Aide memoire
September 2020

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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 after H1 2020 results.

Sell-side analysts who wish to contribute to company-collected consensus estimates are requested to submit updated numbers by **Thursday, 10 September 2020**; details are provided in the appendix. As usual, those analysts who contribute will automatically receive the consensus data in return.

Following H1 2020 results, AstraZeneca would like to highlight the following important considerations and significant prior disclosures (all guidance and indications are at constant exchange rates (CER)):

1. FY 2020 guidance
Financial guidance for FY 2020 was left unchanged. Total revenue is expected to increase by a high single-digit to a low double-digit percentage and Core EPS is expected to increase by a mid- to high-teens percentage. AstraZeneca recognises the heightened risks and uncertainties from the impact of COVID-19 referred to in the H1 2020 results announcement. Variations in performance between quarters can be expected to continue.

2. FY 2020 additional commentary
Outside of guidance, AstraZeneca provided the following commentary in the H1 2020 results announcement (all at CER):

- The Company is focused on improving operating leverage
- A core tax rate of 18-22%. Variations in the core tax rate between quarters are anticipated to continue
- Capital expenditure is expected to be broadly stable versus the prior year

3. Total revenue
There was only a modest inventory-related benefit to total revenue, reflecting the effects of the ongoing COVID-19 pandemic, in the first half of the year.

3.1 Product sales

Tagrisso
Analysts are reminded that *Tagrisso* saw a 15% mandated price reduction in November 2019 in Japan.

Lynparza
As mentioned at Q1 2020 results, analysts are reminded that *Lynparza* faced a 14% price reduction in April 2020 in Japan.

Enhertu
In December 2019, *Enhertu* received US approval for the treatment of adult patients with unresectable or metastatic HER2-positive breast cancer who have received two or more prior anti-HER2 based regimens in the metastatic setting. Daiichi Sankyo announced forecasted US sales of ¥27bn (~$251m) in their fiscal FY20 year (ending March 2021). Daiichi Sankyo books sales of *Enhertu* in the US and will book sales in most European countries (where it has affiliates). AstraZeneca will book sales in China, Australia, Canada, Russia and some other countries, including many Eastern European countries. Where AstraZeneca does not book sales, it reports its half of gross profits as collaboration

revenue. In Japan where Daiichi Sankyo received 3rd line metastatic breast cancer approval in March 2020, Daiichi Sankyo will book sales and pay AstraZeneca a small royalty.

In July 2020, AstraZeneca and Daiichi Sankyo announced a new collaboration on DS-1062, a TROP2-directed ADC. AstraZeneca will pay Daiichi Sankyo an upfront payment of $1bn in staged payments: $350m was paid upon completion, with $325m after 12 months (in Q3 2021) and $325m after 24 months (in Q3 2022) from the effective date of the agreement. AstraZeneca will pay additional conditional amounts of up to $1bn for the successful achievement of regulatory approvals and up to $4bn for sales-related milestones. DS-1062 sales will be booked similar to *Enhertu* sales.

Calquence
For modelling purposes, analysts are reminded that in the chronic lymphocytic leukaemia (CLL) setting, *Calquence* is currently approved in 13 countries including the US (announced in November 2019), Canada and Australia. In the EU, a positive CHMP opinion was received in July 2020. EU and global CLL launches are expected to continue in the second half of 2020 subject to regulatory approvals.

Faslodex
As mentioned in the H1 2020 results announcement, *Faslodex* faced a mandated price reduction (25%) in Japan during Q2, 2020.

Roxadustat
The medicine is currently approved in both the dialysis and non-dialysis settings in China. In China, the FibroGen collaboration has a 50/50 gross profit share split and AstraZeneca books its share of gross profit as collaboration revenue. FibroGen has previously shared an estimated annual net price in China of approximately $1,500. AstraZeneca booked $9m of collaboration revenue in Q2 2020 following an initial launch in China. In July, FibroGen announced through filing an amendment to the collaboration, meaning that AstraZeneca will be booking the majority of sales in China from next year (and pay out FibroGen's share of gross profits through cost of sales).

FibroGen has announced US regulatory submission acceptance for roxadustat with a Prescription Drug User Fee Act (PDUFA) date of 20 December 2020. Upon launch, AstraZeneca will book US sales and pay FibroGen a transfer price based on a percentage of net sales in the low- to mid-single digit range and a tiered percentage royalty on net sales in the low 20s.

Symbicort
As previously announced AstraZeneca has entered an agreement with Prasco to distribute an Authorized Generic (AG) version of *Symbicort* in the US. All *Symbicort* revenue, irrespective of the sales channel, will be booked as product sales. The agreement came into effect in January 2020 followed by immediate launch.

Pulmicort China
As mentioned in the H1 2020 results announcement, the Q2 performance of *Pulmicort* in China continued to be impacted by COVID-19, with a significant reduction in the number of paediatric patients attending outpatient nebulisation rooms and adult elective procedures, where *Pulmicort* can be used in operative care when oral corticosteroids are unsuitable. However, performance also reflected a particularly benign seasonal influenza in China, resulting in a significantly reduced number of asthma exacerbations. In addition, two generic versions of *Pulmicort* are now approved in China.

Tezepelumab
In its recent 10Q filing, Amgen announced an amendment to the distribution agreement with AstraZeneca with regards to the commercialisation of tezepelumab in asthma. Amgen will be solely responsible for the distribution of tezepelumab in the US (and AstraZeneca will book its share of gross profit as Collaboration Revenue). In ex-US markets, AstraZeneca will book product sales (and pay Amgen's share of gross profits out of cost of sales).

Potential COVID-19 vaccine

AstraZeneca and Oxford University recently announced a collaboration agreement on a potential COVID-19 vaccine where AstraZeneca would be responsible for development and worldwide manufacturing and distribution of the potential vaccine. AstraZeneca and Oxford University have communicated that this would be operated on a not-for-profit basis for the duration of the coronavirus pandemic. In line with IAS 20, any government and other reimbursement to be received for R&D costs incurred are expected to be booked on the respective P&L line.

China volume-based procurement (VBP)

In August 2020, the results from the third round of VBP tenders in China were announced including AstraZeneca medicines *Brilinta*, *Arimidex* and *Prilosec*. AstraZeneca chose not to compete on price and as a result were not among the announced winners.

China national drug reimbursement list (NRDL) guidelines

In August 2020, the official 2020 NRDL guidelines were released stating that new drugs/indications approved by 17 August 2020 are eligible for inclusion in the next update.

3.2 Collaboration revenue

At time of writing, no transaction generating collaboration revenue in Q3 has been announced. However, as usual, in addition to *Enhertu* and 2020 roxadustat profit shares (see above), an element of non-material royalties will be booked in collaboration revenue. In 2019, these underlying 'other' royalties (including non-material milestones) averaged $44m per quarter.

4. Other operating income

AstraZeneca announced in January 2020 that it will recover the global rights to brazikumab from Allergan. Brazikumab is currently in a Phase IIb/III programme in Crohn's disease (CD) and a Phase IIb trial in ulcerative colitis (UC). The existing license agreement was now terminated and Allergan will fund up to an agreed amount, estimated to be the total costs expected to be incurred by AstraZeneca until completion of development for brazikumab in CD and UC, including the development of a companion diagnostic. **Any reimbursement received from Allergan will be booked in other operating income (but offset in the P&L by increased R&D costs)**. AstraZeneca announced in May 2020 that the agreement had been completed.

AstraZeneca indicated on its FY 2019 results conference call that it expects the 2020 sum of collaboration revenue and other operating income and expense to be in-line and not materially different from 2019.

5. Outstanding number of shares

The outstanding number of shares is 1,312m.

6. Cash flow

During the Q1 2019 results conference call in April 2019, the Company provided the information that, if the impact of the Daiichi Sankyo transaction (i.e. upfront and potential development & approval milestone payments) were excluded, 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. The remaining payment settled in Q2 2020.

In July 2020, AstraZeneca announced US FDA approval for *Breztri Aerosphere* for the maintenance treatment of COPD. The approval triggered an outgoing $150m milestone payment in Q3 2020.

7. Currency impact

AstraZeneca's foreign-exchange rate sensitivity analysis is contained within the operating and financial review section of the H1 2020 results announcement. If foreign-exchange rates for July to December 2020 were to remain at the average of rates seen in H1 2020, it is anticipated that there would be a low single-digit adverse impact on Total Revenue and Core EPS, versus the prior year.

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

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.

Tab 3 (Collaboration Revenue) outlines the partnered medicines for which Collaboration Revenue is expected. Milestone/royalty payments are collected on separate lines.

The costs associated with the AZ restructuring programme should be outlined separately on **Tab 4** (Restructuring). Detailed commentary is always welcome to provide clarity and to reduce the scope for misinterpretation.

Tab 5 (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 6** (Group product sales). Total product sales are 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 (*Enhertu* and tezepelumab), we are also collecting WW forecasts (rows 435-436, 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 7** (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 **Thursday 10 September 2020**.

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 of market assumptions. We will also provide consensus detail for Collaboration Revenue, Restructuring costs, Summary of Cash Flow & Statement of Financial Position, and product sales split by Region (providing sufficient analysts complete these templates).