Introduction

The Board of Directors of AstraZeneca PLC (the Board) thanks shareholders for the questions provided in advance of the Company’s Annual General Meeting (AGM) held on 29 April 2020. The Board welcomes opportunities to engage with shareholders and continues to review options for a future event for retail shareholders, as shareholders were unable to attend the AGM in person. Details of this event will be finalised and communicated to shareholders via the Company’s website once there is more clarity about timing. The Board’s overriding concern is the health and safety of shareholders and it must be safe and permissible for such an event to take place.

A number of questions were submitted with accompanying statements. For the purposes of responding to the questions, those statements have been removed.

The email inbox provided for shareholders to raise questions is no longer being monitored. For any further queries, please see the Investor Relations section of the website, which contains details on how to contact the Company.
We push the boundaries of science to deliver life-changing medicines

We are a global, science-led, patient-focused biopharmaceutical company. Inspired by our values and what science can do, we are focused on accelerating the delivery of life-changing medicines that create enduring value for patients and society.

Our strategic focus

- We focus on innovative science and leadership in three main therapy areas:
  - Oncology; Cardiovascular, Renal and Metabolism; Respiratory & Immunology
- We have a broad R&D platform. We started with small molecules and biologic medicines and we are now expanding our platforms with new technologies.
- With a patient focus, we have a balanced portfolio of specialty and primary care medicines.
- We have a global presence, with strength in China and emerging markets.

AstraZeneca in brief

AstraZeneca global dimensions

(Year ending 31 December 2019)

<table>
<thead>
<tr>
<th>Total revenue (Up 10% in 2019)</th>
<th>$24.4bn</th>
<th>$6.1bn invested in R&amp;D with research across five countries</th>
<th>70.6k employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product sales (Up 12% in 2019)</td>
<td>$23.6bn</td>
<td>167 projects in clinical development &amp; eight NMEs in late-stage development</td>
<td>45.4% of our senior roles are filled by women</td>
</tr>
<tr>
<td>Collaboration revenue</td>
<td>$819m</td>
<td>28 NME approvals in 2019</td>
<td>26 operations sites in 16 countries</td>
</tr>
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</table>

Results Q1 2020

Solid growth in all therapy areas and emerging markets.

<table>
<thead>
<tr>
<th>Q1 2020</th>
<th>change</th>
<th>ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Product sales</td>
<td>6,311</td>
<td>17</td>
</tr>
<tr>
<td>Oncology</td>
<td>2,502</td>
<td>34</td>
</tr>
<tr>
<td>New CVRM</td>
<td>1,098</td>
<td>8</td>
</tr>
<tr>
<td>Respiratory &amp; Immunology</td>
<td>1,551</td>
<td>22</td>
</tr>
<tr>
<td>Other medicines</td>
<td>1,159</td>
<td>(6)</td>
</tr>
<tr>
<td>Emerging markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- EMs ex China</td>
<td>857</td>
<td>16</td>
</tr>
<tr>
<td>- China</td>
<td>1,413</td>
<td>17</td>
</tr>
</tbody>
</table>

Product sales at actual exchange rates; changes at CER. 1. Emerging markets.

“By harnessing the unprecedented possibilities of science and technology, by transforming the way we work and by engaging with patients in everything we do, I am confident that we will realise our pipeline’s potential to the full and deliver continued success.”

Pascal Soriot, CEO, AstraZeneca
Questions & responses

1. Under what authority did the Board carry out the share placing in 2019 and why were not all shareholders made aware of the placing?

In 2019, the Company issued 44,386,214 Ordinary Shares by way of an equity placing (the Placing). The Placing enabled AstraZeneca to raise the funds required in connection with the Daiichi Sankyo collaboration agreement quickly (within one business day). It would not have been possible to raise funds on the same timetable had all shareholders been approached.

The Placing was within the existing authority granted by shareholders at the Company’s AGM in 2018, which provided Directors with the authority to issue and allot up to an additional 10% of the issued share capital as at 2 April 2018, on a non-pre-emptive basis. Such authorities are typical of the authorities that UK listed companies seek each year and are in line with market guidance. At the time of allotment, the Placing shares represented approximately 3.5% of the issued ordinary share capital.

2. The nature of placings means that certain shareholders are automatically excluded, which is disappointing. However, a ‘placing and open offer’ allows a company to raise funds rapidly through the placing element, and the ‘open offer’ then allows retail shareholders to participate. Given the use of funds, this would have been a better approach for AstraZeneca. Would the Board please consider this next time the Company raises money?

When considering the Placing, the Board had regard to AstraZeneca’s capital allocation priorities, which are outlined on page three of the 2019 Annual Report and 20-F Information (the 2019 Annual Report).

The Placing enabled the Company to raise a significant amount of funds within one business day. It would not have been possible to raise such funds on a similar timetable had all shareholders been approached. A placing of a larger size, outside existing shareholder authorities, would have required the Company to approach all shareholders. The Board will continue to consider the capital allocation priorities – striking a balance between the interests of the business, financial creditors and shareholders, and supporting the progressive dividend policy.

3. The dividend is not covered by earnings yet, but its cost in 2019 was the same as the share placing in 2019, which diluted existing shareholders. Do you intend to carry out another share placing in 2020 as money for the dividend?

The Daichi Sankyo Collaboration was an extraordinary opportunity for investment and was accompanied by an extraordinary funding approach; this approach has not been undertaken for decades and the Board has no plans for similar approaches. The funds from the Placing were used to fund certain payments in connection with the collaboration agreement with Daiichi Sankyo, as well as repaying a $1 billion bond which matured in September 2019, while retaining a robust balance sheet and financial flexibility.

AstraZeneca is fully committed to maintaining a progressive dividend policy that will be supported by its medium- and long-term growth. The Board is confident in the Company’s ability to drive growth in earnings and cash flow, which will improve dividend cover over time.
Since 2014, AstraZeneca has been a signatory to the Concordat on openness on animal research in the UK, a set of commitments for UK-based life science organisations to enhance their animal research communications. The Company considers the responsible use of animals to be ethically appropriate in biomedical research and medicine development, where suitable non-animal alternatives are not available. The Global Bioethics Policy identifies the principles that AstraZeneca applies to all animal studies conducted by the Company or by third parties acting on its behalf.

AstraZeneca works continuously in line with the principles of the '3 Rs' to Replace, Reduce and Refine the use of animals in its research activity. Since 2017, the use of animals in AstraZeneca's medical research has decreased by 10% and demonstrates the Company’s commitment to non-animal methods. Rapid advances in technology in recent years has led to the increasing availability and use of alternatives to animal studies. Wherever permitted, for example, the Company actively seeks to use organs-on-chips, cell culture, computer modelling and high-throughput screening to help eliminate the need to use animals in early drug development. Still, these alternatives cannot yet provide all the essential information needed about how a potential new medicine works on disease and the living body and what the possible side effects might be. Unfortunately, animal studies continue to remain a small but essential part of the research process and are required by regulators before the approval of a new medicine.

**4** Rather than award your CEO additional pay and bonuses at this time of crisis, why not set up a specific fund for the development of human relevant, non-animal-based methods of research?

**5** AstraZeneca is a signatory to the Concordat on Openness on Animal Research and has boasted about how its new headquarters in Cambridge will have glass walls. Indeed, your Cambridge headquarters’ entire design is intended to give the impression of transparency. Will the animal lab in your Cambridge headquarters also have glass walls, and will you allow a representative of the CAP campaign to tour this facility?
Animal experiments must be classified according to UK legislation as either non-recovery; mild, moderate or severe in relation to the level of pain, suffering, distress, or lasting harm they have the potential to cause. Daniel Zeichner, MP for Cambridge (where your headquarters and animal lab are due to be built) supports an end, within an achievable timeframe, to the permitting of ‘severe’ suffering as defined in UK legislation. Last year, how many procedures of each classification were carried out by AstraZeneca, or by third-parties on your behalf?

The welfare of the animals used in our research is a top priority and we ensure the minimum necessary severity in each study on a case-by-case basis. Whether the research is conducted in our own facilities or by a third party, we apply the principles of the ‘3 Rs’ – Replacement, Reduction and Refinement. In every case, the procedures applied must be refined to cause the minimum level of pain, suffering, distress or lasting harm to the animals. Data about the number of animals in each severity category would not reflect the context of the accompanying scientific rationale.

The cost of your HQ and animal lab in Cambridge has gone from £330m to over £1bn. You have missed deadline after deadline to construct it, you have had to change building companies and have become the target of a campaign of peaceful protest. Wouldn’t that billion pounds have been better spent on cutting-edge, non-animal methods of research which are the future of biomedical science?

The new Research & Development Centre in Cambridge will host a combination of scientific and non-scientific operations, including day-to-day office functions which will account for approximately 40% of site employees. With regard to the scientific activity that will take place at this site, the HQ building has been specifically designed to support a range of non-animal methods for research.

Rapid advances in technology in recent years has led to the increasing availability and use of alternatives to animal studies. Wherever possible, for example, the Company actively seeks to use organs-on-chips, cell culture, computer modelling and high-throughput screening to help eliminate the need to use animals in early drug development. This is in accordance with AstraZeneca’s commitment to the principles of the ‘3 Rs’ – Replacement, Reduction and Refinement of animals in research. However, these alternatives cannot yet provide all the essential information needed about how a potential new medicine works on disease and the living body and what the possible side effects might be. For these reasons, animal studies continue to remain a small but essential part of the research process and are required by regulators before the approval of a new medicine.
I am a little alarmed at the magnitude of the difference between the Core Operating profit and the Reported Operating profit, some $3.5bn in 2019. Can I please ask:

- Who is accountable for this spend (understanding some is non-cash)?
- Who approves restructuring spend?
- What is the process for consideration of impairments to specific drugs?
- Who is responsible for managing legal provisioning, how are these costs minimised.
- I was intrigued by the Finance Transformation cost of $92m – in what way is Finance being transformed (I am assuming this is the Finance function)?

Information on the use of Core financial measures is set out on pages 80 – 81 of the 2019 Annual Report. A reconciliation of Core Operating Profits to Reported Operating Profits can be found on page 84 of the 2019 Annual Report. Items excluded from Core results are detailed on page 84 and include, amongst other things, restructuring costs, and certain intangible asset impairment and amortisation charges. Management believes that these non-GAAP financial measures, when provided in combination with Reported results, will provide investors with helpful supplementary information to better understand the financial performance and position of the Group on a comparable basis from period to period. These non-GAAP financial measures are not a substitute for, or superior to, financial measures prepared in accordance with GAAP.

By disclosing non-GAAP financial and growth measures, in addition to our Reported financial information, we are enhancing investors’ ability to evaluate and analyse the financial performance and trends of our ongoing business and the related key business drivers. The adjustments are made to our Reported financial information in order to show non-GAAP financial measures that illustrate clearly, on a year-on-year or period-by-period basis, the impact on our performance caused by factors such as changes in revenues and expenses driven by volume, prices and cost levels relative to such prior years or periods. The use of non-GAAP measures is common within the industry.

Details of Intangible assets are included in Note 10 to the Financial Statements from page 190 of the 2019 Annual Report.

Details of restructuring spend can be found on pages 81, and 85-86 of the 2019 Annual Report. During 2019, the Audit Committee reviewed the Group’s significant restructuring programmes initiated from 2013 onwards, including accounting for restructuring charges, and control over capital expenditure and their projection for completion.

The Audit Committee Report (from page 116) and Group Accounting Policies (from page 172) also contains information on consideration of intangible asset impairment charges, and litigation and contingent liabilities.

The Board reviews and approves the financial results.

Details of the Finance Transformation programme are outlined on page 86 of the 2019 Annual Report. The programme has involved the consolidation of multiple divisional financial systems into one planning and reporting tool. This system allows AstraZeneca to rapidly adjust to organisational changes and the Finance team to dedicate more time to supporting the business.
All administration expenses are included within selling, general & administrative (SG&A) expenses, which can be found within the Consolidated Statement of Comprehensive Income on page 168 of the 2019 Annual Report. Legal expenses are included with SG&A expenses, but are not material to the overall total.

Shareholders have been lucky to have Mr Soriot with his splendid determination. Would Mr Soriot like to revise this ambition to reach $45bn in sales in 2023?

The Company provides guidance on Total Revenue, comprising Product Sales and Collaboration Revenue, and Core Earnings per Share for the current financial year at constant exchange rate. This guidance can be found within quarterly results announcements. Commenting on financial targets in 2023 would now constitute medium-term guidance, which the Company does not provide.

The Remuneration Report has increased in length from an already excessive 22 pages to 35 pages (13% of the total Report). On page 128, the Remuneration Report notes that the top global peers earn up to £13.7m a year with Mr Soriot already exceeding that. In the current climate, does the Committee only think of increasing pay? How long will Mr Chipchase remain as Chairman of the Committee?

Details of the targets used by the Committee to assess performance, and performance against those targets in 2019, are summarised on page 127 with further details set out from page 134 of the Directors’ Remuneration Report. The work of the Committee, including its wider considerations when awarding pay, is also described within the Directors’ Remuneration Report.

Mr Chipchase received a 99.48% of vote in favour of his re-election as a Director at the 2020 AGM.
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