

ACRUX REPORTS FULL YEAR PROFIT OF \$57 MILLION

Highlights:

- **Profit after tax \$57.1 million (2010: \$46.6 million)**
- **Earnings per share 35 cents (2010: 29 cents)**
- **Revenue \$93 million (2010: \$56 million)**
- **Cash reserves \$33 million (2010: \$59 million)**
- **60 cents per share (\$100 million) special dividend paid to shareholders in April 2011**
- **Strong initial uptake of Axiron® in \$1.3 billion US market - 4 months after launch:**
 - **22% share of New to Brand Prescriptions (NBRx)**
 - **6% share of Total Prescriptions (TRx)**

Acrux (ASX: ACR) today announced a profit of \$57 million, resulting in earnings of 35 cents per share, up from 29 cents in the prior year. The result was driven by revenue of \$93 million, including a milestone payment of US\$87 million from Eli Lilly after the US Food and Drug Administration issued a marketing authorisation for Axiron in November 2010.

In April 2011, Acrux paid a special dividend to shareholders of 60 cents per share, or approximately \$100 million. After distributing surplus cash in the special dividend, Acrux retained cash reserves of \$33 million at 30 June 2011.

The testosterone therapy market in the United States continues to grow strongly, with sales in 2010 up 29% on the prior year to US\$1.3 billion. Axiron was launched into the market by Lilly in April 2011. Uptake by patients has been strong; four months after launch, Axiron's share had grown to 22.3% of New to Brand Prescriptions (NBRx)¹ and 6.1% of Total Prescriptions (TRx)¹.

"Acrux is pleased to have delivered a profit of \$57 million and a first dividend of 60 cents per share", commented Acrux CEO Richard Treagus. "We are encouraged by the uptake of Axiron so far in the United States and look forward to continuing to deliver shareholder value", he said.

¹ NBRx measures prescriptions generated from patients commenced on a product for the first time, including new therapy starts, switches and add-on therapy. NBRx isolates instances when a physician makes a treatment decision and is acknowledged to be a leading early indicator of sales performance. TRx is the sum of NBRx and Continuation on Brand prescriptions (CBRx). CBRx measures patients' continuation on a product, from both new and refilled prescriptions.

Summary of financial results:

	30 June 2011 \$m	30 June 2010 \$m
Revenue from product agreements	89.6	54.9
Interest and other income	3.9	1.2
Total revenue	93.5	56.1
Total expenditure	(12.5)	(12.8)
Profit before capitalised development costs	81.0	43.3
Capitalised Axiron	1.4	5.6
Capitalised Ellavie	0.1	0.3
Profit before tax	82.5	49.2
Income tax expense	(25.4)	(2.6)
Profit after tax	57.1	46.6
Earnings per share	35 cents	29 cents
Net cash inflow before financing	64.4	42.8
New share capital	8.0	1.3
Dividend paid	(99.0)	-
Net cash	33.2	58.6

Revenue

Total revenue was \$93.5 million (2010: \$56.1 million), including revenue from product agreements of \$89.6 million (2010: \$54.9 million). The prior year included US\$50 million from Eli Lilly on signing of the Axiron licence agreement in March 2010. Interest income increased to \$3.7 million (2010: \$1.0 million) due to higher cash balances following receipt of the Axiron revenue.

Expenses

Total expenditure before the capitalisation of development costs fell to \$12.5 million (2010: \$12.8 million) in the prior financial year, including external development expenditure of \$1.7 million, down from \$3.8 million in the prior financial year.

Employee benefits expense, before the capitalisation of development costs, fell to \$3.6 million (2010: \$4.0 million), with further reductions in staff numbers as the level of Axiron development activity reduced. Royalties due to Monash University increased to

\$3.0 million (2010: \$1.9 million) and foreign exchange losses were \$1.8 million (2010 \$0.2 million), due to the appreciation of the Australian dollar versus the US dollar prior to settlement of the Axiron milestone revenue. Currency risk strategies are being reviewed as revenues become more predictable.

Income tax expense was \$25.4 million (2010: \$2.6 million). The prior year tax expense was reduced by the first time recognition of the benefit of tax losses, offset by the first time recognition of deferred tax liabilities.

Cash flow

Cash inflow before financing was \$64.4 million (2010: \$42.8 million), due to the higher Axiron revenue, reduced Axiron development expenditure and the sale of manufacturing assets, partly offset by taxes paid of \$15.3 million (2010: Nil). The exercise of employee share options contributed \$8.0 million (2010: \$1.3 million) to cash inflow. Only 25,000 share options remain outstanding. Payment of the special dividend reduced cash reserves to \$33.2 million.

Outlook for 2011/12 and 2012/13

Acrux receives royalties from Lilly on worldwide net sales of Axiron and may also receive total net sales milestone payments of US\$195 million. Acrux's financials in 2011/12 and 2012/13 will be largely determined by this revenue.

Axiron royalties are percentages of worldwide net sales. Net sales in a calendar year are recorded in tiers, with each higher tier attracting a higher royalty percentage up to a maximum percentage. Therefore the average royalty percentage will be at the initial percentage in the first year, increasing within the percentage range as net sales increase over time.

2011/12 net sales will incorporate a discount for the patient co-payment card currently being offered as an incentive for patients to try Axiron. For the first twelve months patients may claim a refund from Lilly towards the co-payment they are required to pay for each month of treatment. Whilst this investment will reduce royalties in the first year Acrux expects that it will enhance subsequent years, with both royalties and milestone payments increasing with market share.

The first of the six potential net sales milestone payments is expected to be received during the 2012/13 financial year. Acrux is currently forecasting revenue from Axiron of between US\$7 and US\$8 million in 2011/12 and approximately US\$40 million in 2012/13. Acrux's operating expenditure is currently running at approximately \$0.5 million per month, with a proportion engaged in ongoing work related to Axiron, which is reimbursed by Lilly.

The board anticipates that the next dividend to shareholders will be declared in August 2012.

Forward-looking statements

This ASX announcement includes forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of Acrux to be materially different from the statements in this announcement

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About Acrux

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- 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 approved in Europe, one product in registration in the USA and 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.

