

Summary of the financial reports for AstraZeneca from 2003-2015

By David Belk MD

First, some definitions:

-Sales/revenue: Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

-Profit: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

-Research includes research and development and purchased in-process research.

-Marketing is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

-Revisions: Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

AstraZeneca is a UK pharmaceutical company that sells medications throughout the world. In spite of being a foreign company with a worldwide market, 43% of their total

revenue from 2003-2015 was from sales in the US. Most of the disproportionately high revenue AstraZeneca makes from the US is due to inflating the price of the products they sell in the US when compared to other Countries.

The one major revision in AstraZeneca's records was a change in their accounting methods in 2005 which lead to revisions in profits and the research and marketing budgets for 2003 and 2004.

Starting in 2008 AstraZeneca has had an analysis of the world pharmaceutical market; the *total revenue* made by *all* pharmaceutical companies throughout the world. Two of the graphs on page four and five are from the figures in these reports. It's interesting to note from figure 5 on page 4 of this summary that, according to AstraZeneca's figures, total US pharmaceutical revenue hadn't changed significantly from 2008-2013.

Here are the composite numbers for AstraZeneca from 2003-2015:

Total Revenue (Sales):	\$357 Billion
Total Profit:	\$68 Billion
Total Spent on Research:	\$61 Billion
Total Spent on Marketing:	\$134 Billion
Total Spent in Taxes:	\$22 Billion
US Revenue:	\$153 Billion
Revenue from All Other Countries:	\$203 Billion

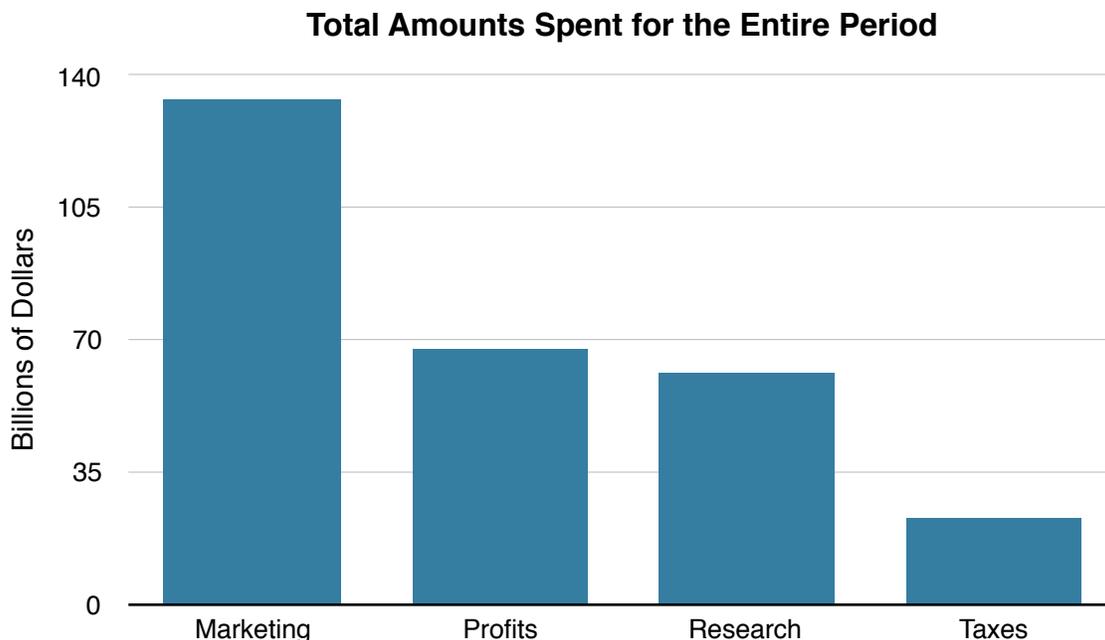


Figure 1: Total amount AstraZeneca earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of AstraZeneca's total revenue that was allocated toward research, marketing, taxes and profits.

**Proportional Allocation of Revenue
2003-2015**



Figure 2

Annual Expenditure Data for AstraZeneca

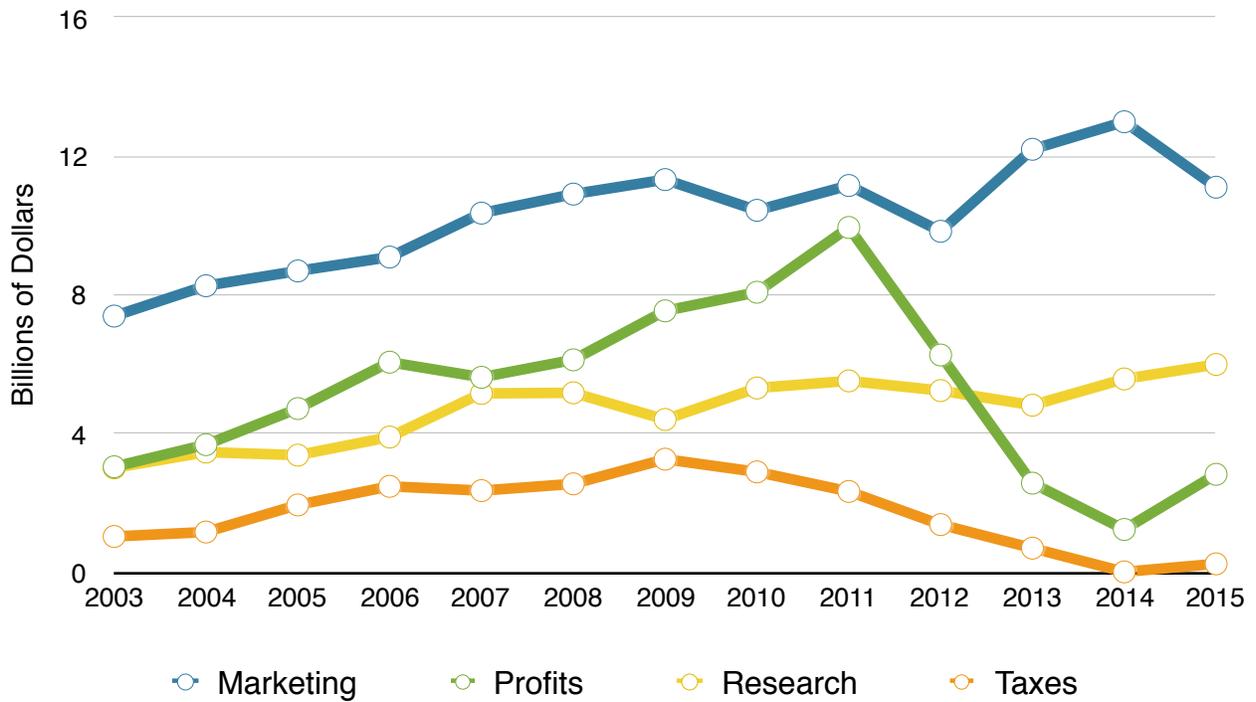


Figure 3: AstraZeneca's profit compared with amount spent on research, marketing and taxes each year from 2003-2015.

Proportion of Revenue from US vs. All Other Countries

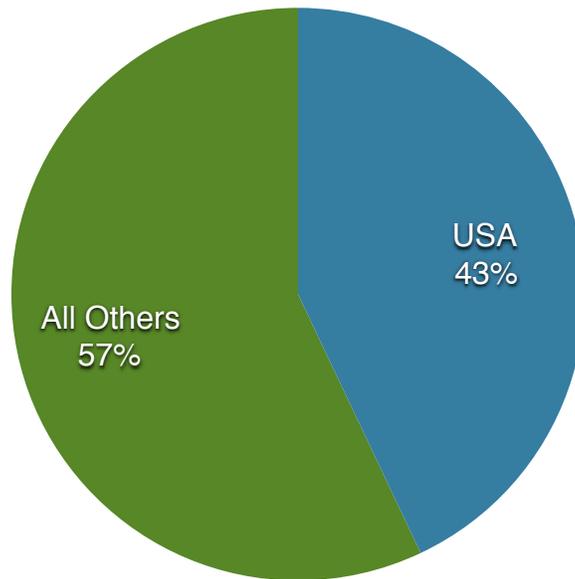


Figure 4 43% of AstraZeneca's revenue has come from the US since 2003

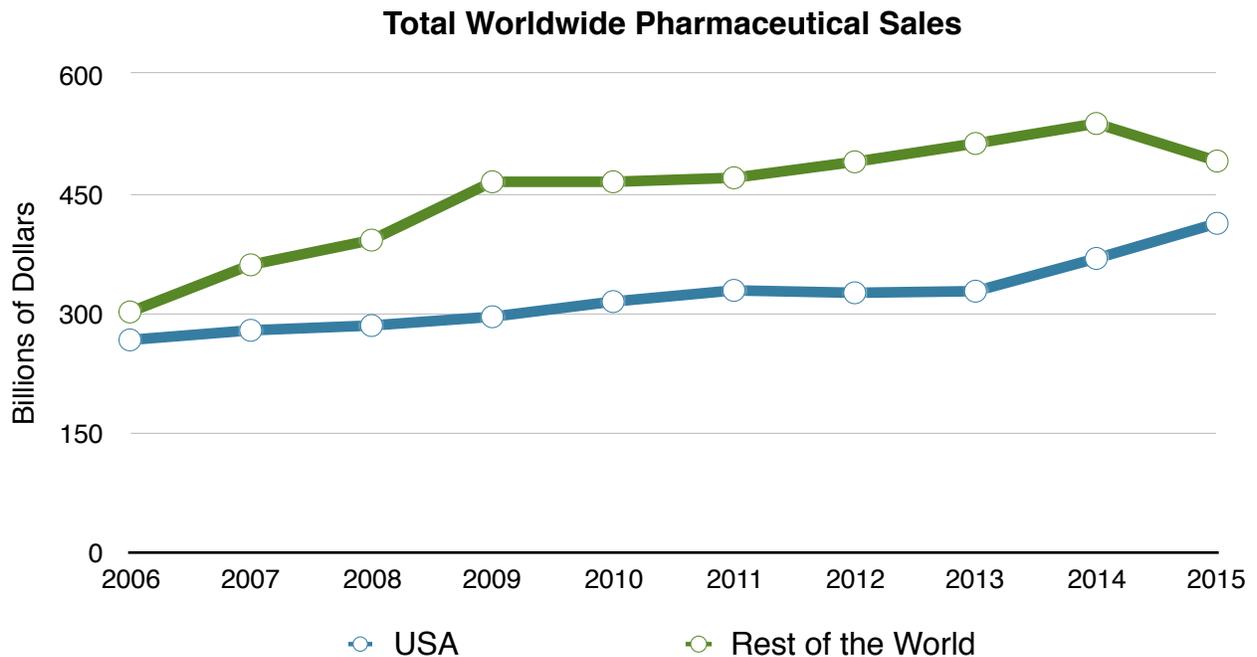
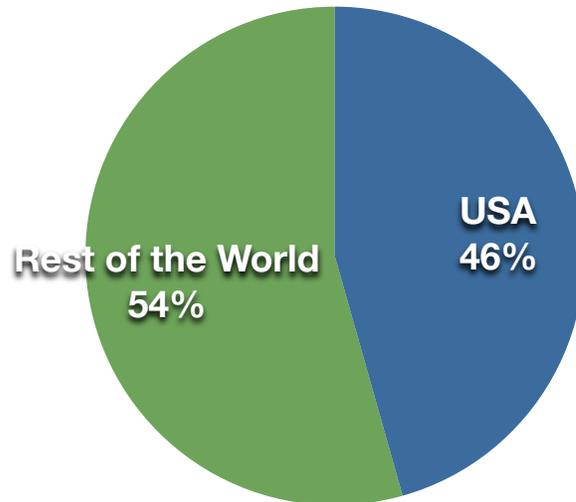


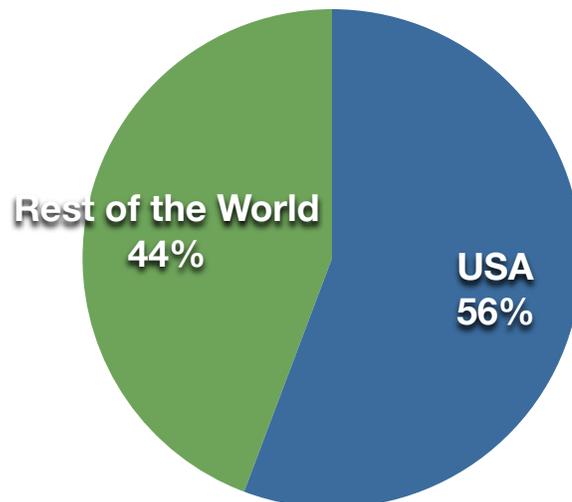
Figure 5: Annual total pharmaceutical sales by all pharmaceutical companies *combined* in the US vs. all other Countries from 2008-2015 according to AstraZeneca. This graph shows that total worldwide pharmaceutical revenue has only increased slightly in the US between 2008 and 2013, but then started rising again after that..

**Crestor Sales in the US vs.
ROW from 2009-2012**



Figures 6&7: Proportion of revenue from Crestor and Nexium sales in US vs. the rest of the world.

**Nexium Sales in the US vs.
ROW from 2009-2012**



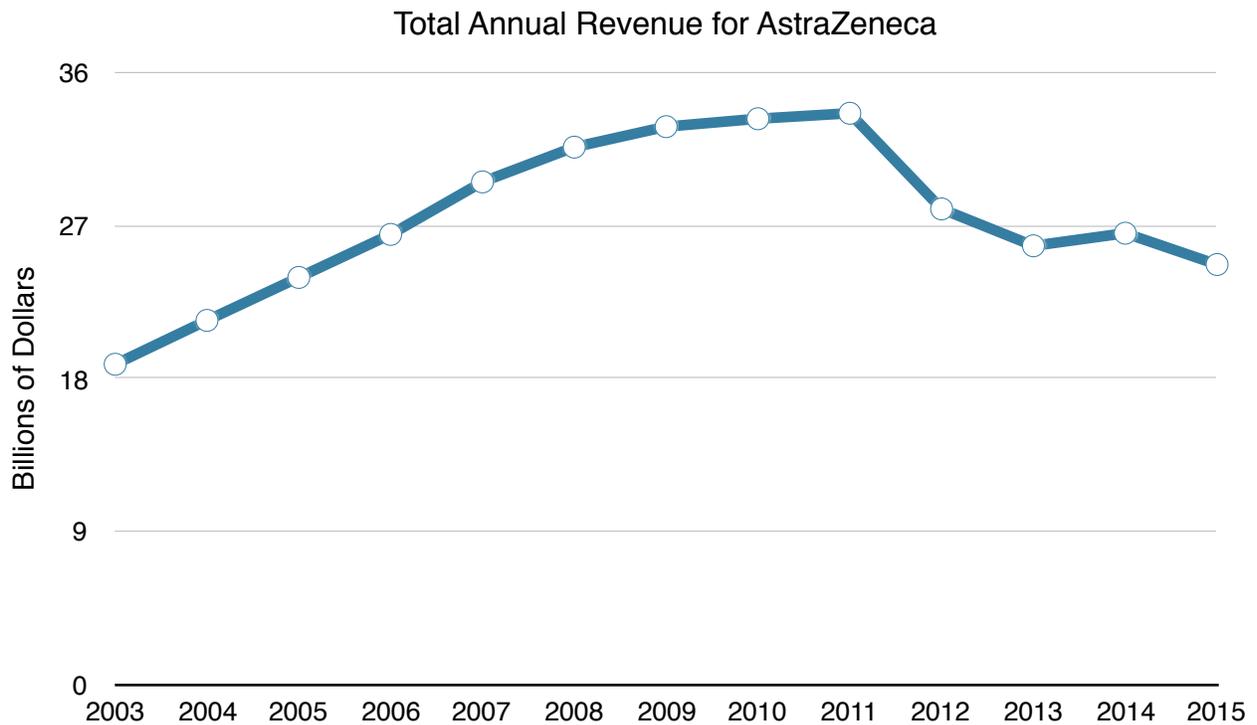


Figure 8: Annual total revenue for AstraZeneca has been dropping since 2011 in spite of the fact that the prices of their medications have increased dramatically in the US in recent years.

The British appear to be far more modest in how much they compensate their corporate executives. The total Executive pay for AstraZeneca was £2.7 million in 2015 with £1.19 million going to their CEO Pascal Soriot. The Average exchange rate for GBP to USD in 2015 was \$1.53 to £1 so AstraZeneca’s CEO made about \$1.82 million in 2015 which was far less what most of the CEOs of American pharmaceutical companies made.

- <http://insiders.morningstar.com/trading/executive-compensation.action?t=AZN>
- http://truecostofhealthcare.net/pharmaceutical_financial_index/
- <http://truecostofhealthcare.net/brand-name-medication-prices/>