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## **AstraZeneca CFO call with sell-side analysts regarding developments in China**

Participants:

- Aradhana Sarin, Chief Financial Officer, AstraZeneca
- Andy Barnett, Head of Investor Relations, AstraZeneca

The questions were submitted by sell-side analysts ahead of the call.

### **Andy Barnett | Head of Investor Relations | AstraZeneca:**

Welcome everybody to this conference call to discuss recent headlines, and in particular provide you with some updates on the evolving news in China.

We did feel as though it was important to respond to some of the media communications that have caused some turmoil in the markets and our share price over the last couple of days. And I thought, it's important that we spend the time to talk to you as the sell side, give a chance to answer your questions, and also provide our latest understanding.

Bearing in mind that we have access to certain information and don't have access to others, so we'll walk you through our situation as we best understand it, highlight what we know. And also we'll start to illustrate what we don't know. In addition, thank you for sending in your questions in advance.

We're going to try and cover all the questions if we can, within the time that we've got very good questions. I think we've been getting very consistent questions from the buy side also. So I think you you've hit on the right elements. Thank you for bearing with us with respect to the time and feeding back. We just want to make sure we can get the best attendance possible on this call. So appreciate your flexibility. With that I'll hand over to Aradhana.

### **Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Great. Thank you, Andy, and thank you to all of you for joining on such short notice. We wanted to make some comments relating to the recent media speculation and address the key questions that you have submitted. As you saw yesterday, we issued a statement relating speculative media reports relating to different investigations into individuals. In China we are aware of 3 ongoing matters discussed in recent media reports.

First, allegations concerning individuals being investigated for medical insurance fraud. In late 2021, we became aware of investigations which at the time involved a limited number of individuals. The number of individuals investigated increased over the last 3 years. These investigations were specifically related to falsifying genetic tests of patients to gain reimbursement to Tagrisso for patients with EGFR Mutant, which, prior to 2021 was only reimbursed in China for second-line patients with T790 M. Mutations.

The authorities had launched a nationwide effort, focusing on medical insurance fraud in the healthcare industry which remains ongoing to the best of our knowledge. As far as we know, none of our current or former senior China executives are being investigated for this medical insurance fraud, to the best of our knowledge as of today. Around a hundred individual ex-employees have been sentenced in relation to medical insurance fraud. However, we cannot validate the exact number. As this information has been gathered by us from public sources, or from what we have heard from family members of detained former employees.

The second matter and allegations relate to illegal drug importation and data privacy. In July of 2024, we became aware of investigations into current and past employees on allegations of illegal importation of certain oncology medicines into mainland China, and inappropriate collection of patient data to our knowledge. We are aware of 2 current and 2 former senior executives under investigation. Again, we're not privy to the details of these ongoing investigations and cannot offer any specific updates.

The 3rd is related to the ongoing investigation involving Leon Wang. EVP, International and China President. It has been a week since we announced that Leon was under investigation. We now know Leon to be in detention. We are not privy to the details of this ongoing investigation, and cannot offer any update beyond that.

At this stage, as far as we know, these investigations relate exclusively to the oncology business. If requested, of course, we will cooperate with the authorities as we have done in the past.

I will now offer a few comments about our compliance practices. In China, we have strong compliance standards globally. In China, we have continuously strengthened our compliance practices. In recent years we have dedicated compliance personnel based in China, who report into the global compliance function through our Chief Compliance officer. We have clear policies prohibiting the activities we understand to be the subject of these investigations.

We have mandatory monthly compliance trainings that include these topics for all sales, marketing, and medical personnel. There's also been some questions regarding sales, targets, and compensation. Targets for salespeople are set in line with the approved label for these medicines, and therefore, taking into account the population that approved medicines can serve. Similar practices are followed to set sales, targets for the biopharma business. As you know, in China, biopharma constitutes the majority of our China sales.

The growth of our China business has been driven by demand from our growing portfolio of medicines. Our ongoing business in China continues to operate as normal. At present appropriately supporting our Chinese colleagues during the stressful period remains a priority. Michael Lai is an exceptional leader. He became general manager of China in 2019, and assumed additional responsibility as BU Head of Oncology from January of this year. Prior to this role he served as BU head for Biopharmaceuticals, CVRM. He's a graduate from Harvard and receives a master's from University of California, Berkeley, and an M.D. from the University of California and San Francisco.

We continue to invest in China, including the recent Lp(a) disruptor, a partnership with CSPC Pharmaceuticals group. We have about a thousand colleagues in China, R&D. I will stop here now and go ahead. Hand over to Andy for questions that have come.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Thank you, Aradhana. I'm going to run through the questions that you've sent in in advance. Please feel free to add questions to the Q&A in the function in zoom. As I can see, some of you started doing, or send them by email, and we'll collect them and add them to the QA that we've established based on the ones you've sent in so far. With that I'll move on to some of the questions that we've had.

Aradhana, I guess people are somewhat surprised to learn about Leon's detention. Can you help us to understand what the details of the detention are, and whether Leon remains active and in contact with the company? Is he still employed, for example.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes. So last week as soon as we got information, we announced that Leon was under investigation. Since then a week has passed. We now know that Leon is in detention. We are actually not privy to any of the details of the ongoing investigation, so we don't have any further details. Leon does remain an employee of AstraZeneca.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Okay, thank you. And just in relation to these investigations, can you tell us, has the company been called on to give testimony during individual cases. What information is the company been asked to provide to support these investigations?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

So at present the company is not under investigation, and has not been asked to provide any testimony. These are all individual cases, and, as I mentioned earlier, the information that we have has sort of been collated from various different sources. We have been asked for data requests from time to time for the individual investigations, and we cooperate with any requests that come in if requested. And if the company is asked, we obviously will cooperate with the authorities, as we have done in the past.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And can you confirm whether all of the investigations pertain to the oncology medicines, or are there other parts of the business that are implicated?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

No as far as we know. it's correct that all the investigations in the medical insurance fraud are related to oncology medicines, and exclusively to Tagrisso. In addition, as far as we know, the illegal drug importation and patient data, privacy, investigation also pertain exclusively to oncology.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Okay. And with respect to the medical insurance fraud, it it's only to Tagrisso or Iressa, or both, or other products that you're aware of that have been implicated here? I know you commented on T790M. For example.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

No, the medical insurance fraud. Investigations are only related to Tagrisso to our knowledge, not Iressa, not any other products. In late 2021. As I mentioned, we became aware of investigations which involved a limited number of individuals. and the number of individuals increased over the last 3 years. Again, these were specifically related to Tagrisso for falsifying genetic data, and this was during the period where Tagrisso did not have a broad reimbursement in the first line.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

So this is essentially securing access. Patients to Tagrisso that wouldn't have otherwise qualified for reimbursement to Tagrisso that is the essence of this right?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Okay. Now it probably came as a surprise to people the number of people that have been sentenced or charged for this medical insurance fraud, and I think the last prior statements we made were in 2022. Can you confirm how many employees are involved, and what might have led to what looks like an escalation in the numbers?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

So relating to the medical insurance fraud. Again, we don't know the exact number, because we are not, AstraZeneca is, not party to these investigations. The prior comments we made in relation to the medical insurance fraud, allegations. and the information we've shared today is our best estimate at the time, and the best estimation we have today.

This is not data that is provided to us by the authorities, and, as I mentioned, AstraZeneca, China is not party to these investigations since our last statement on this topic in 2022, and this was widely announced, as well.

The authorities, as you know, launched a nationwide campaign on corruption including for hospitals and including medical insurance fraud in the healthcare industry. So this was very broad and this likely resulted in further momentum behind investigations.

To the best of our knowledge, as of today, around 100 individual ex-employees have been sentenced in relation to medical insurance fraud. However, like I said, we cannot validate the exact number, because this has been collated and gathered from public sources. From what we've heard from family members of detained employees to put a little bit in context. We have over 12,000 salespeople in China, and about 1,700 salespeople onto Tagrisso.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Are we able to share how much of our oncology business in China is from *Tagrisso*?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Just to put it in in in context is our oncology business is about 35% of our total revenues in China. The biopharma business is about 65% of our total revenue in China. As we have reported, the Tagrisso total revenue in emerging markets was about 919 million in the 1st half of 2024. It's fair to assume that China accounts for roughly half of the emerging market sales of Tagrisso.

Also, you should know the profitability for Tagrisso is lower in China than it is in other markets, and the reason for that is. we have taken significant price cuts as more indications have gotten approved as has gotten 1st line, etc, following the NRDL enlistment. And again, we've announced this in results from time to time.

Also there are significant promotional efforts because it is a big country, and we have pretty big sales force to promote Tagrisso. So the profitability for Tagrisso in China is lower than it is in other markets. Since the time we became aware of these medical insurance fraud investigations, we've obviously continued to do our own investigation and compliance, and we have changed most of the senior management in oncology, and all of them are relatively new.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Thanks, Aradhana, and moving on to the next one. If you think about the gains that AstraZeneca might have made from this medical insurance fraud. How can you help put it into context, or give an understanding of the amount we might have benefited from?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

So again, AstraZeneca, China is not subject to the medical insurance fraud investigations. These are investigations on what individuals would have done. While it's difficult to estimate. The total medical insurance loss is likely to be very minimal relating to related to Tagrisso sales in China.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And yeah, I think you said there was no senior leaders under investigation for the medical insurance, for which I guess was quite contrary to what came out in the media yesterday is that the case? Are you able to share more insights into senior executives that have been implicated into those investigations?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes, I can confirm that to the best of our knowledge relating to the medical insurance fraud, no current or prior executives have been investigated or detained.

Relating to the other matter, which concerns allegations of illegal trade and improper collection of patient data. Two current and two former executives are under investigation for these suspected activities. We are not privy to allegations against Leon, which is the 3rd matter.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

There was a question about, can you give an understanding of the time horizon? On these investigations?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

So we're not privy to the details of this investigation. So we don't know specific timelines. We can only gather information from what people tell us, or if there's a specific request for information or what we pick up in in public sources. So unfortunately, we don't have a specific timeline that that we can provide.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

But thinking about the illegal trade investigations and you've mentioned data privacy, can you share some insights into what's driving this, which products are implicated and so on.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes. So to provide some color on the illegal drug importation. The kind of illegal drug importation that we think is likely in the investigation relates to the movement of medicines between Hong Kong and mainland China that avoids duties, and it's generally for medicines that are approved in Hong Kong, but not yet approved in mainland China.

So based on the timing of the media reports and these allegations, we suspect again, this is purely our suspicion that the AstraZeneca medicines that could be of interest here are Enhertu, Imjudo and possibly Imfinzi given there was lag between the Hong Kong approval and the China approval. And also note that illegal importation and distribution of unlicensed medicines in China is something that our policy strictly forbids and condemns.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

We've had a few questions on margins and EPS exposure in China. Can you share some color on whether margins are better or worse in China versus company average. And can you share any specifics in relation to products like Tagrisso in China versus the other key markets in which you operate.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes, I did provide some color on Tagrisso earlier. But generally speaking, our operating profit margins in China are lower than other major markets for a number of reasons. One. There is a lower proportion of specialty medicines versus biopharma medicines, which is the bulk of our revenue in China.

Secondly, specialty medicines are priced low compared to other markets. Post NRDL inclusion in the national reimbursement, and again, we've shared examples like the pricing cuts we've taken for as we've added indications.

And then, thirdly, it is a large country, and it requires extensive promotional effort we've had. We have a big sales force. And so all of these taken together means that there's higher sales and marketing expenses. So profitability in China is generally lower than other major markets.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Quite a few questions in the chat that have just come in, but there's a number of them relate to the importance of China in delivering our 80 billion dollar revenue ambition that we outlined at our investor day. I wonder if you can share some insights into the importance of China in delivery on that goal and objective, and how we should think about it. The growth rate of China moving forward, for example.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yeah. So obviously, China is still an important market. But given some of the comments I just made about pricing and reimbursement, and it just takes longer to get approval in China and reimbursement for innovative medicines. Given. The NRDL and VBP is lower than other markets. You know, you should take that into account as part of our 80 billion dollar ambition.

China currently contributes about 13% of our total revenue. And we obviously expect that to grow as we add new medicines. But we do expect other markets to grow faster, and have better pricing and reimbursement for innovative medicines.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

So in terms of China's accounting for about 13% of our total revenue as we look at it today, which is down from where it was a few years ago, if you were to think about the percentage that it contributes, is that going to increase or decrease relative to where it is today? Because I guess you've got some significant growth opportunities in the Western markets, in addition to some of the other key markets in which we operate.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes, again, when we shared the 80 billion dollar ambition, a lot of that was driven by the lifecycle management and the addition of new indications, the 20 NMEs and so forth.

So as we keep introducing new medicines, we do expect to launch those medicines in China as well, but at the same time, given the pricing and reimbursement for these innovative medicines.

You know, the 13% would, I would suspect would go to 13% or lower because we do expect the other major markets to grow. And like, I said. Pricing and reimbursement is not very high in China. So while the volume is there it is a lower priced market.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And thinking along those lines, do you? Do you expect disruption in your day to day business in China? For example, does it impact the willingness of physicians to want to engage with your people? Does it infect the motivation of people working for the company given that it's been quite active in social media in China. But can you give any color on how that's playing out locally, and what it might mean in terms of the near term for the business.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

You know, we're continuing to operate business as usual in China. And we're continuing to deliver medicines there. Obviously, we're providing support to our colleagues there, this is this is clearly a disruptive time. So we are providing appropriate support to our colleagues. But other than that, businesses is continuing very much as usual. We've not seen any significant disruption to access to physicians or hospitals at this point. Obviously, we'll provide results next week for the 3rd quarter, and there's been no change to our guidance at present.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

There's just a quick one. Actually, do we know the total number of employees in China? Just to put this into context. I think you mentioned 12,000 people in the field force. But if you sum up the rest.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

So within the marketing companies are not including the manufacturing sites. We have, over 15,000 people in China.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

You also mentioned two current and two former executives under investigation. Do you know what their investigation is? Is it illegal importation, data allegations? And do you know if they've been detained? Do we have any insight into the others - employees or ex-employees?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes. So, as far as we know, the two former and the two current senior executives, none of that is related to the medical insurance fraud, they're under investigation for the illegal drug importation and the data privacy.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Okay, thank you. Can you help share some insights into the steps that AstraZeneca China has taken. Following becoming aware, for example, of the initial investigations into medical insurance fraud, I mean, how do we make sure as a company that we can spot these things as early as possible, for example?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

We've been continuously strengthening our compliance measures. To give you a few examples of the types of things we've done. We instituted that all regional sales directors that are hired or that move into those roles need to be interviewed by the compliance VP, all the regional sales managers need to be interviewed by the member of the Central Governance Committee.

We've also put in place sort of mandatory rotations, so any regional sales manager, regional sales director cannot have the same scope for 5 years or over 5 years, so they need to be moved to another BU or another region, or another franchise or another role. Again, to make sure that people rotate and are not in a particular role for that long where and anything comes to light.

We're instituting a sort of risk based monitoring of corporate emails and corporate WeChat to detect potential risk of illegal data collection so again, relating to this privacy and other unauthorized activities we have ongoing project audits. So when we start a new project or a new campaign and that campaign is being executed, there's monitoring and early sort of midterm on site audit for those projects on an ongoing basis.

So again, all of these things are, as I mentioned earlier, there's mandatory monthly compliance, training, and so forth. We are continuing, we've continued to strengthen and we continue to enforce.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And do you have a whistle blowing system in place? And how we ensure transparency of monitoring, for example, in incidents? How do you collate the information to evaluate it systematically?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yeah, yeah, absolutely. Yes, of course, we have a whistleblowing process available. You know, compliance investigates any and any and all complaints, and they can be logged into the system anonymously and are appropriately investigated. We have a code of ethics that makes clear that employees can and should raise potential concerns to their line manager to their compliance or their legal or HR.



**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And then I'm going to move on to a different set of threads. In relation to the potential consequences, because I guess people are wondering about where does this eventually head, for example, is AstraZeneca facing any repercussions? We've had questions about implications of ordering implications, of NRDL enlistments, implications of contracts through volume based procurement. For example, are you able to share any insights into any observations we've seen or experienced as a company in recent weeks or months. As a result of these ongoing investigations.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

We have not experienced any of that we continue to operate business as usual in China. Obviously, we remain focused on delivering medicines to patients and supporting colleagues in this time. and, as I mentioned before, our guidance remains unchanged, so we have not seen any. You know unusual types of things that you just mentioned.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And I guess, speaking of the range of outcomes here, there's a lot of speculation around potential liability analogies being compared to what GSK had experienced in 2013, and maybe Can you help us help investors and analysts understand what might be the potential liability, and perhaps also, can you help people to understand what's different between 2013 and 2024? With respect to pharmaceuticals in China, because the environment's quite different. But it might help people to understand what we understand we think about and how we operate, and how it's evolved over that time.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yes, I mean China, first of all as an overall market, has evolved substantially. It has evolved from a healthcare standpoint, from an innovation standpoint, from the government putting place national reimbursement. And even a few years ago, they provided further transparency on the NRDL and reimbursement.

The healthcare system has definitely continued to evolve in in China and become much more obviously supportive of innovative medicines, both locally innovative medicines as well as innovative medicines from companies like ourselves.

As it relates to your question on what could be a potential outcome. Again, we cannot really speculate on that, because, as I just mentioned, AstraZeneca China is not subject to this investigation. These are investigations that are into individuals. All the medical insurance fraud and the illegal drug importation and patient data privacy. So it would not be appropriate to speculate on what the outcome could be.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

But I guess that might be taken into account if it goes down that route in in the way that the environment, the ecosystems changed and the degree to which companies have controls nowadays over their business. I guess. Moving on to a separate line of question. I mean, how important is AstraZeneca in the Chinese pharmaceutical market, for example, do we? Do we understand how much AstraZeneca sales account for? If we, if we, if we think of the total market. I'm trying to think about how, how I guess people trying to get an understanding of how important a player is AstraZeneca in the China context.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yeah. Again, I can't give you specific numbers. You know, China is. You know, we're obviously quite sizable in China, but we don't sell in all the channels, we mostly sell into the hospital channel, where we are a key player. But there's also the retail channel and the public channel and the private market. So I can't give you a sense of within the entire pharmaceutical industry or the entire healthcare system. But in the hospital system we do have a clear sizable presence.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

I guess it's fair to say we've got products that are quite cleanly differentiated in many respects. So actually quite difficult, because there's no immediate obvious substitutes, either in terms of the products themselves or the data or the indications for which they're approved. A question on the oncology management. We commented on the fact that the oncology management has changed quite significantly since the start of these invest the initial investigations is just a general question about why have they changed if they were not involved in fraud? Because you've mentioned some were ex employees, some were current under investigation, and but in general, most of the oncology leadership team has changed. Was the fraud, the investigations, the driver of the changes? Or was it some other thing.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

You know we did this intentionally in terms of I would say, changing, and in some way upgrading our talent for a number of reasons.

One is the oncology medicines and the portfolio that we have today, and the portfolio that we expect to launch has become, a lot broader and bigger and more complex and therefore the knowledge base that you need from leaders is quite different, so it's not purely a marketing sort of approach. So bringing in some of those additional skills.

We've also grown sort of the medical side of the business, because it's a much more again, as the portfolio evolves a much more medical and knowledge based process than pure promotional process. so again it's, I would say, in some ways a natural evolution of the approach and the change in approach and the science-based approach that oncology products require. And as that portfolio grows and evolves, that was the, we felt, the appropriate thing to do.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

And from an outlook from China perspective people are wondering about how committed, we are to China as a business and recalling that there have been rumors of us spinning off our China business in light of the recent developments and investigations into your senior executives has your view on the potential opportunity in China, your willingness to invest in China, or your considerations around divest spinning off your business in China changed.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

We never confirmed these rumors that you're mentioning about the spin-off of the China business. There were rumors floating that we never confirmed. And the China business remains very much a part of the AstraZeneca group. We are still very committed to China. We have a sizable business there, and that's growing with our current medicines. And future medicines that we expect to launch.

We do face, as you know, local competition in certain drug classes, but at the same time the demand for our medicines remains strong. In the 1st half of the year you saw we delivered 15% growth from our China business. In addition we are excited to bring breakthrough science that is rapidly evolving in China. And again, a number of companies are tapping into the China innovation ecosystem and we're tapping into that as well. We did the Gracell deal, and we're tapping into, some of the innovations there in cell therapy you saw we licensed the GLP-1 from Eccogene. and then recently, we did a licensing deal for an oral Lp(a) that we hope will be differentiated. So again, we're continuing to take advantage of the innovative ecosystem there in China.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

When you think about China's business moving forward. And your China is part of your global business. What macroeconomic factors do you think you might experience? You know, some companies dealing in the vaccine space, for example, have reported some dynamics that have led to softer outlooks for their vaccines business than I guess the market had been anticipating. Are you seeing or anticipating, moving forward macroeconomic pressures that may need to be taken into account in the way that we should think about your business moving forward, and perhaps we can also add to that relevance of the Biosecure Act, is there anything that you're doing differently as a result.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yeah. So at this time we we're not experiencing any macroeconomic related pressures that would change how we operate or change our business there, I think, relating to Biosecure. We've mentioned this in the past.

We do have manufacturing and packaging in China but that is related to supply for China. So in most of our network we have a global supply network that includes our own sites as well as CDMOs. And we manage our global network dynamically. But we also have, in some ways a segregated network in the way that the supply and the production and the packaging that we have in China is really more for China markets or some for export into emerging markets. So from that standpoint we really don't have much impact from the Biosecure Act.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Okay. quick question just to round it out. In terms of what Leon has been specifically detained for, you said we don't. We don't have any details at this point. Is that right?

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

That's correct.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Okay. And maybe coming back to the comparison, GSK. People are wondering is one of the key distinctions here is that the investigations have not been as yet directed at the company. So that that's also true is that we haven't, that the investigations haven't.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

That is correct.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

As of yet. Okay, fine. Then let me see where we are. Here there was one question that I don't know whether we got to, but it probably is worth covering, because I guess people are trying to understand liabilities, is how much did we benefit, for example from medical importation, or do we estimate we benefit from medical importation? Because, I presume but I'm reading out the question here, that we we've sold product in Hong Kong that's subsequently been repurposed for somewhere else. How do we think about how much might have gone through the Hong Kong route? And is it a is it a significant proportion in terms of magnitude of importation?

If we look at our business because you presume that product sold into Hong Kong is used for Hong Kong patients. probably also used for mainland Chinese patients who legally come to Hong Kong to seek treatment and get on a treatment in Hong Kong and take medications back with them. So that's very common. But I guess they're trying to get to a handle when you take into account your Hong Kong sales and detract those 2 elements? Do we get a sense of how big a deal in terms of volumes? This may represent. moving from Hong Kong into China via these routes that are under investigation.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Yeah, again, it's very difficult to decipher that exactly. Because we're not sort of selling on a named patient basis, right? We provide drugs to the distributor who then provides it to either hospital or physician, practice, etc. And yes, the drug is meant for patients who are either residing in Hong Kong or patients who have travelled to Hong Kong to get treatment, and then are free to take drug back with them. But it's very hard to decipher, at a patient level, which patient. You know what which patient fell in in into this other category, where it was essentially bought and then exported or imported into China but when we when we look at the overall sales in Hong Kong.

First of all, it's a limited and very small portion of oncology sales, and secondly, when we look at the trends, it's not like there's some glaring trends that jump up that there's a huge consignment or a huge shipment, and so forth. The other thing, I would say is, and this goes back to the question you had asked about, sales, target and sales compensation, so the salespeople in Hong Kong are not compensated on any sort of export business there.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

That's super helpful. I'm just screening through the questions that appeared on the chat to see if there's anything we haven't covered just yet. One question that came in, we previously said the number one player in China, ahead of Merck in terms of revenues. Do we still think that's the case. I we know our boss will really like that question, Simon. So thank you.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

You know again, it depends on the on the market channel that that you look at. I think Merck has a substantial presence particularly as it relates to vaccines which again, are not the hospital channel. It depends on which channel you are specifically referring to, in the Hospital market we are quite sizable.

**Andy Barnett | Head of Investor Relations | AstraZeneca:**

Yeah, that's great. Thank you. So I guess on that note we're up on time. I don't see obvious questions that that we've missed out. But of course, feel free to send questions in to the IR team at any point if there's anything that wasn't clear from today's call. As I said, we're trying to make the situation as clear as we can. There are certain things that we know, certain things that we don't know.

The key thing I guess, to take away from this business is from this call is that near time outlook for the China business and the signals that we see continue to indicate that demand for our medicines remain strong. Our business is continuing to operate as usual.

Our general manager is continuing to run the China business and has done for some time. We will provide you up relevant updates when necessary. But hopefully, this has given you a sense of the key things that we wanted to try and address, following the media articles that came out that, I think caused significant concern yesterday. So thank you for your time, and thank you for your questions as always. Thank you for your interest in the company.

**Aradhana Sarin | Chief Financial Officer | AstraZeneca:**

Thank you everyone for joining, you know we obviously wanted to be as transparent as possible, and we look forward to speaking next week when we announce our 3rd quarter results. Thank you.

**END.**