

To whom it may concern,

This letter sets forth public information previously provided by AstraZeneca and others which may prove helpful in estimating the financial performance of AstraZeneca post the announcement of H1 2019 financial results on 25 July 2019.

Sell-side analysts who wish to contribute to company-collected consensus estimates are requested to submit updated numbers by **Friday, 6 September 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 (updated at H1 2019 results)

- Reflecting the performance in the first half and the return to Product Sales growth in H2 2018, Product Sales in FY 2019 are now expected to increase by a low double-digit percentage; the prior guidance was for a high single-digit percentage increase.
- Core EPS guidance of \$3.50 to \$3.70 over the full year was reiterated at H1 2019 results. This guidance includes the anticipation of a lower sum of Collaboration Revenue and Core Other Operating Income and Expense versus the prior year.

2. FY 2019 additional commentary

Outside of guidance, AstraZeneca also provided the following commentary at H1 2019 results:

- **Operating leverage;** The Company expects to deliver significant operating leverage over the long term. Encouraging progress was made in the half, with the Reported Operating Margin stable at 14% and the Core Operating Margin increasing by six percentage points (five at CER) to 27%. Core Operating Profit is anticipated to increase in the year by a mid-teens percentage versus FY 2018, ahead of Product Sales.
- **Cash generation;** In FY 2019, the cash performance is expected to include a number of payments relating to prior business development transactions; the majority of the value of these payments in the year was settled in the first half. AstraZeneca generated a net cash inflow from operating activities of \$491m in the half, compared to an outflow of \$75m in H1 2018.
- **Other indications;** The Company also provides other indications for FY 2019: Capital expenditure is expected to be broadly stable and restructuring expenses are targeted to reduce versus the prior year. A Core Tax Rate of 18-22% is anticipated (FY 2018: 11%).

In addition to the above commentary included in the H1 2019 results announcement, the Company indicated during its FY 2018 results presentation that it anticipates a core gross margin between 79-80% in 2019.

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

3. Product sales

Analysts are reminded that *Faslodex* faced an initial [loss of exclusivity](#) in the US by the end of Q1 2019. In May 2019, Sandoz [announced](#) that its generic fulvestrant injection had been approved in the US and was available immediately.

We also remind analysts that Innate Pharma [licensed](#) the commercial rights for *Lumoxiti* in Europe and the US (AstraZeneca will hence not book any sales in these territories).

Lokelma was initially [launched](#) in the Nordic region during Q3 2018. As mentioned on the H1 2019 analyst call, *Lokelma* is now launched in the US and promotion began in June 2019. Further launches will take place in the coming months.

Bydureon H1 2019 sales were adversely impacted by supply constraints related to *Bydureon BCise*; these have now been resolved and we will go back to normal supply in the second half of the year.

As previously communicated, US regulatory submission for roxadustat is expected in the second half of this year. The medicine is currently approved in both the dialysis and non-dialysis settings in China.

4. Collaboration revenue and other operating income

Sanofi confirmed in its H1 2019 announcement that nirsevimab (MEDI8897) now has entered Phase III. As mentioned in the H1 2019 results announcement, upon entering Phase III, AstraZeneca anticipates a €30m milestone payment to be recorded within Collaboration Revenue in the third quarter. At the time of writing, no other deals have been announced to be booked in Collaboration Revenue or Other Operating Income in Q3 2019.

5. Net finance expense and costs relating to joint ventures and associates

Core net finance expenses in Q2 2019 were \$197m. In addition to borrowing costs, other expenses (e.g. pension interest, discount unwind, interest costs relating to leases following adoption of IFRS 16 etc.) are also recorded in this line. Costs relating to joint ventures and associates amounted to \$32m in Q2 2019.

6. Outstanding number of shares

The new outstanding number of shares post the recent equity issue is 1,312m, effective from 2 April 2019.

7. Cash flow

During the Q1 2019 results conference call on 26 April 2019, the Company provided the information that if one were to exclude the impact of the Daiichi Sankyo transaction, the Company would target dividend coverage in 2020. As mentioned in the Q1 2019 results announcement, half of the \$1.35bn upfront payment was settled in Q2 2019.

8. Currency impact

AstraZeneca's foreign-exchange rate sensitivity analysis is contained within the operating and financial review section of the [H1 2019 results announcement](#) and, if foreign-exchange rates were to remain at the average of rates seen in the period January to June 2019, it was anticipated that there would be a low single-digit percentage adverse impact on product sales and core EPS in FY2019.

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).

For some of the medicines in collaboration (trastuzumab deruxtecan and tezepelumab), we are also collecting WW forecasts (rows 423-424, memo lines only). We anticipate this will allow analysts to reflect the appropriate financial treatment of these collaborations as it relates to sales, collaboration revenue and costs of goods sold.

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 by **Friday, 6 September 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.