

For Immediate Release

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Biota delivers Profit after tax of \$20.2m

HIGHLIGHTS

- **Profit after tax \$20.2 million (F2006 loss \$11.3 million)**
- **Strong cash balances at \$62 million**
- **US\$102m HCV collaboration agreement with Boehringer Ingelheim**
- **Three products in clinic**
 - LANI Phase I completed in Japan, UK trial commenced
 - HRV Phase I completed
 - RSV Phase I commenced in July 2007
- **Amended Statement of Claim filed in March and the updated Particulars of Loss and Damage filed in July in litigation case against GSK**

Biota Holdings Limited (ASX:BTA) today announced a full year profit after tax of \$20.2 million after initial booking of deferred tax assets. This compares to a loss of \$11.3 million in the prior year. Profit before tax was \$17.8 million. The result was driven by strong revenue growth from Relenza royalties and licensing and collaboration income.

Relenza royalties grew strongly to \$39.8 million (2006: \$5.2m) as a result of increased production by GlaxoSmithKline (GSK) in response to government orders for influenza pandemic stockpiles. Collaboration income was \$13 million (2006: \$5.2m), the result of upfront payments and fee for service work flowing from licensing agreements with MedImmune Inc. and more recently with Boehringer Ingelheim.

Costs increased to \$39.5 million (2006: \$26.3m) reflecting:

- The investment in research activities of \$8.2 million (2006: \$7.7m) required by the MedImmune and Boehringer Ingelheim licence agreements, the costs of which were fully reimbursed;
- The investment in product and clinical development programs of \$10.3 million (2006:\$8.4m), notably for respiratory syncytial virus (RSV) and human rhinovirus (HRV). The RSV costs were reimbursed by MedImmune; and
- The continued investment in the litigation against GSK of \$10.4 million (2006: \$4.4m) which reflects the extended discovery phase, the lodgement of the Amended Statement of Claim and the preparation of witness statements.

Commenting on the announcement today, Biota CEO Peter Cook said, *"This is an outstanding result for the Company. We have delivered a strong full year profit driven by both Relenza royalties and collaboration income, secured an important licence with Boehringer Ingelheim and in addition, now have three Biota programs in the clinic."*

SIGNIFICANT EVENTS

Programs

- **A research collaboration and licensing agreement with Boehringer Ingelheim** was signed in November 2006 to develop and commercialise Biota's novel nucleoside analogues designed to treat hepatitis C virus (HCV) infections and potentially other diseases. Biota may receive payments of up to US\$102 million based on the achievement of certain specified milestones and additionally, royalties on the sales of any resultant commercial products.
- In Japan, the long acting neuraminidase inhibitor **(LANI) CS8958 completed Phase I trials** in Japan with comparable studies underway in the UK.
- Biota was awarded up to **US\$8.5 million from the US National Institute of Allergy and Infectious Diseases**, an institute of the National Institutes of Health (NIH). The funding, over four years (subject to the availability of NIH funds and satisfactory progress), is to meet the preclinical development costs of our back up LANI program, called FLUNET. The FLUNET compounds are novel and have a dimeric structure derived from zanamivir.
- Biota's lead compound for the treatment of **HRV** infection in patients with compromised respiration/immune systems has **completed Phase I clinical studies**. The Company is now planning to conduct Phase IIa clinical trials.
- Subsequent to the year end, Biota announced that the lead **RSV compound had entered Phase I** clinical trials. The RSV program was licensed to MedImmune in December 2005 and the initial milestone of US\$3 million under the licence agreement was triggered, with the first dosing in humans.

Litigation against GSK

The litigation against GSK in the Supreme Court of Victoria, for GSK's failure to use its best endeavours in the development and marketing of Relenza, has progressed to plan. The company lodged its Amended Statement of Claim in March and filed its updated Particulars of Loss and Damage on 31 July 2007, with damages claimed of \$564-\$704 million. GSK lodged their Defence documents with the Court on 16 July 2007. The trial is scheduled to commence on 1 April 2008.

Strong cash management

Cash balances at 30 June 2007 were \$62.2m, significantly higher than last year at \$46.2m.

About Biota

Biota is a leading antiviral 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 have included a series of candidate drugs aimed at treatment of respiratory syncytial virus (RSV) disease, licensed to MedImmune Inc. and novel nucleoside analogues designed to treat hepatitis C virus (HCV) infections, licensed to Boehringer Ingelheim. 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 has key partnerships with Daiichi-Sankyo for the development of second generation influenza antivirals and with Inverness Medical to market Biota developed OIA FLU influenza diagnostics.

Relenza™ is a registered trademark of the GlaxoSmithKline group of companies.

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**Further information available at www.biota.com.au.*

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