

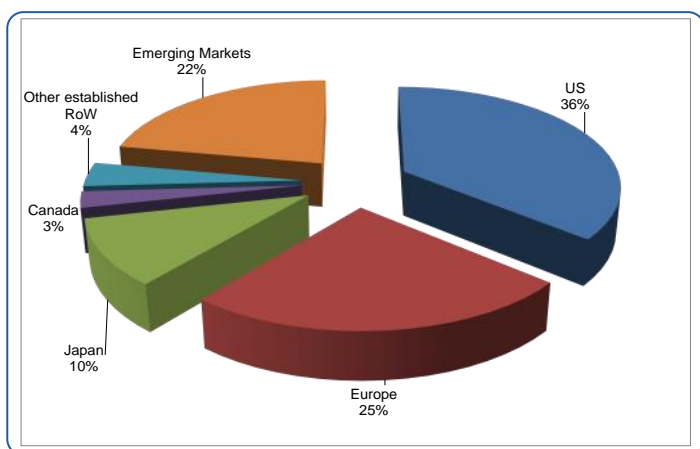
### AstraZeneca 2Q13 results: Loss of exclusivity impacts revenue

AstraZeneca, the UK's second-biggest drugmaker, released results this morning. 2Q13 revenue was \$6,232mn, down 4% at constant exchange rates (CER), with the loss of exclusivity on several key brands accounting for a c. \$500mn revenue decline in the quarter. This was less than half of the impact seen in the 1Q13. Revenue in the rest of its portfolio increased 4%, fuelled by a double-digit increase for the five growth platforms (Emerging Markets [EM], Japan, Brilinta, diabetes franchise and respiratory franchise). US revenues were down 4%, largely driven by erosion of *Seroquel IR* following the loss of exclusivity in March 2012. However, there was good growth for the diabetes franchise (aided by the inclusion of *Byetta* and *Bydureon* revenues in the current period only), *Brilinta* and *Symbicort*. The negative impact of US healthcare reform on 2Q revenue and costs was c. \$174mn.

was down 13% YoY, driven by the loss of exclusivity for *Atacand*, *Nexium* and *Seroquel IR*. Revenue in Established ROW was down 6%, as declines in Canada and Australia (chiefly *Crestor*) were in part offset by a 10% revenue increase in Japan. Revenue in EM was up 12%; nearly half of this increase came from a 21% increase in China, coupled with a well-balanced 9% increase from other markets. The group's core gross margin was 82.3%, 1.1 ppts higher than last year.

The company has been facing a steady decline in sales as it loses patent protection on medicines including the *Crestor* cholesterol-lowering pill and the anti-psychotic treatment *Seroquel* over the next three years. However, AstraZeneca is seeking deals to add new products and on Wednesday announced that it has entered into a strategic collaboration with FibroGen, a privately owned biotechnology company, to develop and commercialise FG-4592, a first-in-class oral compound in late-stage development for the treatment of anaemia associated with chronic kidney disease and end-stage renal disease.

#### AstraZeneca contribution to revenue by region, 2Q13:



Source: Company data, Anchor Capital

The group's five growth platforms contributed more than \$400mn in CER revenue growth in 2Q13. Core operating profit declined 10% to \$2,056mn while core EPS was \$1.20, a 21% YoY decline at CER, due to a higher tax rate and a \$240mn (\$0.19/share) benefit from the tax settlement of a cross-border transfer pricing issue. 2Q reported EPS was \$0.66, down 44% at CER. Revenue in the Rest of World (ROW) was down 4% while revenue in Europe

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CEO Pascal Soriot said the company has made real progress in 2Q13 against its strategic priorities despite the impact on revenue of the loss of exclusivity for certain brands. He added that the group's five key growth platforms delivered a double-digit increase in revenue contribution. However, AstraZeneca still expects sales to fall by a "mid- to high-single-digit percentage" at constant exchange rates this year.

AstraZeneca closed 0.6% down yesterday at GBp3,313.50 yesterday. The share has gained 19% YTD.

*Marco de Matos*

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