

# What science can do

AstraZeneca Annual Report and Form 20-F Information 2014



At AstraZeneca, each and every one of us is bold in the belief that science should be at the centre of everything we do.

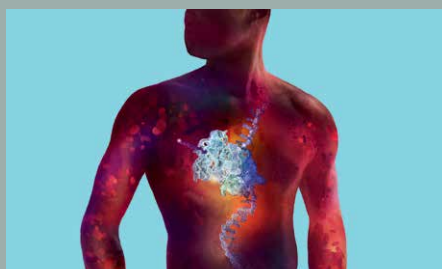
Science compels us to push the boundaries of what is possible. We trust in the potential of ideas and pursue them, alone and with others, until we have transformed the treatment of disease.

## AstraZeneca. What science can do.

### See what science can do...

The future of treatment for many of today's diseases lies in uncovering mechanisms that are newly emerging or are still to be discovered. We believe the best way to help patients is to focus on breakthrough science to discover these mechanisms and develop novel, targeted therapies that interact with them.

This is at the heart of our business and our purpose as a company: to push the boundaries of science to deliver life-changing medicines.



...make hearts healthier

 For more information see page 36

**Important information for readers of this Annual Report** For more information in relation to the inclusion of reported performance, Core financial measures and constant exchange rate (CER) growth rates as used in this Annual Report, please see the Financial Review on page 72. Throughout this Annual Report, growth rates are expressed at CER unless otherwise stated.

**Definitions** The Glossary and the Market definitions table from page 239 are intended to provide a useful guide to terms and AstraZeneca's definitions of markets, as well as to acronyms and abbreviations, used in this Annual Report.

**Use of terms** In this Annual Report, unless the context otherwise requires, 'AstraZeneca', 'the Group', 'we', 'us' and 'our' refer to AstraZeneca PLC and its consolidated entities.



...help more people survive cancer

 For more information see page 40

**Cautionary statement regarding forward-looking statements** A cautionary statement regarding forward-looking statements and other essential information relating to this Annual Report can be found on page 243.

**Directors' Report** The following sections make up the Directors' Report, which has been prepared in accordance with the requirements of the Companies Act 2006:

- > Corporate Governance Report
- > Audit Committee Report
- > Development Pipeline
- > Responsible Business
- > Shareholder Information
- > Corporate Information



...help people breathe easier

 For more information see page 44

**Strategic Report** The following sections make up the Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006:

- > AstraZeneca at a glance
- > Chairman's Statement
- > Chief Executive Officer's Review
- > Strategy
- > Therapy Area Review
- > Business Review
- > Resources Review
- > Financial Review



Front cover:  
Oncology combination therapies

## Inside our Strategic Report

Dear shareholder

Our Strategic Report is designed to help you assess how the Board of Directors performed in 2014 in promoting the success of AstraZeneca. It begins with an overview of AstraZeneca and our 2014 performance, and includes statements from our Chairman and Chief Executive Officer. It also includes a description of our strategy, business model, key performance indicators, principal risks, governance, executive remuneration, therapy areas, business activities and resources, as well as a financial review of 2014.

### Strategy

Our strategic priorities, measures of success, principal risks, governance and executive remuneration

Business model	→	10
Life-cycle of a medicine	→	12
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Key performance indicators	→	20
Risk overview	→	24
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### Therapy Area Review

Our portfolio, pipeline projects, priorities, capabilities and activities in our therapy areas

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Oncology	→	40
Respiratory, Inflammation and Autoimmunity	→	44
Infection, Neuroscience and Gastrointestinal	→	48

### Business Review

Our activities across the entire life-cycle of a medicine

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Manufacturing and Supply	→	56
Sales and Marketing	→	59

### Resources Review

The resources we use to achieve our strategy

Employees	→	62
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### Financial Review

A financial review of 2014	→	70
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Links to more information are denoted with the following symbols:



For more information within this Annual Report



For more information see [www.astrazeneca.com](http://www.astrazeneca.com)

This Annual Report is also available on our website

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Strategic Report

Corporate Governance

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# AstraZeneca at a glance

We are a global, science-led biopharmaceutical business. We are one of only a handful of companies to span the entire life-cycle of a medicine from research and development to manufacturing and supply, and the global commercialisation of primary care and specialty care medicines.

We operate in more than 100 countries and our innovative medicines are used by millions of patients worldwide.

## Proposition to investors

AstraZeneca is a global, science-led biopharmaceutical business...



...with a focused, on-market portfolio in three main therapy areas and a strong global commercial presence...



...distinctive R&D capabilities and a growing late-stage pipeline...



...disciplined capital allocation and a commitment to a progressive dividend...



...and a talented workforce committed to achieving our purpose.

Business model from page 10

## Strategic priorities

Strategic priorities from page 18



Achieve scientific leadership



Return to growth



Be a great place to work

## A global business

13,500 employees in North America (23.5%)

18,800 employees in Europe (excluding Russia) (32.7%)

1,500 employees in Russia (2.6%)

3,500 employees in Central and South America (6.1%)

2,400 employees in Middle East and Africa (4.2%)

### Growth drivers

> Emerging Markets revenue rose by 12% to \$5,827m  
> Japan revenue fell 3% due to mandated biennial price cuts, increased use of generics and *Nexium* recall in the fourth quarter

Co-locating around three strategic R&D centres

- Cambridge, UK
- Gaithersburg, Maryland US
- Mölndal, Sweden

2,800 employees in Japan (4.8%)

9,700 employees in China (16.9%)

5,300 employees in Asia Pacific (excluding China, Japan and Russia) (9.2%)

57,500 employees worldwide

9,000 employees in R&D

10,200 employees in Manufacturing and Supply

34,800 employees in Sales and Marketing

Note: All employee numbers are approximate as at 31 December 2014.

## Financial highlights

### Revenue

up 3% at CER to \$26,095 million

2014		\$26,095m
2013		\$25,711m
2012		\$27,973m

**\$26.1bn**

### Net cash flow from operating activities

down 5% (at actual rate of exchange) to \$7,058 million

2014		\$7,058m
2013		\$7,400m
2012		\$6,948m

**\$7.1bn**

### Core operating profit

down 13% at CER to \$6,937 million

2014		\$6,937m
2013		\$8,390m
2012		\$11,159m

**\$6.9bn**

## Therapy areas

Cardiovascular and Metabolic diseases	Oncology	Respiratory, Inflammation and Autoimmunity	Infection, Neuroscience and Gastrointestinal
Leading medicines by sales value <sup>1</sup>			
<b>Crestor</b> for managing cholesterol levels 2012: \$6,253m 2013: \$5,622m <b>\$5,512m</b> 2014 (-1%)	<b>Iressa</b> for lung cancer 2012: \$611m 2013: \$647m <b>\$623m</b> 2014 (-1%)	<b>Pulmicort</b> <sup>3</sup> for asthma 2012: \$866m 2013: \$867m <b>\$946m</b> 2014 (+11%)	<b>Nexium</b> for acid-related diseases 2012: \$3,944m 2013: \$3,872m <b>\$3,655m</b> 2014 (-4%)
<b>Seloken/ Toprol-XL</b> for hypertension, heart failure and angina 2012: \$918m 2013: \$750m <b>\$758m</b> 2014 (+4%)	<b>Faslodex</b> for breast cancer 2012: \$654m 2013: \$681m <b>\$720m</b> 2014 (+7%)	<b>Symbicort</b> <sup>4</sup> for asthma and COPD 2012: \$3,194m 2013: \$3,483m <b>\$3,801m</b> 2014 (+10%)	<b>Seroquel XR</b> for schizophrenia, bipolar disorder and major depressive disorder 2012: \$1,509m 2013: \$1,337m <b>\$1,224m</b> 2014 (-8%)
<b>Onglyza</b> <sup>6</sup> for Type 2 diabetes 2012: \$323m 2013: \$378m <b>\$820m</b> 2014 (+119%)	<b>Zoladex</b> for prostate and breast cancer 2012: \$1,093m 2013: \$996m <b>\$924m</b> 2014 (-4%)		<b>Synagis</b> for RSV, a respiratory infection in infants 2012: \$1,038m 2013: \$1,060m <b>\$900m</b> 2014 (-15%)

## Growth drivers

*Brilinta/Brilique* revenue rose by 70% to \$476 million

Diabetes franchise revenue rose by 139% to \$1,870 million, aided in part by the acquisition of BMS's share of the diabetes alliance, a strong US *Farxiga* launch and good uptake of *Bydureon Pen*

Oncology became the sixth growth platform in January 2015; several potential submissions in 2015 to 2016; and expected to contribute largest proportion of pipeline-driven revenue growth, with potential to grow to one-quarter of sales by 2023

Respiratory franchise revenue rose by 10% to \$5,063 million, with strong *Symbicort* performance in the US

Value creation through science-led R&D, collaborations and licensing, such as the BACE inhibitor alliance with Lilly for Alzheimer's disease

In the pipeline<sup>2</sup>

Cardiovascular and Metabolic diseases		Oncology		Respiratory, Inflammation and Autoimmunity		Infection, Neuroscience and Gastrointestinal	
Phase I/II	Phase III	Phase I/II	Phase III	Phase I/II	Phase III	Phase I/II	Phase III
4	5	36	15	20	8	15	4
LCM <sup>5</sup> projects	Discontinued projects	LCM <sup>5</sup> projects	Discontinued projects	LCM <sup>5</sup> projects	Discontinued projects	LCM <sup>5</sup> projects	Discontinued projects
15	1	2	2	3	4	6	2

<sup>1</sup> Indications may vary from country to country.

<sup>2</sup> NMEs, significant additional indications and LCM projects.

<sup>3</sup> Includes all formulations and devices.

<sup>4</sup> Includes all devices.

<sup>5</sup> Life-cycle management.

<sup>6</sup> Includes revenue for *Kombiglyze XR/Komboglyze*.

 Therapy Area Review from page 32

## Reported operating profit

down 31% at CER to \$2,137 million

2014		\$2,137m
2013		\$3,712m
2012		\$8,148m

**\$2.1bn**

## Core EPS

for the full year down 8% at CER to \$4.28

2014		\$4.28
2013		\$5.05
2012		\$6.83

**\$4.28**

## Reported EPS

for the full year down 34% at CER to \$0.98

2014		\$0.98
2013		\$2.04
2012		\$4.95

**\$0.98**

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

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Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

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Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

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Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

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## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.