

What science can do

AstraZeneca Annual Report and Form 20-F Information 2018



Chief Executive Officer's Review

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New medicines launched since 2013

Oncology

- > *Imfinzi* for lung and bladder cancer
- > *Lynparza* for ovarian and breast cancer
- > *Tagrisso* for lung cancer
- > *Calquence* for mantle cell lymphoma
- > *Lumoxiti* for hairy cell leukaemia

CVRM

- > *Lokelma* for hyperkalaemia
- > *Qtern* for diabetes

Respiratory

- > *Fasenra* for severe asthma
- > *Bevespi Aerosphere* for chronic obstructive pulmonary disease

In March 2013, shortly after I joined AstraZeneca, we set out our strategy to Achieve Scientific Leadership, Return to Growth and ensure we are a Great Place to Work. Five years on, thanks to the great work of every single one of my colleagues, we have made remarkable progress: our science-led strategy and our open and entrepreneurial culture are underpinning a resurgence in innovation that is fuelling sustainable Product Sales growth and delivering medicines that patients and society value and can access.

Product Sales growth

The first phase in our journey provided focus and galvanised the organisation behind rebuilding our pipeline. Having regained our scientific edge, the second stage was crucial as we drove our Growth Platforms forward, launched new medicines and made them available to patients. I am pleased to report that, in 2018, after the previous six years in which revenues had fallen by more than one third, we turned the corner and returned to Product Sales growth, driven by a new generation of medicines from our therapy areas.

As we look ahead through 2019 and beyond, continued investment in our product launches and pipeline should keep us on track to deliver sustainable and profitable growth in line with our targets. Consistent with this, we are reshaping the way we undertake research and development to bring new focus and impetus, accelerate the launches of new medicines and consolidate what is already one of the most exciting and productive pipelines in the industry. We are also reorganising our commercial operations to reflect our therapy area focus, maximise collaboration with our R&D organisation, and strengthen strategic planning and field force integration to support delivery of our medicines to patients.

Achieve Scientific Leadership

Our first priority for achieving scientific leadership was to focus on innovative science in three main therapy areas: Oncology; Cardiovascular, Renal and Metabolism (CVRM); and Respiratory. This has been our driving force all along, a focus reinforced by our recent organisational changes. In other disease areas, we have sought to maximise the value of our portfolio through licensing, collaboration and externalisation activity.

We also said we would rebuild our pipeline and, by 2015, had 15 new molecular entities (NMEs) in Phase III/Pivotal Phase II or under regulatory review compared with a target, set in 2013, of 10 by the end of 2016. In 2018, we had eight NMEs in Phase III/Pivotal Phase II or under regulatory review. The same year, we also made 28 regulatory submissions in major markets and received 23 approvals for our medicines. Both are record numbers for AstraZeneca. Of course, we know that in pushing the boundaries of science we will sometimes experience setbacks. In 2018, for example, there were disappointing Phase III trial results for six projects, including the MYSTIC trial of *Imfinzi* and tremelimumab in stage 4 non-small cell lung cancer (NSCLC). However, we remain confident in *Imfinzi* as the cornerstone of our immuno-oncology (IO) programme and continue to evaluate its potential in ongoing NSCLC trials, including *Imfinzi* and *Imfinzi* plus tremelimumab in combination with chemotherapy. Overall, we are on target for sustainably delivering two NMEs annually by 2020.

Chief Executive Officer's Review

continued

23

23 NME and major LCM regional approvals – a record

84%

Five Growth Platforms represent 84% of Total Revenue

84%

84% of employees understand how they can contribute to our sustainability priorities

“...we are well on our way to exceeding our target of launching 10 major new medicines by 2020.”

Finally, we are well on our way to exceeding our target of launching 10 major new medicines by 2020. The panel on the previous page shows how, since 2013, nine medicines have been launched from our three main therapy areas which are making a real difference to the lives of patients around the world. In 2018 alone, we delivered three new medicines – *Lumoxiti*, *Lokelma* and *roxadustat*. *Roxadustat*, for the treatment of chronic kidney disease (CKD) anaemia, is particularly noteworthy as it is the first time that a first-in-class medicine has been approved first in China. We expect it to be launched later in 2019.

Above all, we believe in what science can do. And it is a testament to the strength of our science that, in 2018, AstraZeneca scientists published 102 manuscripts (another record number) in ‘high-impact’ peer-reviewed journals – a 14-fold increase since 2012.

Return to Growth

In support of our Return to Growth priority, we said we would focus on five Growth Platforms: Oncology, New CVRM, Respiratory, Japan and Emerging Markets. In 2013, they represented less than half of sales and this had grown to 84% of Total Revenue by 2018. Overall, as shown in the table opposite, Product Sales in 2018 increased by 4% to \$21,049 million (4% at CER), driven by strong growth in the last two quarters of the year – 8% and 5% respectively (9% and 8% at CER). This reflected the performance of our New Medicines¹, up by 81% (at CER) and adding \$2.8 billion in incremental sales, as well as the sustained strength of Emerging Markets, up by 12% (13% at CER). Product Sales in China increased by 28% (25% at CER) in the year. Externalisation Revenue declined by 55% in the year to \$1,041 million, partly driven by the impact of \$1,247 million of income received during 2017 as part of our collaboration with MSD for *Lynparza*. Total Revenue declined by 2% (2% at CER) to \$22,090 million.

We also said that we would leverage our global commercial presence and our strength in Emerging Markets. After four years of decline, the US returned to sales growth in 2018 while Product Sales in Emerging Markets, which represented 21% of sales in 2013, amounted to 33% of Product Sales. Emerging Markets now represent our largest Region by Product Sales.

¹ *Tagrisso*, *Imfinzi*, *Lynparza*, *Calquence*, *Lumoxiti*, *Brilinta*, *Farxiga*, *Lokelma*, *Bevespi* and *Fasenra*. These New Medicines are pillars in the three main therapy areas and important platforms for future growth.

Additionally, we wanted to shift to a balance of specialty and primary care medicines. Specialty care medicines now comprise all our Oncology medicines and *Fasenra*. They represented 30% of Product Sales in 2018 and sales increased by 57% in the year (56% at CER) to \$6,325 million.

Be a Great Place to Work

Underpinning everything is our dedication to being a great place to work, with a talented and diverse team committed to living our Values and supported by an inclusive, learning culture. It is that team of people who drive our progress, and our employee (Pulse) surveys show that 94% of employees understand our strategy, 89% believe in it and 83% would recommend AstraZeneca as a great place to work – all statistics that place us among the leading companies in the world.

While there is always more we can do, 2018 also saw continued employee development and an increase in the representation of women in senior roles. More generally, we have implemented numerous initiatives, such as unconscious bias training, across the globe as part of our commitment to inclusion and diversity. We are therefore particularly proud to have been recognised as the only pharmaceutical company selected for the 2019 Bloomberg Gender-Equality Index which distinguishes companies committed to transparency in gender reporting and advancing women's equality.

More widely, 84% of employees understand how they can contribute to our sustainability priorities where our achievements include reaching 12 million people through our access to healthcare programmes and winning Ethical Corporation's Community Investment Program of the year award for Young Health – our global disease prevention programme. We know we can't achieve our goals alone. As a sustainable organisation we have an unwavering commitment to being a trusted partner for stakeholders, an excellent investment for shareholders, and an indispensable ally in the quest to meet the global healthcare challenge.

Global Product Sales by therapy area

	2018			2017			2016		
	Sales \$m	Actual growth %	CER growth %	Sales \$m	Actual growth %	CER growth %	Sales \$m	Actual growth %	CER growth %
Oncology	6,028	50	49	4,024	19	19	3,383	20	20
Cardiovascular, Renal & Metabolism	6,710	(8)	(8)	7,266	(10)	(10)	8,116	(14)	(13)
Respiratory	4,911	4	3	4,706	(1)	(1)	4,753	(5)	(3)
Other Disease Areas	3,400	(18)	(19)	4,156	(18)	(17)	5,067	(20)	(19)
Total	21,049	4	4	20,152	(5)	(5)	21,319	(10)	(8)

Seizing the opportunities ahead

As we enter the next phase in our journey, the fundamentals of our strategy and plans remain unchanged, with Product Sales growth driving improved profitability and the generation of increasing levels of cash. Our focus will continue to be on innovative science and leadership in our three main therapy areas. And we will carry on leveraging our global presence and strength in emerging markets, while pursuing the development of strong, balanced portfolios of both specialty and primary care medicines.

As the Chairman indicated, the world around us is changing, so we too are shifting the way in which we deliver our strategy. Our emphasis is on growth through innovation – being more patient-centric, doing more with digital technology and data, and advancing more innovative science.

The new organisational structure we announced in January 2019 supports the next phase in our journey and is intended to enhance scientific innovation and commercial success. The changes further increase focus on our main therapy areas, integrate R&D functions for agile decision making and more flexible resource allocation, as well as increasing collaboration between our R&D and commercial units.

My colleagues

At the same time as making these changes, we announced the appointment of Dr José Baselga to lead our R&D unit for Oncology. José is an outstanding oncology leader with vast experience in the development of innovative cancer therapies. His research and clinical achievements have led to the development of several innovative medicines, and he is an international thought leader in cancer care and clinical research. José's expertise adds further scientific and leadership excellence to our already strong team and will help us to continue building a world-class R&D unit for Oncology.

Before this, we said goodbye to Bahija Jallal, EVP MedImmune, and Mark Mallon, EVP Global Product and Portfolio Strategy, Global Medical Affairs and Global Corporate Affairs, whose moves to become CEOs at two exciting biotech companies illustrated the talent that we have in AstraZeneca and how highly other companies regard our people. Sean Bohlen, EVP for Global Medicines Development and Chief Medical Officer will also be leaving following the leadership structure changes. I would like to thank Bahija, Mark and Sean for the important roles they played in AstraZeneca's return to growth.

Finally, my thanks go to all my colleagues in AstraZeneca. We have been on an incredible journey. None of this would have been possible without the talented people we have in the organisation. I thank them all for everything they have done as, together, we embark on the next phase in this great Company's journey.



Pascal Soriot
Chief Executive Officer