completing the template

Overview Please enter your data into the orange shaded cells. All other cells will fill in automatically. Please do not alter the format of the template (for example by adding or deleting rows) and wherever possible please submit your information to us in this newly issued template rather than in an historic version.

Tab 1 (Income Statement - AZ Group) should be completed on an as reported basis. We continue to capture the expected currency effects on total revenue and earnings, and the currency assumption of major currencies against USD.

We are again seeking to supplement this with additional data (see details for schedules requested under tabs 2-5). **Tab 2** (Income Statement - Core) should be completed on a Core basis.

The costs associated with the AZ restructuring programme should be outlined separately on **Tab 3** (Restructuring). Detailed commentary is always welcome to provide clarity and to reduce the scope for misinterpretation.

Tab 4 (Summary Cash Flow & Balance Sheet) consists of an abbreviated Cash Flow Statement and Consolidated Statement of Financial Position.

Product sales data by both region and medicine should be entered into **Tab 5** (Group product sales). Total product sales is linked from the Income Statement tab in row 9 and is then broken down by region in the reconciliation in rows 11-29. If Rest of World product sales are not currently forecast to the level of detail in the template, please enter a total ROW forecast in row 17.

We continue to collect medicine forecasts by geographic region for a number of medicines. Please complete the rows shaded in orange where regional breakdown of forecasts is available (ROW is a sub-total of Europe, Est. ROW & Emerging Markets).

Please note we continue to request information on pipeline risk adjustments and we hope you share our view that this is a valuable addition to the collection: If you use a risk adjusted approach to forecasting pipeline product sales, please enter your product sales forecasts after risk adjustments, as before, but also provide the probability of success % where asked for in the template (i.e. if you include 75% of product sales in your Income Statement, the probability of success is 75%).

If you use a binary approach, please enter 100% next to the included medicines and 0% where you have actively decided to exclude product sales. Please leave blank where you have simply not considered a certain potential medicine (e.g. because of its stage of development).

Peak sales estimates are collected on **Tab 6** (Pipeline peak sales). Please provide the probability of success (POS) if using a risk adjusted approach – if not risk adjusted, please enter 100%.

Please return to christer.gruvris@astrazeneca.com by Friday, 12 April 2019.

Should you have any queries on how to complete this template, please do not hesitate to contact Christer Gruvris. In return, we will provide a consensus core and reported P&L for AstraZeneca Group, which will give you a good view on the range of market assumptions. We will also provide consensus detail for the Restructuring Programme cost, Summary Cash Flow & Statement of Financial Position, and product sales split by Region providing sufficient analysts complete these templates.