

ACRUX REPORTS HALF YEAR PROFIT OF \$5.1 MILLION

Highlights:

- **Axiron[®] achieves 11% share of Total Prescriptions (TRx) for transdermal testosterone therapies in 10 months**
- **Transdermal testosterone therapy market in United States grew by 22% in 2011, reaching approximately US\$1.5 billion per annum**
- **Acrux's Axiron revenue outlook reaffirmed:**
 - 2011/12 – between US\$7 million and US\$8 million
 - 2012/13 – approximately US\$40 million
- **Next dividend to be declared in August 2012**
- **Half-year performance in line with expectations:**
 - Revenue \$4.7 million (2010: \$90.5 million – comparative period included US\$87 million from Lilly on Axiron marketing approval)
 - Profit after tax \$5.1 million (2010: \$56.7 million)
 - Earnings per share 3 cents (2010: 35 cents)
 - Cash reserves \$28 million (30 June 2011: \$33 million)

Acrux (ASX: ACR) today announced a profit of \$5.1 million, resulting in earnings of 3 cents per share. The comparative period included revenue of US\$87 million from Eli Lilly after the US Food and Drug Administration issued a marketing authorisation for Axiron in November 2010.

The testosterone therapy market in the United States continues to grow strongly, with transdermal therapy sales in 2011 growing to approximately US\$1.5 billion, 22% higher than in 2010. Ten months after it was launched into the market in April 2011 by Lilly, Axiron has achieved 11% share of Total Prescriptions (TRx) of transdermal testosterone therapies and 22% share of New to Brand Prescriptions (NBRx) of transdermal therapies.

“Acrux is pleased to deliver a half-year profit and to confirm its guidance on revenue from Axiron for the year, as well as for 2012/13”, commented Acrux CEO Richard Treagus. “The testosterone therapy market growth and the rapid gains made by Axiron put Acrux in a strong position to deliver ongoing value for our shareholders”, he said.

Summary of financial results:

	31 December 2011	31 December 2010
	\$m	\$m
Revenue from product agreements	3.7	88.7
Interest and other income	1.0	1.8
Total revenue	4.7	90.5
Total expenditure	(3.0)	(10.3)
Profit before capitalised development costs	1.7	80.2
Capitalised Axiron	-	1.4
Capitalised Estradiol MDTs	-	0.1
Profit before tax	1.7	81.7
Income tax benefit/(expense)	3.4	(24.9)
Profit after tax	5.1	56.8
Earnings per share	3 cents	35 cents
Net cash (outflow)/inflow before financing	(4.5)	81.2
New share capital	-	7.4
Dividend paid	(0.6)	-
Net cash (outflow)/inflow	(5.1)	88.6
Net cash at 31 December 2011	28.2	n/a
Net cash at 30 June 2011	33.3	n/a

Revenue

Total revenue for the half-year was \$4.7 million (2010: \$90.5 million), including revenue from product agreements of \$3.7 million (2010: \$88.7 million). The comparative period included the receipt of US\$87 million in milestone income from Eli Lilly. Interest on cash deposits reduced to \$0.8 million (2010: \$1.8 million), on lower cash reserves following the payment of a special dividend of \$99.9 million in April 2011. Foreign currency gains added \$0.2 million to revenue; a foreign currency loss of \$3.2 million was recorded in the comparative half-year.

Expenses

Total operating expenditure for the half-year was \$3.0 million (2010: \$8.9 million). The large reduction in operating expenditure was mainly due to lower royalty expenses of \$0.1 million (2010: \$3.0 million) and no foreign currency loss (2010: \$3.2 million). The

amounts recorded in the comparative half-year for these categories of expense were associated with the US\$87 million milestone revenue following the approval of Axiron for marketing in the US. Foreign exchange losses were incurred as the Australian dollar strengthened prior to settlement of the milestone revenue and royalties were due to Monash Investment Trust.

The reported operating expenditure for the comparative half-year of \$8.9 million was reduced by the capitalisation of product development expenditure, mainly employee benefits expense and external research and development expenses. No development expenditure was capitalised for the half-year to 31 December 2011. Total research and development expenditure including the amounts capitalised reduced to \$0.5 million from \$1.0 million in the comparative period. Total employee benefits expense including the amounts capitalised reduced to \$1.5 million from \$1.9 million in the comparative period, reflecting a reduction in the number of employees.

Income Tax

Income tax benefit of \$3.4 million was recorded for the reporting period, compared with income tax expense of \$24.9 million for the 6 months to December 2010. The tax benefit was due to the recognition of tax losses from excess imputation credits on dividends received by the parent entity as well as amendments to prior year tax returns to include additional deductions due under the research and development tax concession.

Cash flow

Cash reserves at the end of the period were \$28.2 million, compared with \$33.2 million at 30 June 2011. Net cash outflow for the half-year was \$5.1 million (2010: \$88.6 million inflow), mainly due to the payment of corporate income taxes of \$4.4 million (2010: nil). The comparative period included the receipt of the Axiron milestone revenue of US\$87 million from Eli Lilly, partly offset by an outflow of \$1.6 million associated with capitalised development expenses for Axiron and Estradiol MDTs®.

No options were exercised during the 6 months to 31 December 2011. Only 25,000 share options remain outstanding. For the 6 months to 31 December 2010, \$7.4 million of cash was received on exercise of employee share options.

Update on outlook for 2011/12 and 2012/13 – forecast reaffirmed

Acrux today reaffirmed its forecast revenue from Axiron of between US\$7 million 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 tax benefit of \$3.4 million recorded for the half-year to 31 December 2011 is expected to reduce to approximately \$2 million for the full year to 30 June 2012, due to the tax expense that will accrue on the profit in the second half.

The board today reaffirmed its intention to declare the next dividend to shareholders in August 2012.

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. The first of the six potential net sales milestone payments is expected to be received during the 2012/13 financial year.

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.