

ACRUX ANNOUNCES 2013/14 RESULTS AND DIVIDEND

Highlights:

- Final dividend of 8 cents per share, fully franked:
 - Record date 8 September 2014
 - Expected payment date 22 September 2014
- Financial results for 2013/14:
 - Revenue \$53.9 million (2013: \$16.7 million)
 - Profit before tax \$43.9 million (2013: \$10.0 million)
 - Earnings per share 16.8 cents (2013: 4.2 cents)
 - Cash at 30 June 2014 was \$25.8 million (30 June 2013: \$22.8 million)
- Axiron®:
 - Net sales US\$181.1 million, up from US\$124 million in previous year
 - Acrux royalties US\$22.3 million, up from US\$14 million in previous year
 - Milestone payment of US\$25 million received in March 2014
 - Special dividend of 12 cents per share paid in March 2014
 - Axiron was launched in Brazil, Germany and South Korea during the financial year and is now marketed in Australia, Brazil, Canada, Germany and South Korea, which collectively comprise more than half the ex-US market value
 - US healthcare plan (formulary) coverage expanded further
 - Axiron share of transdermal market holds steady

Melbourne, 21 August 2014: Acrux (ASX: ACR) today declared a final dividend for 2013/14 financial year of 8 cents per share, fully franked. The record date for entitlement to the dividend is 8 September 2014 and the estimated date for dispatch of payment is 22 September 2014. **As Acrux is a Pooled Development Fund, Australian resident shareholders have two choices in relation to how to treat the dividends for income tax purposes:**

- 1. Include the franked dividend as taxable income and claim a tax credit for imputed tax credit attached to the dividend, or**
- 2. Not include the franked dividend as taxable income.**

“We are pleased to declare another tax-free dividend of 8 cents per share, after net sales of Axiron being up 46% over the previous year”, said Acrux Chairman Ross Dobinson. “Eli Lilly remains a committed partner and continues to demonstrate a substantial financial investment in Axiron”, he added.

Axiron

Net sales (invoiced sales less rebates, discounts and returns) increased by 46% to US\$181.1 million, compared with \$124 million in the 2012/13 financial year. Royalties on net sales were US\$22.3 million, compared with US\$14 million in the 2012/13 financial year. The average royalty rate increased in the second half of 2013. As well as royalties, Acrux received a milestone payment of US\$25 million in March 2014, subsequently paying a special dividend of 12 cents per share.

The FDA continues to assess the testosterone sector, following the Drug Safety Communication (DSC) issued in January 2014. An FDA Advisory Committee meeting is scheduled for September 17th to discuss the appropriate indicated population for testosterone replacement therapy and the potential for adverse cardiovascular outcomes associated with this use. The purpose of the Advisory Committee is to advise FDA and this meeting will be public. The FDA will consider the input of the Advisory Committee when making a decision on any action needed. The FDA’s decision may take several months following the meeting before it is communicated.

June 2014 saw the introduction of the lower strength 1% testosterone generics. Axiron has continued to hold a steady share of market, and is currently the number two product in the US transdermal testosterone replacement therapy sector.

Summary of financial results:

	30 June 2014 \$m	30 June 2013 \$m
Product agreement revenue	53.4	15.5
Interest, grant and other income	0.5	1.2
Total revenue	53.9	16.7
Royalties payable	(1.8)	(0.5)
Capitalised development amortisation	(1.3)	(1.3)
Other expenditure	(6.9)	(4.8)
Total expenditure	(10.0)	(6.6)
Profit before tax	43.9	10.0
Income tax expense	15.9	3.1
Profit after tax	28.0	6.9
Earnings per share	17 cents	4 cents
Dividends paid per share	20 cents	8 cents
Net cash inflow before payment of dividends	36.3	6.3
Dividends paid	(33.3)	(13.4)
Cash at 30 June	25.8	22.8

Revenue

Total revenue for the financial year was \$53.9 million (2013: \$16.7 million). Revenue from product agreements was \$53.4 million (2013: \$15.5 million). Revenue from Axiron increased to \$52.5 million (2013: \$14.6 million), including the recognition of \$28.0 million (US\$25 million) in milestone revenue, as net sales exceeded US\$100 million in the 2013 calendar year and an increase in royalty revenue to \$24.5 million (2013: \$14.1 million). A further \$0.7 million (2013: Nil) of milestone revenue was received under the license agreement with Gedeon Richter for the manufacturing and marketing of Acrux's estradiol spray in markets outside the United States, following the first European regulatory filing. Interest income contributed \$0.5 million (2013: \$0.9 million).

Expenses

Operating expenditure totaled \$10.0 million (2013: \$6.6 million). Employee benefits expense increased to \$2.3 million (2013: \$2.0 million) while Directors' fees increased to \$0.6 million (2013: \$0.5 million). Royalty payments due to Monash Investment Trust increased to \$1.8 million (2013: \$0.5 million), in-line with increased product income. A non-cash expense of \$0.6 million (2013: Nil) was recorded for employee share options granted during the reporting period, as required by accounting standard AASB 2. The continued strength of the Australian dollar versus the US dollar led to the recognition of \$1.2 million of foreign exchange losses (2013: A foreign exchange gain of \$0.1 million was recorded).

Income tax expense for the financial year was \$15.9 million (2013: \$3.1 million) representing approximately 36% of profit before income tax. Acrux Limited is a Pooled Development Fund (PDF). The income tax expense recorded is the result of the tax effect particular to a PDF. PDFs are taxed at 15% on income and gains from investments in small to medium enterprises. Groups containing a PDF are not permitted to consolidate for tax purposes.

For future reporting periods the consolidated entity's income tax expense is likely to represent approximately 30% of profit before income tax.

Cash flow

Net cash provided by operating activities increased to \$36.4 million (2013: \$6.3 million). Net cash inflow for the financial year was \$3.0 million (2013: A net cash outflow of \$7.1 million was recorded). Cash reserves at 30 June 2014 were \$25.8 million (30 June 2013: \$22.8 million).

Receipts from product agreements increased to \$53.4 million (2013: \$12.6 million) due to the increase in Axiron royalty receipts and the receipt of the US\$25 million milestone payment from Eli Lilly. Interest receipts added \$0.5 million (2013: \$1.2 million). Payments to suppliers and employees increased to \$6.7 million (2013: \$4.8 million). Income taxes paid increased to \$10.8 million from the \$2.6 million recorded in the 2013 financial year.

The outflow of cash recorded for financing activities represents the payment of \$33.3 million (2013: \$13.4 million) of dividends to shareholders, consisting of the 8 cent final dividend for the 2012/13 financial year and the 12 cent special dividend declared in March 2014.

Contacts:

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