Aide memoire
April 2020

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 ahead of Q1 2020 results on 29 April 2020.

Sell-side analysts who wish to contribute to company-collected consensus estimates are requested to submit updated numbers by **Thursday, 16 April 2020**; details are provided in the appendix. As usual, those analysts who contribute will automatically receive the consensus data in return.

Ahead of Q1 results, AstraZeneca would also like to highlight the following important considerations and significant prior disclosures (all guidance and indications are at constant exchange rates (CER)):

**SARS-CoV-2**
A summary of key AstraZeneca communications related to the coronavirus outbreak is listed below; for a more complete collection, please visit [https://www.astrazeneca.com/media-centre/articles/2020/covid-19-information-hub.html](https://www.astrazeneca.com/media-centre/articles/2020/covid-19-information-hub.html).

AstraZeneca’s manufacturing sites in China are back to near-normal capacity following the coronavirus outbreak. AstraZeneca has a number of manufacturing sites also in Europe (e.g. Södertälje in Sweden and Macclesfield in the U.K.) and in the US (e.g. Frederick, Maryland) and the Company has to date not seen any major disruptions with respect to either medicine supply or distribution.

With face-to-face sales meetings no longer being an option in many parts of the world, AstraZeneca’s sales force has increasingly turned to virtual meetings. However, in some parts of China, face-to-face meetings have reinitiated.

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.

Depending on the impact of the Covid-19 pandemic, 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. Total Revenue
3.1 Product Sales

Tagrisso
Analysts are reminded that Tagrisso saw a 15% mandated price reduction from 1 November 2019 in Japan.

Imfinzi
As announced on 6 March 2020, neither Imfinzi nor the combination of Imfinzi and tremelimumab, another immunotherapy, met 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 for the lack of regulatory approvals and future sales for the use of Imfinzi and Imfinzi plus 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

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
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<tbody>
<tr>
<td>Sales  ($m)</td>
<td>126</td>
<td>125</td>
<td>60</td>
<td>17</td>
</tr>
<tr>
<td>q-o-q ($m)</td>
<td>-17</td>
<td>-1</td>
<td>-65</td>
<td>-43</td>
</tr>
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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 forecasted sales of ¥2bn (~$18m) in the US 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 the second half of 2020 subject to regulatory approvals.

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 anticipates booking its share of gross profit as Collaboration Revenue. At the recent SVB Leerink Global Health Conference in New York City, FibroGen shared an estimated annual 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.
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. The agreement came into effect on 1 January 2020 followed by immediate launch.

3.2 Collaboration Revenue
No new transactions have been announced to be booked in Collaboration Revenue in Q1 (please see above regarding booking of shared Enhertu and roxadustat revenues). In 2019, underlying ‘other’ royalties (including non-material milestones) averaged $44m per quarter.

4. 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.

The closure of the transaction was announced on 2 March 2020 and Atnahs made 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. 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. Completion of transaction was announced on 2 April 2020 and the deal will hence be booked in the Company’s financial statements in Q2 2020.

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. 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).

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

7. 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 Q2 2020.

Merck announced in its recent 10-K filing that the remaining $250m of a sales-based milestone payment outstanding from the accrual made prior to 2019 was paid in January 2020. AstraZeneca booked this income in Q4 2019 with cash flow effect in Q1 2020.

AstraZeneca paid its second interim dividend ($1.90) on 30 March 2020 (~$2.5bn in total).

8. 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 **Thursday 16 April 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).