Press Cutting

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By Sten Stovall

LONDON -- AstraZeneca PLC AZN -0.55% Wednesday said it has entered research deals with two Asian drug companies, just one day after suffering setbacks for two important pipeline products.

The London-based pharmaceuticals group entered a global deal to co-develop and sell a targeted cancer therapy from Hutchison China MediTech Ltd. and also bought options on a potential new class of diabetes pills from Japan-based Astellas Pharma Inc. .

The collaboration with China MediTech is a global licensing, co-development and commercialization agreement for a compound named Volitinib--an inhibitor of the c-Met receptor tyrosine kinase for treating cancer, discovered and developed in China by China MediTech and which is about to enter Phase I testing. AstraZeneca will pay the Hong Kong-based company $20 million upfront and up to $120 million if the cancer drug is developed successfully, plus possible significant future commercial sale milestones and up to double-digit percentage royalties on net sales.

Susan Galbraith, head of oncology at AstraZeneca, said, "Volitinib represents a highly attractive global opportunity for AstraZeneca as we seek to develop and commercialize novel, targeted cancer therapies. This collaboration... represents our commitment to China and brings together two groups with highly complementary capabilities."

The U.K.'s No. 2 drug maker has also entered an option agreement with Astellas Pharma's fully owned subsidiary Prosidion Ltd., giving AstraZeneca an exclusive option to acquire the mid-stage Phase II clinical compound PSN821 and pre-clinical therapy PSN842 for treating Type 2 diabetes. Both pills are G protein-coupled receptor GPR119 agonists, a potential new class of medicines for diabetes.

AstraZeneca will pay Prosidion an undisclosed, non-refundable option fee that will be dependent upon the outcome of the Phase-IIa clinical trial of PSN821 and the evaluation of pre-clinical work.

Gunnar Olsson who heads AstraZeneca's cardiovascular and gastrointestinal innovative medicines unit, said, "We look forward to the successful development of this new class to deliver a differentiated, important new medicine for patients with diabetes."

The deals aim to boost AstraZeneca's portfolio of experimental medicines in two priority areas for the company, but their addition to the group's pipeline will do little to ease market worries about AstraZeneca's lackluster innovation record and a dearth of new medicines.

AstraZeneca on Wednesday said it would take a $381.5 million charge to discontinue development of experimental drugs for depression and cancer after the compounds performed poorly in late-stage clinical trials.

AstraZeneca has relatively few new drugs to replace blockbusters such as Nexium for heartburn and schizophrenia drug Seroquel. Generic competition and pricing pressures are also weighing on AstraZeneca's sales.