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 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 Friday, 24 January 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 2019 guidance (updated at YTD and Q3 2019 results)
   - Reflecting the performance over the year to date, guidance for Product Sales in FY 2019 was upgraded. Product Sales are expected to increase by a low to mid-teens percentage; the prior guidance was for a low double-digit percentage increase
   - AstraZeneca reiterated its Core EPS guidance of $3.50 to $3.70 over the full year. This guidance included the anticipation of a significantly lower sum of Collaboration Revenue and Core Other Operating Income and Expense versus the prior year. It also reflected the opportunities being taken to reinvest in the business, particularly in China and in the Company’s new medicines, in order to strengthen AstraZeneca’s long-term growth profile

2. FY 2019 additional commentary

Outside of guidance, AstraZeneca also provided the following commentary at YTD and Q3 2019 results:

- **Operating leverage**: the Company expects to deliver significant operating leverage over the long term; encouraging progress was made in the year to date. The Reported Operating Profit Margin declined in the year to date by one percentage point (two at CER) to 13%; the Core Operating Profit margin, however, increased by five percentage points to 28%. Core Operating Profit in FY 2019 is anticipated to increase 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 $1,594m in the year to date, compared to an inflow of $394m in YTD 2018

- **Other indications**: the Company also provides other indications for FY 2019. 1) Capital Expenditure is expected to be broadly stable and restructuring expenses are targeted to reduce versus the prior year. 2) The Core Tax Rate range has been narrowed to 20-22% for FY 2019 from the previously anticipated range of 18-22% (FY 2018: 11%). Variations in the Core Tax Rate between quarters can be expected to continue.
3. Product Sales

Tagrisso
As mentioned on the YTD and Q3 2019 results conference call, approximately half of the sequential growth seen in the US during Q3 2019 came from inventory movements (which will unwind in Q4) and gross-to-net adjustments. In line with what was communicated in the accompanying results presentation, a 15% price cut was applied to Tagrisso in Japan in the fourth quarter.

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>
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<tbody>
<tr>
<td>Sales  ($m)</td>
<td>126</td>
<td>125</td>
<td>60</td>
</tr>
<tr>
<td>q-o-q ($m)</td>
<td>-17</td>
<td>-1</td>
<td>-65</td>
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Enhertu (trastuzumab deruxtecan)
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 markets, 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.

Lumoxiti
In the post-Q3 2019 consensus collection, some analysts had Q4 2019 and FY 2019 forecasts for Lumoxiti. We again remind analysts that Innate Pharma licensed the commercial rights for Lumoxiti in Europe and the US; AstraZeneca will hence not record any sales in these territories.

Roxadustat
The medicine is currently approved in both the dialysis and non-dialysis settings in China but AstraZeneca did not book any sales in 2019. In China, the collaboration is a 50/50 profit share and AstraZeneca anticipates booking its profit share as Collaboration Revenue.

On 23 December 2019, FibroGen announced US regulatory submission for roxadustat. 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
In Japan, Symbicort analogues were priced in December 2019, with launches anticipated during Q1 2020. In the US, AstraZeneca has entered an agreement with Prasco to distribute an Authorized Generic (AG) version of Symbicort.

4. Collaboration Revenue

In a recent 10-Q filing, Merck announced that, prior to 2019, it had accrued sales-based milestone payments aggregating $700 million related to Lynparza. Of this amount, $450 million has been received in the first nine months of the year. In addition, AstraZeneca will book a final $100m (of total $750m) option license payment in the fourth quarter of 2019.
5. Operating expenses

On the aforementioned conference call, the following comments were made by the Company's CFO with regards to Core Operating Expenses:

“at the end of September, we are at a growth of 6.5% (CER), so slightly higher than what we have indicated for. We do expect that this growth will slow down in the fourth quarter and should come back somewhere around mid-single digit. And I believe for next year, this is probably a good indication.

However, I want to point out that the important metric for us is operating leverage. And in a very rudimentary manner, we look at operating leverage as product sales minus growth of operating expenses, and this is an important metric that we have looked at in 2019 and we will continue to look at it in 2020 and 2021”.

6. Other Operating Income

On 30 October 2019, AstraZeneca announced the divestment of the rights to Seroquel and Seroquel XR in Europe and Russia. Cheplapharm were to make an upfront payment of $178m to AstraZeneca and may also make future sales-contingent payments of up to $61m. In 2018, Seroquel generated annual Product Sales of $47m in the markets covered by this agreement, while Seroquel XR generated $61m. The transaction closure was announced on 16 December 2019 and the upfront payment will be recorded in the P&L in the fourth quarter of 2019.

On 20 December 2019, AstraZeneca announced that it had agreed to sell the commercial rights to Arimidex and Casodex in a number of European, African and other countries to Juvisé Pharmaceuticals. In 2018, Arimidex had Product Sales of $37m in the countries covered by this agreement, while Casodex had sales of $24m. AstraZeneca has received an upfront payment of $181m from Juvisé Pharmaceuticals and may also receive future sales-contingent payments of up to $17m. The upfront payment will be recorded in the P&L in the fourth quarter of 2019.

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

Core net finance expenses in Q3 2019 were $192m. 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 $32m in Q3 2019. YTD 2019 combined costs for Core net finance expenses and JVs were $670m (~$223m per quarter).

8. Epanova

As announced on 13 January 2020, a review is being undertaken of the ongoing value of the $533m Epanova intangible asset following announcement of negative STRENGTH data. Any impairment will be treated as a non-Core item in the fourth quarter of 2019. A write down of up to $100m relating to inventories is also anticipated to impact the Core earnings in the fourth quarter of 2019.

9. Outstanding number of shares

The outstanding number of shares is 1,312m, effective from 2 April 2019.

10. Cash flow

Following the announcement on 23 December 2019 that Enhertu has been approved in the US in patients with unresectable or metastatic HER2-positive breast cancer who have received two or more prior anti-HER2 based regimens in the metastatic setting, AstraZeneca was liable to pay Daiichi Sankyo a first milestone payment of $125m; this amount was capitalised upon approval.
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.

In October 2019, Almirall announced the launch of Duaklir in the US, upon which the Company was due to receive a $100m milestone from AstraZeneca during the fourth quarter of 2019.

As per the Seroquel agreement with Luye Pharma Group Ltd, announced in June 2018, AstraZeneca was due to receive a milestone payment of $240m in December 2019. The present value of this milestone was booked in the P&L in Q2 2018 (only affects cash flow - no P&L impact in Q4 2019).

As per in the YTD 2019 results announcement, an amendment to the share purchase and option agreement (SPOA) with the sellers of Acerta Pharma (originally entered into in December 2015) came into effect, changing certain terms of the SPOA on both the timing and also reducing the maximum consideration that would be required to be made to acquire the remaining outstanding shares of Acerta Pharma if the options are exercised. The payments would be made in similar annual instalments commencing at the earliest from 2022 through to 2024, subject to the options being exercised. The changes to the terms have been reflected in the assumptions used to calculate the amortised cost of the option liability as at 30 September 2019 of $2,072m (30 June 2019: $2,057m, 31 December 2018: $1,838m).

A legal provision related to the Calquence litigation settlement with AbbVie was also announced in the YTD results announcement.

11. Currency impact
AstraZeneca’s foreign-exchange rate sensitivity analysis is contained within the operating and financial review section of the YTD and Q3 2019 results announcement and, if foreign-exchange rates were to remain at the average of rates seen in the period January to September 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
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.


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.gruvris@astrazeneca.com by Friday 24 January 2019.

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 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.