

Biota Holdings Limited

ACN 006 479 081

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Melbourne, Australia — 16 May 2012

Financial update

Biota Holdings Limited (ASX:BTA) today provided a financial update on results to 31 March 2012.

This information is unaudited and will be included in key documents associated with the proposed merger with Nabi Biopharmaceuticals that will be lodged with the Australian Securities and Investments Commission (ASIC) and the United States Securities and Exchange Commission (SEC).

About Biota

Biota is a leading anti-infective drug development company based in Melbourne Australia, with key expertise in respiratory diseases, particularly influenza. Biota developed the first-in-class neuraminidase inhibitor, zanamivir, subsequently marketed by GlaxoSmithKline as Relenza. Biota research breakthroughs include a series of candidate drugs aimed at treatment of respiratory syncytial virus (RSV) disease and Hepatitis C (HCV) virus infections. Biota has clinical trials underway with its lead compound for human rhinovirus (HRV) infection in patients with compromised respiration or immune systems.

In addition, Biota and Daiichi Sankyo co-own a range of second generation influenza antivirals, of which the lead product Inavir[®], is marketed in Japan. Biota holds a contract from the US Office of Biomedical Advanced Research and Development Authority (BARDA) for the advanced development of laninamivir in the USA.

Relenza[™] is a registered trademark of the GlaxoSmithKline group of companies. Inavir[®] is registered to Daiichi Sankyo.

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Biota Holdings Limited

(ABN 28 006 479 081)

Interim financial report for the 9 months ended 31 March 2012

Biota Holdings Limited
ABN 28 006 479 081

Corporate Directory

Directors

Jim Fox (Chairman)
Paul R Bell
Peter C Cook (CEO & Managing Director)
Jeff Errington
Ian D Gust AO
Richard Hill

Company Secretary

Damian Lismore (Chief Financial Officer)

Registered Office

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Securities Exchange

Australia

Biota Holdings Limited is a public company listed with the Australian Securities Exchange.
ASX:BTA

United States

Biota's American Depositary Receipts (ADRs) trade in the United States on the pink sheets at a ratio of three shares to each ADR.
ADR: BTAHY

Biota Holdings Limited
ABN 28 006 479 081

Interim financial report – 31 March 2012

Table of Contents

Consolidated income statement	1
Consolidated balance sheet	2
Consolidated statement of changes in equity	3
Consolidated cash flow statement	4
Notes to the financial statements	5

Amounts in the commentary have been rounded off to the nearest thousand dollars, unless otherwise stated.

Consolidated income statement

For the period ended 31 March 2012

	Notes	Three months		Nine months	
		2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000
Revenues from continuing operations	3	7,379	3,580	14,944	10,564
Other income	3	95	579	344	1,657
Expenses:					
Research and development		(3,763)	(4,641)	(11,887)	(14,638)
-Amortisation of antibacterial programs acquired		-	27	-	(2,924)
Product development		(3,296)	(4,558)	(11,065)	(12,968)
Business development		(221)	(228)	(710)	(627)
-Sub-royalty amortisation		(455)	(394)	(1,061)	(1,015)
Corporate – head office		(1,399)	(1,242)	(3,851)	(3,647)
Loss before income tax		(1,660)	(6,877)	(13,286)	(23,598)
Income tax credit/(expense)		(145)	(6)	485	769
Loss for the period		(1,805)	(6,883)	(12,801)	(22,829)
Other comprehensive (expense)/income					
Exchange differences on translation of foreign operations		1	353	17	(254)
Other comprehensive income/(expense) for the half-year, net of tax		1	353	17	(254)
Total comprehensive (expense)/income for the half-year		(1,804)	(6,530)	(12,784)	(23,083)
Loss is attributable to:					
Owners of Biota Holdings Limited		(1,805)	(6,883)	(12,801)	(22,829)
Total comprehensive (expense)/income for the half-year is attributable to:					
Owners of Biota Holdings Limited		(1,804)	(6,530)	(12,784)	(23,083)
Loss per share from continuing operations and attributable to the ordinary equity holders of the Company		Cents	Cents	Cents	Cents
Basic loss per share		(1.0)	(3.8)	(7.0)	(12.7)
Diluted loss per share		(1.0)	(3.8)	(7.0)	(12.7)

The consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 31 March 2012

	31 March 2012	30 June 2011
Notes	A\$'000	A\$'000
Current assets		
Cash and cash equivalents	51,361	70,011
Trade and other receivables	9,667	4,060
Total current assets	<u>61,028</u>	<u>74,071</u>
Non-current assets		
Plant and equipment	5,155	5,457
Deferred tax assets	1,547	1,062
Intangible assets	1,921	2,971
Total non-current assets	<u>8,623</u>	<u>9,490</u>
Total assets	<u>69,651</u>	<u>83,561</u>
Current liabilities		
Trade and other payables	2,201	4,090
Deferred revenue	389	143
Provisions	2,018	2,152
Total current liabilities	<u>4,608</u>	<u>6,385</u>
Non-current liabilities		
Provisions	424	320
Total non-current liabilities	<u>424</u>	<u>320</u>
Total liabilities	<u>5,032</u>	<u>6,705</u>
Net assets	<u>64,619</u>	<u>76,856</u>
Equity		
Contributed equity	4 147,959	147,583
Reserves	396	208
Retained losses	(83,736)	(70,935)
Total equity	<u>64,619</u>	<u>76,856</u>

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the period ended 31 March 2012

	Contributed equity A\$'000	Reserves A\$,000	Retained losses A\$,000	Total equity A\$'000
Balance at 1 July 2010	146,375	1,366	(42,845)	104,896
Loss for the nine months	-	-	(22,829)	(22,829)
Exchange differences on translation of foreign operations	-	(254)	-	(254)
Total comprehensive income for the nine months	-	(254)	(22,829)	(23,083)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	747	-	-	747
Payments for treasury shares	(782)	-	-	(782)
Employee share options expensed	-	223	-	223
Transfer from share based payment reserve for employee options exercised	1,243	(1,243)	-	-
	1,208	(1,020)	-	188
Balance at 31 March 2011	147,583	92	(65,674)	82,002
Balance at 1 July 2011	147,583	208	(70,935)	76,856
Loss for the nine months	-	-	(12,801)	(12,801)
Exchange differences on translation of foreign operations	-	17	-	17
Total comprehensive income for the nine months	-	17	(12,801)	(12,784)
Transactions with owners in their capacity as owners:				
Employee share options expensed	-	547	-	547
Transfer from share based payment reserve for employee options exercised	376	(376)	-	-
	376	171	-	547
Balance at 31 March 2012	147,959	396	(83,736)	64,619

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

For the period ended 31 March 2012

	Nine months	
	2012	2011
	A\$'000	A\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	8,000	1,209
Payments to suppliers and employees (inclusive of GST)	(28,070)	(35,831)
	<u>(20,070)</u>	<u>(34,622)</u>
Other revenue and income		
Interest received	2,419	3,707
Income tax paid	-	(3,674)
Net cash outflow from operating activities	<u>(17,651)</u>	<u>(34,589)</u>
Cash flows from investing activities		
Proceeds from disposal of assets	8	-
Payments for plant and equipment	(1,023)	(511)
Net cash outflow from investing activities	<u>(1,015)</u>	<u>(511)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	747
Payments for treasury shares	-	(781)
Net cash outflow from financing activities	<u>-</u>	<u>(34)</u>
Net decrease in cash and cash equivalents	<u>(18,666)</u>	<u>(35,134)</u>
Cash and cash equivalents at the beginning of the half year	70,011	104,867
Effects of exchange rate changes on cash and cash equivalents	16	(91)
Cash and cash equivalents at the end of the half year	<u>51,361</u>	<u>69,642</u>

The consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Summary of significant accounting policies

Basis of preparation of half year report

This general purpose financial report for the 3 month and 9 month interim financial reporting periods ended 31 March 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and IAS34 Interim Financial Reporting.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Biota Holdings Limited during the interim report period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Segment information

Description of segments

Management had determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

The committee reviews the business from a divisional perspective (ie Research, Product Development and Corporate) and on a project basis. The business is predominantly managed on a divisional basis and so management has concluded that these divisions represent the operating and reportable segments of the business. The Group operates globally in developing its projects and has laboratories in Australia and England.

(a) Segment information provided to the strategic steering committee

The segment information provided to the strategic steering committee for the reportable segments for the nine months ended 31 March 2012 and three months ended 31 March 2011 is as follows:

Divisions	Research		Product Development		Corporate		Intersegment elimination		Total	
	2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000	2012 A\$'000	2011 A\$'000
Total segment revenue	79	2,356	6,060	17	8,805	10,541	-	(2,350)	14,944	10,564
Intersegment revenue	-	(2,320)	-	(17)	-	(13)	-	2,350	-	-
External revenue	79	36	6,060	-	8,805	10,528	-	-	14,944	10,564
Adjusted EBITDA	(12,049)	(14,803)	(6,499)	(12,793)	5,761	6,114	-	-	(12,787)	(21,482)
Depreciation & amortisation	1,194	4,185	35	5	1,140	1,102	-	-	2,369	5,292

The chief operating decision maker reviews assets and liabilities on a consolidated basis monthly. Therefore, no measure of segment assets and liabilities is separately disclosed in this report.

All revenue is generated by the Group's Australian based operations, although counterparties may be in other countries.

Notes to the financial statements

2. Segment information (continued)

(b) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from royalty on sales, grants for institutions and funding agreements with partners. Revenue is derived from a small number of sources, and of which three contribute greater than 10% of revenue.

Segment revenue reconciles to total revenue from continuing operations in note 3.

(ii) Adjusted EBITDA

A reconciliation of adjusted EBITDA to reported loss after income tax is provided as follows:

	31 March	
	2012	2011
	A\$'000	A\$'000
Adjusted EBITDA	(12,787)	(21,482)
Interest revenue	2,467	3,475
Depreciation	(1,308)	(1,352)
Amortisation of antibacterial programs and sub-royalty	(1,061)	(3,939)
Share options expense	(597)	(300)
Income tax credit	485	769
Loss after income tax from continuing operations	(12,801)	(22,829)

3. Revenues from ordinary activities and other income

	Three months ended		Nine month ended	
	31 March		31 March	
	2012	2011	2012	2011
	A\$'000	A\$'000	A\$'000	A\$'000
Revenues from continuing operations				
Royalties	4,980	2,583	6,395	7,074
Development revenue	1,680	-	6,016	-
Interest revenue	698	990	2,467	3,476
Other revenue	21	7	66	14
Total revenues from continuing operations	7,379	3,580	14,944	10,564
Other income				
Grant income	95	579	344	1,657
Total other income	95	579	344	1,657
Total revenues and other income	7,474	4,159	15,288	12,221

Notes to the financial statements

4. Contributed equity

	Nine months ended 31 March		Nine months ended 31 March	
	2012 Shares	2011 Shares	2012 A\$'000	2011 A\$'000
Issue of ordinary shares				
At start of period	181,417,556	179,209,987	148,616	146,575
Issue of shares	-	813,021	-	747
Options exercised	436,401	1,394,548	376	1,243
At end of period	<u>181,853,957</u>	<u>181,417,556</u>	148,992	148,565
Treasury shares held in Trust			(1,033)	(1,033)
			<u>147,959</u>	<u>147,532</u>

5. Loss per share

	2012	2011	2012	2011
	Cents	Cents	Cents	Cents
Basic loss per share (EPS)	(1.0)	(3.8)	(7.0)	(12.7)
Diluted loss per share (EPS)	(1.0)	(3.8)	(7.0)	(12.7)
	A\$'000	A\$'000	A\$'000	A\$'000
Loss used to calculate EPS	(1,805)	(6,883)	(12,801)	(22,829)
Weighted average shares used to calculate	Number	Number	Number	Number
Basic EPS	181,738,964	181,004,978	181,664,389	180,346,145
Diluted EPS	181,738,964	181,004,978	181,664,389	180,346,145

Options granted by the Company to employees are considered to be potential ordinary shares but are not included in the above calculation as their issue price (including the fair value of the employee services) exceeds the average market price during the period.

6. Tax audit

The Australian Taxation Office (ATO) has been conducting an audit in respect to income and expenditures associated with the litigation against GlaxoSmithKline (GSK). On 19 December 2011, the ATO issued a position paper. The ATO's preliminary conclusion is that having accepted the legal costs as deductible, the settlement sum received of \$20 million is ordinary income (and not a capital gain). If the latter is sustained, this would result in an additional income tax assessment of approximately \$2 million after utilisation of previously unrecognised tax losses.

The ATO position paper invites a response where there is a disagreement of the facts or interpretation by the ATO. Biota (with its advisor, Deloitte) disagrees with the conclusion reached in respect of the settlement sum received and have prepared a response to the ATO position paper. Accordingly, no liability has been recognised in this regard.

Notes to the financial statements

7. Events occurring after balance sheet date

On 23 April 2012, Biota and Nabi Biopharmaceuticals Inc announced the signing of a Merger Implementation Agreement to form a combined company Biota Pharmaceuticals, listed on Nasdaq and headquartered in the USA. Key elements of the Agreement are:

- Nabi will acquire all of the shares in BTA for new shares in the name of Biota Pharmaceuticals, a NASDAQ listed company. BTA will be de-listed from the ASX;
- Nabi's assets at merger will include US\$54 million in cash, a right to receive royalties from a marketed product (PhosLyra) and an interest in NicVAX;
- After the completion of the merger, current Biota shareholders will own approximately 74% of Biota Pharmaceuticals and Nabi shareholders will own approximately 26% of Biota Pharmaceuticals;
- Nabi plans to return to its existing shareholders cash in excess of the US\$54 million required to be held by Nabi at closing, after satisfying certain obligations;
- Nabi intends to distribute contingent value rights providing payout rights from future sale, transfer, license or similar transactions involving NicVAX; and
- The Board will consist of six ex Biota Directors including the Chairman and two ex-Nabi Directors. Biota's current CEO and CFO will continue in their roles.

Transactions and other costs incurred (or which are expected to be incurred) by Biota in relation to the implementation of the Merger are currently estimated at \$6 million, comprising investment banking, advisors, legal, accountants and expert fees, and various other costs. Approximately \$3 million of these costs will be incurred regardless of whether the Merger is approved.

Apart from the foregoing, no other matter or circumstance has arisen since 31 March 2012 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years;
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.