

## 04 AstraZeneca

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<b>HEADCOUNT</b>	66,000
<b>YEAR ESTABLISHED</b>	1999
<b>PHARMA REVENUES</b>	\$25,741 +10%
<b>TOTAL REVENUES</b>	\$26,475 +11%
<b>NET INCOME</b>	\$4,392 +13%
<b>R&amp;D BUDGET</b>	\$3,902 +15%

### DRUGS APPROVED/LAUNCHED

Drug	Indication
seloken/ toprol-XL	HCTZ combination
nexium	NSAID GI side effects
seroquel	bipolar depression
seroquel XR	schizophrenia (extended release)
symbicort pMDI	asthma (in U.S.)

### DRUGS PENDING APPROVAL

Drug	Indication
crestor	atherosclerosis
seroquel SR	schizophrenia
symbicort pMDI	COPD

### DRUGS IN PHASE IIB AND BEYOND

Drug	Indication
atacand	diabetic retinopathy
crestor	end stage renal disease, CHF
nexium	peptic ulcer bleeding
seroquel SR	generalised anxiety disorder
faslodex	first line and adjuvant advanced breast cancer
azd-6140	arterial thrombosis
saxagliptin	diabetes (with BMS)
dapagliflozin	diabetes (with BMS)
zactima	NSCLC
recentin	NSCLC and CRC

### DRUG PROGRAMS CANCELLED

Drug	Indication
agi-1067	atherosclerosis (with AtheroGenics)
galida	diabetes
azd8677	dyslipidemia, diabetes
azd7009	atrial fibrillation conversion
azd8450	dyslipidemia
azd9343	GERD
azd6538	GERD
azd9272	GERD
azd9335	GERD
azd8081	functional GI disease
nxy-059	stroke (licensed from Renovis)
azd9335	neuropathic pain
azd7152	depression, anxiety
azd9272	anxiety

### EARLY RESEARCH PROJECTS

Drug	Indication
azd2479	dyslipidaemia
azd1175	diabetes/obesity
azd1305	arrhythmias
azd2327	anxiety and depression
azd5904	multiple sclerosis
azd1080	Alzheimer's disease
azd3783	anxiety and depression
azd0530	solid tumors and hematological malignancies
azd4769	solid tumors
azd2281	breast cancer
azd5672	rheumatoid arthritis
azd4818	COPD
cat-354	asthma

### DRUGS COMING OFF PATENT

Drug	Indication
losec/omeprazole	acid-related diseases (in 2008)

### TOP SELLING DRUGS

Drug	Indication	\$	(+/- %)
nexium	peptic ulcer, acid reflux	\$5,182	12%
seroquel	anti-psychotic	\$3,416	24%
crestor	cholesterol	\$2,028	60%
seloken/toprol	hypertension	\$1,795	3%
arimidex	oncology	\$1,508	28%
losec/prilosec	peptic ulcer, acid reflux	\$1,371	-17%
pulmicort	asthma	\$1,292	11%
casodex	prostate cancer	\$1,206	7%
symbicort	asthma	\$1,184	18%
atacand	hypertension	\$1,110	14%
zolidex	oncology	\$1,008	0%
merrem	anti-infection	\$604	20%

Account for 84% of total pharma sales, up from 82% in 2005.

### KEY PERSONNEL

David R. Brennan  
*chief executive officer*  
Louis Schweitzer  
*chairman*  
David Smith  
*executive vice president of operations*

**L**UCK CHANGES ON ITS OWN; that's what makes it luck. Drug pipelines are all-too-subject to luck, driving some companies to extreme behavior. In the case of AstraZeneca, a run of bad luck drove them to extreme valuations.

In April 2007, AZ committed more than \$15 billion to acquire MedImmune, an 11X multiple of the that biopharma's sales. But when it comes to biopharma — as we all know — it's pipeline value that counts, not present revenues.

Shortly before the acquisition, chief executive officer David Brennan wrote in his annual review, "Biopharmaceuticals . . . have been the fastest-growing segment of the pharmaceuticals market in recent years. [ . . . ] We need to strengthen our capacity to attack new disease targets with small molecules and biologics in an integrated fashion, across all our therapy areas. Our acquisition of Cambridge Antibody Technology Group

departure of chief financial officer John Symonds, who left in June 2007 to become a director at Goldman Sachs. Mr. Symonds helped shepherd the merger that formed AZ back in 1999. In a Bloomberg article after the announcement, Mr. Brennan remarked, "It's a change of our CFO, but we changed strategy last year and now we're in execution mode. It's business as usual. We've got a lot to get done."

## Collaborations & Alliances

MedImmune wasn't the only acquisition for AZ in the past year. The company also picked up Arrow Therapeutics, an antiviral developer, for \$150 million in February 2007, as well as the aforementioned CAT.

AZ also pursued collaborations aggressively in the past year. Since Mr. Brennan took over in January 2006, AZ has entered more than a dozen collaborations and development deals. The largest of these was a partnership with Bristol-Myers Squibb. Announced in January 2007, this collaboration covers a pair of treatments for type 2 diabetes, one of which is in Phase III and is projected to file in the first half of 2008.

AZ made a \$100 million upfront payment for the collaboration, and will pay the bulk of development costs through 2009. BMS is eligible for as much as \$650 million more for development milestones and \$300 million in sales milestones. The companies will split profits and losses equally. Said Mr. Brennan, "This deal represents a significant step in delivering our externalization strategy, as it gives us access to two strategically

## ACQUISITIONS

**Target:** MedImmune

**Price:** \$15.6 billion

**Announced:** April 2007

**What they said:** "MedImmune adds an exciting existing pipeline, including two late-stage products, great expertise in biologic drug development, and state-of-the-art manufacturing facilities."

—David Brennan, CEO, AZ

**Target:** Arrow Therapeutics

**Price:** \$150 million

**Announced:** February 2007

**What they said:** "Arrow Therapeutics is an excellent opportunity to acquire a world-class antiviral capability to add to our own anti-bacterial research capabilities and promising early-stage compounds."

—John Patterson, executive director, development, AZ

(CAT) was a significant step towards achieving this aim. [ . . . ] We anticipate that from 2010 onwards, one in four AstraZeneca candidate drugs eligible for full development will be biologicals."

So go the best-laid plans of knockout mice and men. A bidding war broke out for MedImmune this spring, and AZ found itself on top. Once the acquisition's complete, AZ projects that 27% of its pipeline will consist of biologics (up from 7%), which puts AZ's bio-strategy ahead of its 2010 timeframe. To help accommodate this sudden boost, AZ recently bought a clinical-stage biomanufacturing facility in Montreal from DSM Biologics. The 66,000-sq.-ft. site will be recommissioned and come online in 2009.

Mr. Brennan has stated that small molecules and biologics will have their own segments within AZ, and MedImmune chief executive David Mott is slated to run the biologics unit.

One wildcard in AZ's growth strategy was the sudden

## THE LOWE DOWN

**A**STRAZENECA DESERVES SOME CREDIT. They really haven't had an easy time of it the last few years, with several major drug prospects melting down expensively. But they're still with us, still investing in new buildings and the like, and (at least so far) not talking about any immediate need to merge with the first company they can find. These days, that passes for iron discipline and self-restraint around here.

They also don't have the public profile that some of the other companies on this list have. I'm not sure if that bothers them or not — to tell the truth, I think it's a bad sign when a drug company lets that sort of thing get to them. But either way, their name wouldn't come easily to the lips of one person in a hundred on any crowded street.

AZ seems to be charging into areas (like anti-infectives) that some other companies have been charging out of in recent years. If that works, we'll all be talking in 10 years or so about what a visionary move it was. If it doesn't, naturally, we'll all be saying that we saw it coming from the beginning. (If there's an industry with more backseat drivers than this one, I'd like to know what it is).

—Derek Lowe

important late-stage compounds in an area of high unmet medical need."

Perhaps "desperate" is too extreme a word to use, but AZ is in dire need of some new products. Despite its run of alliances and acquisitions, AZ faced more bad pipeline news. Following the 2006 cancellations of one-time saviors Galida and Exanta, AZ announced in April 2007 that it was stopping work on AGI-1067, an atherosclerosis treatment co-developed with AtheroGenics. A 6,000-patient Phase III trial of the drug

growth from its top sellers, including a 60% boost in Crestor revenues, as that cholesterol treatment passed the \$2 billion mark. Crestor showed no signs of slowing down this year, with 1Q2007 sales of \$628 million, up 62%. In all, AZ had 11 billion-dollar drugs in 2006, with only two in danger of slipping from those ranks (Losec/Prilosec, which is under siege by generics, and cancer treatment Zoladex).

In January 2007, the company applied to expand Crestor's label for atherosclerosis, following strong clinical trials. In June 2006, AZ reported that a combo of Crestor and Zetia yielded the greatest LDL-C drop in any statin trial, reducing bad cholesterol an average of 70% in six weeks. A month later, AZ announced that it will pursue a combo-pill program with Abbott Laboratories. The project will combine Crestor and TriCor, Abbott's fibrate product to raise "good" chole-

sterol and lower triglycerides. In addition, the companies will work together on a combo of Crestor and ABT-335, Abbott's next-generation fenofibrate.

Cholesterol drugs are a huge market, of course, but AZ's biggest seller remains acid reflux treatment Nexium. AZ faces a raft of challenges to Nexium's patents by generic companies, but seems confident that it can preserve Nexium's branded status.

AZ's #4 seller, Seloken/Toprol, wasn't so lucky. The drug suffered some generic erosion at the end of the year, as AZ now has an authorized generic dosage of Toprol-XL on the market. The company expects that franchise to devalue in a hurry, and provides a second set of financials with Toprol sales pared out.

There's enough sales growth right now to cover AZ's barren pipeline, but the next few years will be critical to the company's continued independence. ■

## RESTRUCTURING

**A**S WITH ALMOST EVERY OTHER COMPANY on our list, AZ is in the midst of restructuring efforts. Or, in their case, "improve asset utilization within its global supply chain." In AZ's case, this involves laying off 3,000 workers (4.6% of its workforce) and taking a \$500 million hit over the span of three years. In the company's 1Q2007 report, it mentioned, "Over the remainder of the year, further restructuring initiatives will be undertaken to improve the long-term efficiency of the business." We have to assume that these initiatives are in addition to the present \$500 million program. —GYR

failed to reach its primary endpoint. In last year's profile, I describe AGI-1067 as the "one other drug on pace for approval in 2007" and implied that it was a potential blockbuster. Oops.

In its 1Q2007 R&D update, the company cited more project cancellations (three) than trial advancements (one). Fortunately, the company still expects to launch asthma-treatment Symbicort in the U.S. in 2007. That product posted \$1.2 billion in sales in Europe last year, and was up 28% to \$354 million in 1Q2007.

### Sales Up

All of this talk about acquisitions and development programs pays short shrift to the fact that AZ actually posted good year in 2006. It was the first company on our list to post double-digit revenue gains (admittedly aided and abetted by a weak U.S. dollar), and saw major