

Aide memoire
April 2022

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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 ahead of Q1 2022 results.

Sell-side analysts who wish to contribute to company-collected consensus estimates are requested to submit updated numbers by **Thursday 14 April 2022**; 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 important considerations and prior disclosures:

1. 2022 guidance at constant exchange rates

AstraZeneca issued its 2022 guidance when announcing FY2021 results on 10 February 2022. The Company expects Total Revenue to grow by a high teens percentage and Core EPS to increase by a mid-to-high twenties percentage in 2022. Total Revenue from COVID-19 medicines (*Vaxzevria* and *Evusheld*) is anticipated to decline by a low-to-mid twenties percentage, with an expected decline in sales of *Vaxzevria* being partially offset by growth in *Evusheld* sales. The majority of vaccine revenue in 2022 is expected to come from initial contracts. The Gross Profit Margin from the COVID-19 medicines is expected to be lower than the Company average.

Core Operating Expenses are expected to increase by a low-to-mid teens percentage, driven in substantial part by the full year integration of Alexion expenses. Emerging Markets Total Revenue, including China, is expected to grow mid-single-digits in FY 2022. China Total Revenue is expected to decline by a mid-single-digit percentage in FY 2022, primarily due to continued impact from NRDL and VBP programmes. However, AstraZeneca remains confident in the longer term outlook for Emerging Markets, driven by a large market opportunity, broader patient access and an increased mix of new medicines. Core Tax Rate of between 18-22% is anticipated for the full year. Variations in performance between quarters can be expected to continue.

2. Revenue - sales

2.1 Oncology

COVID-19 continues to affect testing and diagnosis rates in the Oncology space and on the FY 2021 earnings call it was estimated that at year end 2021, diagnosis rates were between 5% to 15% below pre-COVID levels with lung and ovarian cancer most impacted and a lesser impact in breast cancer and chronic lymphocytic leukemia (CLL). It was also highlighted on the earnings call that *Tagrisso* could face a mandated price cut in Japan in 2022 once annual sales exceeds JPY100bn.

2.2 CVRM

As previously communicated, starting in Q1 2022, *Andexxa* sales will now be reported under CVRM. In January 2022, it was announced that *Seloken* will be included in the 7th round of volume based procurement in China, expected to be implemented in the first half of 2022. Total *Seloken* sales in Emerging markets were \$951m in FY2021 with the vast majority of sales originating from China.

2.3 Vaccine and Immune therapies

From Q1 2022, AstraZeneca's Total Revenue and Product Sales tables will include a new disease area: BioPharmaceuticals: Vaccines & Immune Therapies (V&I). This will incorporate revenues from *Vaxzevria*, *Evusheld*, *FluMist*, *Synagis* and nirsevimab (collaboration revenue).

2.4 Rare disease

Koselugo, previously reported under Oncology, will from Q1 2022 be reported under Rare disease.

2.5 Evusheld

It has been announced that the US Government has agreed to buy an additional one million units of *Evusheld*. This is in addition to the 700,000 units announced in 2021, taking the total number of units ordered by the US Government to 1.7m. As previously communicated, AstraZeneca received financial support from the US Government for the development and supply of *Evusheld*. An agreement with the Government of Canada for the supply of 100,000 units has also been announced. Each unit contains one 150mg vial of tixagevimab and one 150mg vial of cilgavimab. Delivery of approximately 1.2 million units is anticipated by the end of the first quarter of 2022, with the remaining deliveries being completed by the end of 2022. AstraZeneca is continuing to work on expanding supply capacity.

3. Revenue - collaboration revenue

On 11 March 2022, AstraZeneca and Merck [announced](#) US FDA approval of *Lynparza* as an adjuvant treatment for patients with germline BRCA-mutated HER2-negative high-risk early breast cancer. AstraZeneca will receive a regulatory milestone payment of \$175m which will be booked as collaboration revenue in Q1 2022.

4. Gross margin

The Core gross profit margin declined by six percentage points to 74.2% in 2021 driven by the impact of equitable supply of *Vaxzevria*. With COVID-19 revenues anticipated to decline by a low-to-mid twenties percentage in 2022, the Core gross margin will improve vs. 2021 but will continue to be impacted by an increased contribution from profit-sharing arrangements, primarily *Lynparza*, and the impact of the Chinese National Reimbursement Drug List (NRDL) and the volume-based procurement (VBP) patient-access programmes. A higher proportion of Oncology sales, increasing patient access in China and the addition of a full year contribution from Alexion will partially offset these impacts. Excluding COVID-19 revenues, the Core gross margin in 2022 is expected to be broadly stable vs. 2021.

5. Operating costs

Core operating expenses are expected to increase by a low-to-mid teens percentage in 2022. On 17 March 2022, AstraZeneca [announced](#) a legal settlement with Chugai Pharmaceutical Co. Ltd. resolving all patent disputes between the two companies related to *Ultomiris*. Under the terms of the agreement Alexion will make a single payment of \$775m in the second quarter of 2022, for which a charge will be recognised in the reported (non-core) P&L (SG&A) in the **first quarter of 2022**.

6. Other operating income

In January 2022, it was [announced](#) that the agreement to transfer global rights of *Eklira* and *Duaklir* to Covis Pharma had been completed. AstraZeneca has received a payment of \$270m from Covis. In the P&L the upfront payment will be fully offset by a charge for derecognition of the associated intangible asset, resulting in no recognition of other income.

7. Outstanding number of shares

The outstanding number of shares was 1,549m as of end March 2022.

8. Cash flow

In the Q1 2021 results announcement, it was announced that AstraZeneca exercised its option to acquire the remaining 45% of shares in Acerta in April 2021. The Acerta agreement initially provided that the remaining 45% of shares in Acerta would be acquired at a price of approximately \$3bn net of certain costs and payments incurred by AstraZeneca and net of agreed future adjusting items, using a pre-agreed pricing mechanism. In October 2019, an amendment agreement came into effect which was disclosed as part of year-to-date and Q3 2019 results, changing the timing of payments and reducing the maximum consideration required to be made to acquire the remaining outstanding shares of Acerta if the options were exercised. The payments are to be made in similar annual instalments in 2022, 2023 and 2024. The Acerta liability as per 31 December 2021 was \$2,458m with \$920m being shown in current other payables and \$1,538m shown in non-current other payables.

In July 2020, AstraZeneca and Daiichi Sankyo announced a collaboration on datopotamab deruxtecan. AstraZeneca will pay Daiichi Sankyo an upfront payment of \$1bn in staged payments: \$350m was paid in 2020, \$325m paid in 2021 and \$325m due in 2022. For more details, please see the [announcement](#).

In March 2019, AstraZeneca entered a collaboration with Daiichi Sankyo on *Enhertu*. AstraZeneca paid an upfront payment of \$1.35bn (half in 2019 and remaining part in 2020). In addition, there are potential contingent payments of up to \$5.55bn including \$3.8bn in regulatory milestones and \$1.75bn for sales-related milestones. For more details, please see [announcement](#).

On 17 March 2022, AstraZeneca [announced](#) a legal settlement with Chugai Pharmaceutical Co. Ltd. resolving all patent disputes between the two companies related to *Ultomiris*. Under the terms of the agreement Alexion will make a single payment of \$775m in the second quarter of 2022.

As per Note 30 in the 2021 annual report there are potential R&D and revenue milestones of >\$1bn to be made within one year related to various ongoing collaborations, in-licensing and similar arrangements with development partners.

9. Currency impact

As mentioned in the FY 2021 results announcement, if average foreign-exchange rates for January 2022 were seen over the full year, it is anticipated that there would be a low single-digit adverse impact on actual Total Revenue and Core EPS versus the financials at CER. The Company's foreign-exchange rate sensitivity analysis is contained in the FY2021 [results announcement](#).

10. Table with recent key financial data

\$m	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Product sales	6,250	6,311	6,048	6,520	7,011	7,257	8,045	9,741	11,498
y-o-y % (CER)	9%	17%	9%	7%	11%	11%	27%	47%	65%
Total revenue	6,664	6,354	6,275	6,578	7,410	7,320	8,220	9,866	12,011
Y-o-y % (CER)	5%	17%	11%	3%	10%	11%	25%	48%	63%
Core R&D	-1,494	-1,336	-1,376	-1,453	-1,707	-1,638	-1,801	-2,152	-2,396
Y-o-y % (CER)	4%	9%	9%	10%	12%	18%	24%	46%	40%
Core SG&A	-2,625	-2,177	-2,176	-2,171	-2,838	-2,399	-2,471	-2,866	-3,368
Y-o-y % (CER)	9%	7%	3%	-1%	6%	7%	7%	29%	19%

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 505-506, 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 14 April 2022**.

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).