# ACRUX REPORTS HALF YEAR PROFIT OF $56.7 MILLION

## Highlights:

- **Profit after tax $56.7 million (2009: loss $2.1 million)**
- **Diluted earnings per share 34 cents (2009: loss 1 cent)**
- **Cash reserves $147 million (2009: $9.6 million)**
- **Revenue $90.5 million (2009: $0.6 million)**
- **Axiron® commercialisation:**
  - **US marketing authorisation issued by FDA**
  - **Milestone payment of US$87 million received from Eli Lilly**
  - **US market launch expected by mid-2011**
  - **Marketing applications for other territories in preparation**
  - **Acrux to receive royalties on worldwide sales, as well as potential sales milestone payments of US$195 million**
- **First distribution to shareholders of approximately 60 cents per share expected in March 2011**

Acrux (ASX: ACR) today announced a profit after tax of $56.7 million for the half-year to 31 December 2010, resulting in diluted earnings of 34 cents per share. This follows on from the maiden profit after tax of $46.6 million and diluted earnings of 29 cents per share reported for the year to 30 June 2010. The full year profit after tax is expected to be similar to the first half result.

The result was driven by revenue of $90.5 million. In November 2010, ten months after Acrux submitted a marketing application, Axiron® was approved by the Food and Drug Administration (FDA) for marketing in the United States. The approval triggered a milestone payment of US$87 million from Acrux's global licensee Eli Lilly. Acrux is eligible to receive further sales milestone payments of up to US$195 million and will receive royalties on worldwide sales of Axiron. Lilly is expected to launch Axiron in the United States by mid-2011 and marketing applications for other territories are in preparation.

"We are delighted to report another substantial profit following our success in achieving FDA approval of Axiron ahead of expectations. We now look forward to the launch of Axiron into the US market which is worth US$1 billion annually", said Acrux CEO Richard Treagus. "Today, the board reaffirmed its intention to make a

first distribution to shareholders of approximately 60 cents per share in March 2011, with details to be announced in due course" he added.

## Summary of financial results:

| | 31 December 2010 $m | 30 June 2010 $m | 31 December 2009 $m |
|---|---|---|---|
| Revenue from product agreements | 88.7 | 54.9 | 0.4 |
| Grant income | - | 0.2 | - |
| Interest and other income | 1.8 | 1.0 | 0.2 |
| **Total revenue** | **90.5** | **56.1** | **0.6** |
| Royalty payable | (3.0) | (1.9) | - |
| Foreign exchange loss | (3.2) | (0.2) | - |
| Other expenditure | (4.2) | (10.7) | (5.6) |
| **Total expenditure** | **(10.4)** | **(12.8)** | **(5.6)** |
| **Profit before capitalised development costs** | **80.1** | **43.3** | **(5.0)** |
| Capitalised Axiron | 1.4 | 5.6 | 2.8 |
| Capitalised Ellavie | 0.1 | 0.3 | 0.1 |
| **Profit before tax** | **81.6** | **49.2** | **(2.1)** |
| Income tax expense | (24.9) | (2.6) | - |
| **Profit after tax** | **56.7** | **46.6** | **(2.1)** |
| Non-cash items | 0.3 | 1.9 | 0.3 |
| Capital equipment net payments | (0.2) | 0.3 | (0.2) |
| Capitalised development payments | (1.5) | (5.9) | (3.3) |
| Increase in net payables | 25.8 | (0.3) | (1.0) |
| **Net cash inflow before new share capital** | **81.1** | **42.6** | **(6.3)** |
| New share capital net proceeds | 7.4 | 1.3 | 1.2 |
| **Net cash inflow** | **88.5** | **43.9** | **(5.1)** |
| **Cash balance** | **147.1** | **58.6** | **9.6** |

### Revenue

Total revenue for the half-year was $90.5 million (2009: $0.6 million). Revenue from product agreements was $88.7 million (2009: $0.4 million), due to the receipt of US$87 million from Eli Lilly. Interest on cash deposits increased to $1.8 million (2009: $0.2 million), due to higher cash reserves following the receipt of payments from Eli Lilly under the Axiron agreement.

**Expenses**

Operating expenditure after capitalisation of product development expenditure was $8.9 million (2009: $2.7 million). Total expenditure before capitalisation was $10.4 million (2009: $5.6 million). The increased expenditure was due to royalties of $3.0 million (2009: Nil) payable to Monash Investment Trust following the receipt of the US$87 million milestone revenue from Eli Lilly and to foreign exchange losses of $3.2 million (2009: Nil) incurred as the Australian dollar strengthened prior to settlement of the milestone revenue. These additional expenses were offset by a reduction in total external research and development expenses before capitalisation, which decreased to $1.0 million (2009: $2.3 million), as activities related to the development of Axiron neared completion. Expenditure of $1.4 million (2009: $2.8 million) for Axiron and $0.1 million (2009: $0.1 million) for Ellavie™ were capitalised as an asset, as required by AASB138 Intangible Assets.

Income tax expense of $24.9 million was recognised for the 6 months to December 2010 (2009: Nil), of which approximately $5 million was deferred tax expense. Provision for current tax payable at 31 December 2010 was $19.9 million.

**Cash flow**

Net cash inflow for the half-year was $88.5 million (2009: $5.1 million outflow), resulting in cash and cash equivalents at 31 December 2010 of $147.1 million (30 June 2010: $58.6 million). Net payables increased by $25.8 million, mainly due to payables for current tax of $19.9 million and royalties of $3.0 million. Cash received on exercise of employee share options increased to $7.4 million (2009:$1.2 million).

**Contact:**


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| Richard Treagus, CEO | +61 417 520 509 |
| Jon Pilcher, CFO | +61 438 422 271 |


**About Acrux** www.acrux.com.au

- Acrux is an Australian drug delivery company, developing and commercialising a range of patient-preferred, patented pharmaceutical products for global markets, using its innovative technology to administer drugs through the skin.
- Fast-drying, invisible sprays or liquids provide a delivery platform with low or no skin irritation, superior cosmetic acceptability and simple, accurate and flexible dosing. The technology platform is covered by broad and well-differentiated, issued patents.
- Acrux has two products approved for marketing in the USA, one product in registration in the USA, one product in registration in Europe and further products at earlier stages of development.
- Acrux received two 2010 Governor of Victoria Export Awards, including the Victorian Export Award for Innovation Excellence.