

ACRUX PROVIDES HALF YEAR UPDATE

Highlights:

- **Axiron[®] patent protection in United States strengthened:**
 - Underarm administration patent application allowed with term to 2027, one year longer than anticipated
 - Product now protected by 5 granted patents, 1 allowed application and 2 pending patent applications
- **US transdermal testosterone therapy prescription growth:**
 - Total 2012 ~28% higher than 2011
 - January 2013 ~18% higher than January 2012
- **Axiron market share growth accelerated from December 2012:**
 - Weekly TRx share increased from 13.3% on 30 November to 14.6% on 1 February
 - Weekly NRx share increased from 13.7% on 30 November to 16.4% on 1 February
- **US healthcare plan coverage for Axiron increasing:**
 - Upgraded by CVS Caremark to preferred formulary status from 1 January 2013
 - Further upgrades achieved from 1 January and expected during 2013
- **Growth in royalty on net sales in 2013 will be driven by multiple factors:**
 - Market growth, US market share growth, ex-US product launches
 - Gross-to-net sales deductions expected to reduce through 2013
- **First sales milestone payment of US\$25 million expected to be earned on 2013 calendar year net sales**
- **Half-year financials:**
 - Revenue \$5.1 million (2011: \$4.7 million)
 - Profit before tax up 48% to \$2.5 million (2011: \$1.7 million)
 - Operating cash inflow \$2.3 million (2011: outflow \$4.5 million)
 - Cash reserves \$19 million (30 June 2012: \$30 million, before dividend payment of \$13.3 million)
 - Next dividend to be declared in August 2013

Acrux (ASX: ACR) today reported its financial results for the half-year to December 2012 and provided an update on Axiron's performance and outlook. Axiron is partnered worldwide with Eli Lilly.

Today's report follows the recent confirmation that the US Patent and Trademark Office has issued a Notice of Allowance of Acrux's patent concerning the underarm administration of testosterone formulations. The patent expiry date is expected to be June 2027, which is one year longer than anticipated. In the United States Axiron will now be protected by 6 patents until as late as 2030, with 2 further patent applications pending.

The testosterone therapy market in the United States grew strongly in 2012, with the number of transdermal therapy prescriptions approximately 28% higher than in 2011. Transdermal prescriptions in January 2013 were approximately 18% higher than January 2012.

The growth of Axiron's weekly share of prescriptions accelerated in December 2012 and January 2013. Share of Total Prescriptions (TRx) of transdermal products excluding patches increased from 13.3% on 30 November to 14.6% on 1 February, whilst share of New Prescriptions (NRx) increased from 13.7% on 30 November to 16.4% on 1 February. In January 2013, 21 months after launch, Axiron had the second largest share of NRx. Acrux expects this milestone to follow for TRx in the near term.

Axiron's access to US healthcare plan formularies has increased significantly from 1 January 2013 and is expected to improve further during 2013. Notably, from 1 January Axiron has been upgraded to preferred formulary status by CVS Caremark, the second largest Pharmacy Benefit Manager in the US, covering 22 million lives.

Acrux expects significant growth in the royalties on Axiron net sales in 2013, driven by multiple factors. The positive impacts of growth in the US market and Axiron's increasing market share will be compounded by reduced deductions from gross sales through 2013, reflecting the increased access to healthcare fund formularies. The resulting growth in US net sales will also be complemented by the first sales in Australia and Canada.

In addition to royalties, Acrux expects the 2013 calendar year net sales to trigger the first sales milestone payment of US\$25 million from Lilly.

Acrux Executive Chairman Ross Dobinson commented "We are very satisfied with the allowance of the underarm administration patent. 2013 will bring significant growth in royalties coupled with the first sales milestone payment and we look forward to declaring Acrux's next dividend in August 2013."

Summary of financial results:

	31 December 2012	31 December 2011
	\$m	\$m
Axiron royalties	4.2	2.3
Other revenue	0.3	1.6
Interest income	0.6	0.8
Total revenue	5.1	4.7
Total expenditure	(2.6)	(3.0)
Profit before tax	2.5	1.7
Income tax (expense)/benefit	(0.4)	3.4
Profit after tax	2.1	5.1
Earnings per share	1 cents	3 cents
Cash generated/(used) by operations	2.3	(4.5)
Dividend paid	(13.3)	(0.6)
Net cash outflow	(11.1)	(5.1)
Net cash at 31 December 2011	19.0	n/a
Net cash at 30 June 2012	30.0	n/a

Revenue

Total revenue for the half-year increased to \$5.1 million (2011: \$4.7 million), including revenue from product agreements of \$4.5 million (2011: \$3.7 million). Revenue from Axiron increased to \$4.4 million (2011: \$3.1 million). Interest on cash deposits reduced to \$0.6 million (2011: \$0.8 million), on lower cash reserves following the payment of the 2012 financial year final dividend of \$13.3 million. Foreign exchange gains added \$0.1 million to revenue (2011:\$0.2 million).

Expenses

Total operating expenditure for the half-year reduced to \$2.6 million (2011: \$3.0 million). Employee benefits expense and directors' fees reduced to \$1.2 million (2011: \$1.6 million), due to a smaller executive management team.

Income Tax

Income tax expense of \$0.4 million was recorded for the half-year, compared with income tax benefit of \$3.4 million for the 6 months to December 2011. The tax benefit recorded in the comparative period was due to 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

Operating activities provided net cash inflow of \$2.3 million, compared with outflow of \$4.5 million in the comparative period.

Receipts from licensees and government increased to \$5.4 million (2011: \$2.1 million) and payments to suppliers and employees reduced to \$2.6 million (2011: \$3.1 million). Corporate income taxes paid reduced to \$1.4 million (2011: \$4.4 million).

Cash outflow from financing investing activities was \$13.3 million (2011: \$0.6 million) representing the payment of 2012 final dividend to shareholders.

Cash reserves at the end of the period were \$19.0 million (30 June 2012: \$30.0 million).

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

Contact:

Ross Dobinson, Executive Chairman +61 418 347 494

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 products marketed by licensees in the United States, approved in Europe, Canada and Australia and in registration in other countries, as well as products in development.