

## Alchemia Announces Fondaparinux Result for Quarter Ended 31 March 2015

**BRISBANE, Australia: 29 May 2015** – Alchemia Limited, (ASX: ACL) a drug discovery and development company, has today reported revenues of A\$1.25m (US\$0.98m) from its share of net profit of US-only sales of the generic anti-coagulant drug fondaparinux, marketed and sold by Dr. Reddy's Laboratories Limited (Dr. Reddy's), for the quarter ending 31 March 2015.

As the market will be aware, Alchemia requested that a trading halt be applied in respect of its shares on 22 May 2015, and subsequently requested that a voluntary suspension be applied in respect of its shares on 26 May 2015, pending release of this quarterly net profit share result. Dr. Reddy's had proposed a change in methodology for the provision of potential future sales returns, which, if accepted, would have had a very material impact on the net profit share for this quarter. Alchemia was unwilling to accept this proposed change in methodology. The trading halt and suspension were required while Alchemia worked with Dr. Reddy's to agree on the net profit share due for this quarter. After lengthy discussions, Alchemia and Dr. Reddy's have agreed to calculate the net profit share for this quarter using the previously agreed and accepted methodology, which has been consistently applied since the launch of fondaparinux almost four years ago.

The final agreed net profit share for Alchemia this quarter of A\$1.25m (US\$0.98m) represents a fall of 6.9% compared to the previous quarter (ended 31 December 2014) for which the net profit share for Alchemia was US\$1.05m. It should be noted, however, that the previous quarter's reported net profit share included a deduction of US\$0.50m for the final quarterly charge for costs of goods improvements. The fall in net profit share this quarter is largely attributable to a 27.5% fall in gross sales for this quarter. In addition, rebates (including sales returns) offered to customers as a proportion of sales have increased which has resulted in a 17.2% reduction in the net selling price for this quarter. Both of these factors have contributed to a 31.8% fall in net sales compared to the previous quarter.

Dr. Reddy's market share of fondaparinux sales volume in the US continues to improve, reporting an increase from 37.2% to 42.8% market share this quarter. However, overall fondaparinux sales volume fell by 10.3% this quarter (noting that in the previous quarter sales fell by 2.8%) (source: IMS). In addition, sales of fondaparinux continue to experience pricing pressure, as evidenced by Dr. Reddy's increase in rebates offered to customers this quarter. Measures such as increased rebates represent Dr. Reddy's efforts to at least maintain market share of fondaparinux in the face of a decline in the total market for fondaparinux and aggressive marketing from Mylan (which entered the generic fondaparinux market this quarter in replacement of Apotex). The fondaparinux market has decreased by 56.8% since the launch of Alchemia's generic by Dr. Reddy's and unit prices have fallen by 50.1% over the last two years.

Dr. Reddy's has advised Alchemia that, based on their assessment of actual sales returns of fondaparinux to date, the current level of sales returns provision used in calculating the net profit share is unlikely to be sufficient to cover future returns of product. Alchemia has agreed to visit Dr. Reddy's offices by the end of June and work with them to review and negotiate a mutually acceptable

methodology for the estimation of sales returns going forward. To the extent that any changes in methodology are agreed, and such changes lead to an increase in the provision for future sales returns, this may have a materially adverse impact on Alchemia's net profit share, and therefore Alchemia's revenues, for future quarters. In addition, the actual volume of sales returns in the current and future quarters may also have a materially adverse impact on Alchemia's net profit share, and therefore Alchemia's revenues, for those quarters.

Alchemia will advise the market on any material impact of the outcome of its negotiations with Dr. Reddy's once those negotiations are complete.

Alchemia also expects to provide shareholders in the coming weeks with an update on the progress of its strategic initiatives announced to the market in late January 2015.

### **About Alchemia Limited**

Alchemia is a drug discovery and development company marketing fondaparinux, an FDA approved, injectable antithrombotic, in the US and other markets, via partner Dr. Reddy's Laboratories. In October 2014, Alchemia announced that its Phase III trial of HA-Irinotecan in Metastatic Colorectal Cancer did not meet its primary endpoint of statistically significant improvement in progression-free survival. HA-Irinotecan is the lead product in Alchemia's oncology pipeline based on its proprietary HyACT drug delivery platform, which targets anti-cancer drugs to solid tumours. The company is actively seeking a corporate transaction or partnership for the HyACT platform to support further potential clinical development of HA-Irinotecan and follow-on drug candidates. Alchemia also has a proprietary small molecule drug discovery platform VAST, based on the Company's deep chemistry expertise. The VAST technology is being utilised in collaborations with leading academic institutions and is partnered with AstraZeneca AB. Alchemia has engaged Evolution Life Science Partners to execute a corporate transaction for the VAST technology, as part of the ongoing strategic review and business assessment.

### **Contacts**

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