**Aide memoire**
March 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 following the announcement of FY 2019 results on 14 February 2020.

Sell-side analysts who wish to contribute to company-collected consensus estimates are requested to submit updated numbers by **Wednesday, 18 March 2020**; 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 2020 guidance**
All guidance assumes an unfavourable impact from China lasting up to a few months as a result of the recent novel coronavirus (Covid-19) outbreak. The Company will monitor closely the development of the epidemic and anticipates providing an update at the time of the Q1 2020 results (on 29 April 2020).

**Depending on the impact of the Covid-19 epidemic, 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.**

**2. FY 2020 additional commentary**
Outside of guidance, AstraZeneca provided the following commentary in the FY 2019 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. Product Sales

*Tagrisso*

Analysts are reminded that *Tagrisso* saw a 15% mandated price reduction taking effect from 1 November 2019 in Japan and also reminded that a Q3 2019 inventory increase in the US resulted in reduced sequential sales growth in Q4 2019.

*Imfinzi*

As announced on 6 March 2020, *Imfinzi*, currently approved in 61 countries for use in unresectable, Stage III non-small cell lung cancer (NSCLC), recently received its first global approval in small-cell lung cancer in Singapore. However, on the same day, *Imfinzi*, as well as *Imfinzi* and tremelimumab, another immunotherapy, did not meet the primary endpoints of improving overall survival in the Phase III DANUBE trial in unresectable, Stage IV bladder cancer. As a result, analysts are reminded to update their anticipation of regulatory approvals and future sales forecasts for the use of *Imfinzi* and tremelimumab in relevant indications (outside lung cancer).

*Faslodex*

Analysts are again reminded that *Faslodex* faced loss of exclusivity in the US in 2019. In May 2019, Sandoz announced that its generic fulvestrant injection had been approved in the US and was available immediately. Since then, several companies announced approvals of generic fulvestrant injections.

Table: *Faslodex* US Product Sales development

| | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 |
|---|---|---|---|---|
| **Sales ($m)** | **126** | **125** | **60** | **17** |
| **q-o-q ($m)** | *-17* | *-1* | *-65* | *-43* |

*Enhertu*

AstraZeneca and Daiichi Sankyo announced on 23 December 2019 that *Enhertu* had 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. The first patient was infused on 2 January 2020 and Daiichi Sankyo forecasts product sales of JPY 2bn (~$18m) in their fiscal year 2019 (ending in March 2020). Daiichi Sankyo will book sales of *Enhertu* in the US and 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 will report its half of gross profits as Collaboration Revenue. In Japan Daiichi Sankyo will book sales and pay AstraZeneca a small royalty.

*Calquence*

For modelling purposes, analysts are reminded that in the CLL setting, *Calquence* is currently approved in the US (announced on 21 November 2019), Canada and Australia (but not yet approved in Europe). Global CLL launches are expected to continue in 2H 2020 subject to regulatory approvals.

Roxadustat

The medicine is currently approved in both the dialysis and non-dialysis settings in China with launch expected in Q1 2020. In China, the collaboration is a 50/50 gross profit share and AstraZeneca anticipates booking its share of gross profit as Collaboration Revenue. At the recent SVB Leerink Global Health Conference, FibroGen shared an estimated annual roxadustat net price in China of approximately $1,500.

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 royalty on net sales in the low 20% range.

*Symbicort*
As previously announced, AstraZeneca has entered an agreement with Prasco to distribute an Authorized Generic (AG) version of *Symbicort* in the US. AG sales will be booked as product sales.

**4. Collaboration Revenue**

At the time of writing, no new transactions have been announced to be booked in Collaboration Revenue (but see above regarding booking of shared *Enhertu* and roxadustat revenues).

**5. Other Operating Income**
As announced on 27 January 2020, AstraZeneca has agreed to sell the global commercial rights to *Inderal* (propranolol), *Tenormin* (atenolol), *Tenoretic* (atenolol, chlorthalidone fixed-dose combination), *Zestril* (lisinopril) and *Zestoretic* (lisinopril, hydrochlorothiazide fixed-dose combination) to Atnahs Pharma (Atnahs). The agreement excludes the rights in the US and India, which were previously divested, and in Japan, which will be retained by AstraZeneca. The medicines, used primarily to treat hypertension, have long lost their patent protection globally.

AstraZeneca will continue to manufacture and supply *Inderal*, *Tenormin*, *Tenoretic*, *Zestril* and *Zestoretic* to Atnahs during a transition period. Atnahs will make an **upfront payment of $350m** to AstraZeneca. AstraZeneca may also receive future sales-contingent payments of up to $40m between 2020 and 2022. Income arising from the upfront and future payments will be reported in AstraZeneca's financial statements within **Other Operating Income & Expense in Q1 2020**. The closure of the transaction was announced on 2 March 2020. In 2018, *Inderal, Tenormin, Tenoretic, Zestril and Zestoretic* generated annual sales of $132m in the markets covered by this agreement.

AstraZeneca also announced on 27 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 and a Phase IIb trial in ulcerative colitis. The existing license agreement will be 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. **The reimbursement received from Allergan will be booked in Other Operating Income and Expense (but offset in the P&L by increased R&D costs)**. The transaction is subject to regulatory approval from the United States Federal Trade Commission (FTC). AbbVie has announced final European approval stating that it has entered a timing agreement with FTC staff that would likely result in a decision by the FTC early in the second quarter of 2020.

On 25 February 2020, AstraZeneca announced that it has agreed to sublicense its global rights to *Movantik* (naloxegol), excluding Europe, Canada and Israel, to RedHill Biopharma (RedHill). RedHill will make an upfront payment of $52.5m to AstraZeneca on closing and a further non-contingent payment of $15m in 2021. Income arising from the upfront payment, **offset by a charge for derecognition of the associated intangible asset**, and the future payment will be reported in AstraZeneca's financial statements within Other Operating Income & Expense. In 2019, *Movantik* generated sales of $96m in the US. The divestment is expected to complete in Q1 2020, subject to customary closing conditions and regulatory clearances.

**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.**

**6. Net finance expense and costs relating to joint ventures and associates**
Core net finance expenses in Q4 2019 were $186m. 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 (JV) and associates amounted to $26m in Q4 2019. FY 2019 combined costs for Core net finance expenses and JVs were $881m (~$220m per quarter).

**7. Outstanding number of shares**
The outstanding number of shares is 1,312m.

**8. Cash flow**
During the Q1 2019 results conference call on 26 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 with the **other half anticipated during 2020**.

**9. China supply**
As mentioned above, AstraZeneca's 2020 guidance is based on the assumption that the impact from the Coronavirus outbreak will last up to a few months and the Company anticipates providing an update at the time of Q1 results on 29 April 2020. From a **supply perspective**, AstraZeneca has highlighted that exports from China are limited. AstraZeneca's manufacturing and supply chain, principally for local use in China, is split across two sites in China and one distribution centre. One site in Taizhou is back at 100% capacity whereas the site in Wuxi is currently operating at 95% capacity, with expectation of reaching 100% in the very near future. The distribution centre is at 100% capacity, too.

**10. Currency impact**
AstraZeneca's foreign-exchange rate sensitivity analysis is contained within the operating and financial review section of the FY 2019 results announcement. If foreign-exchange rates for February to December 2020 were to remain at the average of rates seen in January 2020, it is anticipated that there would be a neutral impact on Total Revenue and a low single-digit adverse impact on 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 roxadustat), we are also collecting WW forecasts (rows 440-441, 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 **Wednesday 18 March 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).