

To whom it may concern,

This letter sets forth public information previously provided by AstraZeneca and others which will prove helpful in 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, 15 March 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 prior disclosures (all guidance and indications are at constant exchange rates (CER)):

### **1. FY 2019 guidance**

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

### **2. FY 2019 indications and additional commentary**

Outside of guidance, AstraZeneca has also provided the following *indications* for FY 2019:

- As part of its long-term growth strategy, the Company remains committed to focusing on appropriate cash generating and value-accretive externalisation, collaboration and divestment transactions that reflect the ongoing productivity of the pipeline and the Company's increasing focus on its main therapy areas. The sum of Externalisation Revenue and Core Other Operating Income and Expense, however, is anticipated to decline vs. the prior year

- Core Operating Expenses<sup>1</sup> are expected to increase by a low single-digit percentage. Specific support for medicine launches and China sales delivered compelling results in FY 2018 and elements of that support will continue. The Company will retain flexibility in its investment approach

- Core Operating Profit is anticipated to increase, ahead of Product Sales, by a mid-teens percentage vs. FY 2018

- Capital expenditure is expected to be broadly stable and restructuring expenses are targeted to reduce vs. the prior year

- A Core Tax Rate of 18-22% is anticipated (FY 2018: 11%)

In addition to the above indications included in the FY 2018 Results Announcement, the Company indicated on its FY 2018 earnings call that it anticipates a Core gross margin between 79-80% in FY 2019.

### **3. Product Sales**

Analysts are reminded that *Faslodex* faces an initial [loss of exclusivity](#) in the US by the end of Q1 2019. This follows a strong performance in Q4 2018 with global sales of \$269m.

Please also note that *Bydureon* sales declined by 5% (CER) in Q4 2018 reflecting ongoing supply constraints.

<sup>1</sup> Core Operating Costs include R&D, SG&A and Distribution costs.

*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.

#### 4. Externalisation Revenue and Other Operating Income and Expense

As noted above, AstraZeneca anticipates that the sum of Externalisation Revenue and Core Other Operating Income and Expense will decline in FY 2019 (vs. FY 2018).

At the time of writing, the only agreement that has been announced YTD is the closure of the SOBI (Swedish Orphan Biovitrum AB) transaction which was [announced](#) on 25 January. 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 completion in January 2019, AstraZeneca received 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.

As noted on the FY 2018 earnings call, this transaction is one factor contributing to an anticipated higher tax rate in FY 2019 (vs. FY 2018).

#### 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

Thomas Kudsk Larsen		+44 203 749 5712
Henry Wheeler	Oncology	+44 203 749 5797
Christer Gruvrís	BioPharma - Cardiovascular; Metabolism	+44 203 749 5711
Nick Stone	BioPharma - Respiratory; Renal	+44 203 749 5716
Josie Afolabi	Other	+44 203 749 5631
Craig Marks	Finance; Fixed Income	+44 7881 615 764
Jennifer Kretzmann	Retail Investors; Corporate Access	+44 203 749 5824
US toll-free		+1 866 381 7277

- || -

**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.gruvis@astrazeneca.com](mailto:christer.gruvis@astrazeneca.com) by Friday, 15 March 2019.

Should you have any queries on how to complete this template, please do not hesitate to contact Christer Gruvis. 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.