

For Immediate Release

Melbourne, Australia — 18 February 2009

Biota announces half year net profit of \$7.2 million

Half year highlights

- Net profit up 31% to \$7.2 million
- LANI completes Phase II and commences pivotal Phase III for Japan
- RSV licence with AstraZeneca extended into additional Asian & Pacific territories for US\$3.5 million
- Strong cash position maintained: \$55.4 million at 31 December 2008
- Litigation against GSK concluded at mediation

Biota Holdings Limited (ASX: BTA) today announced a half year net profit after tax of \$7.2 million, (1H F08: \$5.5 million), a 31% improvement over first half F08. Profit before tax was \$10.1 million (1H F08: \$7.5 million) and includes \$12.7 million from the GSK litigation settlement in the period.

Commenting on the results today, Biota CEO Peter Cook said *"This half has demonstrated strong management of cash and with the resolution of the litigation with GSK, allows Biota to commit optimal resources into its clinical pipeline. The order on GSK, announced in January, from the UK Department of Health for 10.6 million courses of Relenza is encouraging"*.

Total revenues were \$33.5 million, up 10% from \$30.4 million in the comparable period last year. Total revenues included \$3.8 million of Relenza royalties (1H F08: \$16.5 million), \$6.6 million (1H F08: \$9.6 million) of collaboration income from licensing agreements with AstraZeneca and Boehringer Ingelheim, \$20 million from the litigation settlement with GlaxoSmithKline (GSK) and grant income of \$1.1 million (1H F08 \$2.4 million) from the US National Institutes of Health for the development of LANI.

The result includes a portion of the US\$3.5 million payment from AstraZeneca, whilst the comparable period in F08 included a significant milestone payment of \$3.4 million.

Other Significant Events

- **The litigation against GSK was concluded in July 2008**, following mediation. The agreement provided for a payment to Biota of \$20 million, and the normalisation of commercial relations.
- **In January 2009, the UK Department of Health awarded GlaxoSmithKline a contract for the supply of 10.6 million treatment courses of Relenza.** This purchase is consistent with recommendations published by the European Medicines Agency (EMA) and the UK's Royal Society of Medical Sciences to diversify anti-viral stockpiles and include zanamivir (Relenza), especially given the emerging evidence of resistance to Tamiflu (oseltamivir). Biota estimates that the completion of the contract will represent royalty income to Biota of up to \$18 million. Timing of this receipt to Biota is uncertain.
- Biota's co-owned long acting neuraminidase inhibitor (**LANI**) **CS8958 successfully completed its initial Phase II study in Japan and commenced the pivotal Phase III study at a number of centres in Asia.** The study involves adult patients who have confirmed, naturally acquired influenza A or B. Enrolments are expected to be complete by the end of the northern hemisphere influenza season.
- **Biota expanded the licence of its Respiratory Syncytial Virus (RSV) program with AstraZeneca to include certain Asian and Pacific territories** for an additional US\$3.5 million payment and future royalties. During the half the 2005 Collaboration agreement, initially with MedImmune Inc., was assigned to AstraZeneca and the supporting research program has been extended. The program's lead compound is completing Phase I clinical trials.
- The Company **completed an on-market share buy-back** in October 2008. During the half year, 6.6 million shares were purchased and cancelled at a cost of \$4.9 million.

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 have included a series of candidate drugs aimed at treatment of respiratory syncytial virus (RSV) disease, licensed to AstraZeneca 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 a key partnership with Daiichi-Sankyo for the development of second generation influenza antivirals. Inverness Medical markets Biota's co-developed OIA FLU influenza diagnostics.

Relenza™ is a registered trademark of the GlaxoSmithKline group of companies.
BioStar® OIA® FLU and BioStar® OIA® FLU A/B are registered trademarks of Inverness Medical.

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

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Biota Holdings Limited

(ABN 28 006 479 081)

Interim report

for the half year ended 31 December 2008

Biota Holdings Limited

ABN 28 006 479 081

Corporate Directory

Directors

John R Grant AM (Chairman)
Paul R Bell
Peter C Cook (CEO & Managing Director)
Ian D Gust AO
Richard Hill
Grant F Latta AM

Share Registry

Link Market Services Limited
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F: +61 2 9287 0303
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W: www.linkmarketservices.com.au

Company Secretary

Damian Lismore (Chief Financial Officer)

Securities Exchange

Australia

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

Registered Office

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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 report – half year ended 31 December 2008

(Previous corresponding period: half year ended 31 December 2007)

Results for announcement to the market

| | | % change | | A\$'000 |
|--|----|-------------|----|---------|
| Revenue from ordinary activities | Up | 10.5% | To | 33,561 |
| Profit from ordinary activities after tax attributable to members | Up | 31% | To | 7,214 |
| Net profit for the period attributable to members | Up | 31% | To | 7,214 |

| Dividends | Amount per security | | Franked amount per security | |
|------------------|----------------------------|-------------------------------|------------------------------------|-------------------------------|
| | Current period | Previous corresponding period | Current period | Previous corresponding period |
| Final dividend | Nil | Nil | Nil | Nil |
| Interim dividend | Nil | Nil | Nil | Nil |

Record date for determining entitlements to the dividend.

Not applicable

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

Biota Holdings Limited

ABN 28 006 479 081

Interim report – 31 December 2008

Commentary on Group Results for the half year ended 31 December 2008.

Explanation of revenue and expenses

Total revenues from continuing operations and other income were \$33,561 (2007: \$30,370). The main elements were:

Revenues from continuing operations

- Royalty income from sales of Relenza was \$3,819 (2007: \$16,483).
- Collaboration income was \$6,657 (2007: \$9,560) and comprises:
 - a. Research revenue of \$4,210 (2007: \$4,915) represents fee for services provided as a result of the AstraZeneca and Boehringer Ingelheim collaboration agreements;
 - b. Milestone payments of \$NIL (2007: \$3,419); and
 - c. Partnering income of \$2,447 (2007: \$1,226) represents amortisation of the initial upfront payments on the collaboration agreements.
- Interest income has risen to \$1,945, (2007: \$1,809) given the higher cash balances maintained.

Other income

- Litigation settlement income was \$20,000 (2007: \$Nil)
- Income associated with National Institute of Health (NIH) grant was \$1,105 (2007:\$2,358).

Total expenses for the period were \$23,425 (2007: \$22,850).

- Research and development expenses were \$6,339 (2007: \$4,656) reflect the development on partnered and other projects.
- Product development expenses were \$6,022 (2007: \$5,928), consistent with the advancement of our clinical programs, particularly HRV, LANI and RSV.
- Costs in the period associated with the finalisation of the litigation against GlaxoSmithKline were \$7,264. In 2007, litigation costs were \$8,561.

Explanation of net profit after income tax

Profit before income tax was \$10,136 (2007: \$7,520) and includes \$12,736 in respect of the litigation settlement net of all costs in the period. Tax expense was \$2,922 (2007:\$1,996).

Explanation of assets, liabilities and equities

Cash balances at \$55,386 reflect continued strong cash management. Cash includes the receipt of the litigation settlement and finalisation of litigation costs following mediation, normal trading and the completion of the on-market share buy back.

Receivables include \$4,255 in respect of Relenza royalties' receivable at 31 December 2008, which are due prior to 30 June 2009.

Plant and equipment at \$7,229 principally reflects the investment in the fit-out of the laboratories and offices at 585 Blackburn Road, Notting Hill.

Deferred tax assets of \$2,246 represent deductible temporary differences and tax losses to the extent that it is probable that future taxable amounts will be available.

Intangible assets of \$11,408 principally represents the agreement with CSIRO and Victorian College of Pharmacy where the parties agreed to exchange variable royalty payments in relation to intellectual property, for a fixed amount less accumulated amortisation. An amount of \$6,909 is included in provisions in respect of the present value of potential bonus payments under the sub-royalty prepayment.

Deferred revenue of \$7,290 represents the unamortised balance of the upfront payments and NIH grant funds received in advance. This amount is expected to be progressively released to revenue over subsequent reporting periods.

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

Biota Holdings Limited

ABN 28 006 479 081

Interim report - 31 December 2008

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This interim 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 2008 and any public announcements made by Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' report

31 December 2008

Your directors present their report on the consolidated entity, consisting of Biota Holdings Limited ("the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

Directors

The following persons were directors of Biota Holdings Limited during the reporting period and up to the date of this report: John Grant (Chair), Paul Bell, Peter Cook, Ian Gust, and Grant Latta.

In addition, Richard Hill was appointed as a director on 28 November 2008 and continues in office at the date of this report and Barbara Gibson was a director from the beginning of the financial year until her resignation on 17 December 2008.

Review of operations

A review of operations of the consolidated entity during the half year is attached to this report under the title of "Commentary on Group Results for the half year ended 31 December 2008".

Auditors' independence

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.


Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the directors.



John Grant AM
Director



Peter Cook
Director

Melbourne
17 February 2009

Auditor's independence declaration

31 December 2008



PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
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DX 77
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61 3 8603 1000
61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the review of Biota Holdings Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Biota Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads "Nadia Carlin".

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
17 February 2009

Consolidated income statement

For the half year ended 31 December 2008

| | | Half year | |
|--|-------|----------------|----------------|
| | Notes | 2008 \$'000 | 2007 \$'000 |
| Revenues from continuing operations | 3 | 12,456 | 28,012 |
| Other income | 3 | 21,105 | 2,358 |
| Research and development | | (6,339) | (4,656) |
| Product development | | (6,022) | (5,928) |
| Business development | | (442) | (428) |
| Amortisation of sub-royalty prepayment | | (840) | (1,121) |
| Corporate – head office | | (2,164) | (1,811) |
| – litigation | | (7,264) | (8,561) |
| Finance costs | | (354) | (345) |
| Profit before income tax | | 10,136 | 7,520 |
| Income tax expense | | 2,922 | 1,996 |
| Profit attributable to members of Biota Holdings Limited | | 7,214 | 5,524 |
| | | Cents | Cents |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company | | | |
| - Basic earnings per share | | 4.1 | 3.0 |
| - Diluted earnings per share | | 4.1 | 2.9 |
| | | Cents | Cents |
| Earnings per share for profit attributable to the ordinary equity holders of the company | | | |
| - Basic earnings per share | | 4.1 | 3.0 |
| - Diluted earnings per share | | 4.1 | 2.9 |

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

Consolidated balance sheet

As at 31 December 2008

| | | 31 December 2008 \$'000 | 30 June 2008 \$'000 |
|--------------------------------|--------------|--|------------------------------------|
| | Notes | | |
| Current assets | | | |
| Cash and cash equivalents | | 55,386 | 60,164 |
| Receivables | | 6,925 | 4,270 |
| Total current assets | | 62,311 | 64,434 |
| Non-current assets | | | |
| Plant and equipment | | 7,229 | 7,543 |
| Deferred tax assets | | 2,246 | 5,168 |
| Intangible assets | | 11,408 | 12,113 |
| Total non-current assets | | 20,883 | 24,824 |
| Total assets | | 83,194 | 89,258 |
| Current liabilities | | | |
| Trade and other payables | | 1,885 | 12,023 |
| Deferred revenue | | 7,313 | 6,059 |
| Provisions | | 1,055 | 1,122 |
| Total current liabilities | | 10,253 | 19,204 |
| Non-current liabilities | | | |
| Provisions | | 6,991 | 6,622 |
| Borrowings | | - | 132 |
| Total non-current liabilities | | 6,991 | 6,754 |
| Total liabilities | | 17,244 | 25,958 |
| Net assets | | 65,950 | 63,300 |
| Equity | | | |
| Parent entity interest | | | |
| Contributed equity | 4 | 154,776 | 159,124 |
| Reserves | 5 | 1,221 | 1,437 |
| Retained losses | 6 | (90,047) | (97,261) |
| Total equity | | 65,950 | 63,300 |

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

Consolidated statement of changes in equity

For the half year ended 31 December 2008

| | Half year | |
|---|-----------|--------|
| | 2008 | 2007 |
| | \$'000 | \$'000 |
| Total equity at the beginning of the half year | 63,300 | 71,535 |
| Profit for the half year | 7,214 | 5,524 |
| Total recognised income and expense for the half year | 7,214 | 5,524 |
| Transactions with equity holders in their capacity as equity holders: | | |
| - Contributions of equity, net of transaction costs (note 4) | - | 6 |
| - Employee share options (note 5) | 381 | 597 |
| - Cancellation of shares (note 4) | (4,945) | - |
| Total equity at the end of the half year | 65,950 | 77,662 |
| Total recognised income for the half year is attributable to: | | |
| - Members of Biota Holdings Limited | 7,214 | 5,524 |

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

Consolidated cash flow statement

For the half year ended 31 December 2008

| | Half year | |
|---|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 6,766 | 9,515 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (31,954) | (22,740) |
| | (25,188) | (13,225) |
| Other revenue and income | | |
| Upfront and milestone payments and grants | 4,209 | 3,419 |
| Litigation settlement | 20,000 | - |
| Interest received | 1,608 | 1,148 |
| Net cash inflow/(outflow) from operating activities | 629 | (8,658) |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (465) | (1,023) |
| Proceeds from sale of plant and equipment | 3 | - |
| Net cash outflow from investing activities | (462) | (1,023) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 6 |
| Payments for share buy-back | (4,945) | - |
| Net cash (outflow)/inflow from financing activities | (4,945) | 6 |
| Net (decrease) in cash and cash equivalents | (4,778) | (9,675) |
| Cash and cash equivalents at the beginning of the half year | 60,164 | 62,156 |
| Effects of exchange rate changes on cash and cash equivalents | - | - |
| Cash and cash equivalents at the end of the half year | 55,386 | 52,481 |

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

Notes to the financial statements

31 December 2008

1. Summary of significant accounting policies

a) Basis of preparation of half year report

This general purpose financial report for the interim half year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim 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 2008 and any public announcements made by Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2. Segment information

The group has one business segment, being drug discovery and clinical development of anti-infectives. The group operates predominantly in one geographical segment, being Australia.

3. Revenues from ordinary activities and other income

| | Half year | |
|--|---------------|---------------|
| | 2008 | 2007 |
| | \$'000 | \$'000 |
| Revenues from continuing operations | | |
| Royalties | 3,819 | 16,483 |
| Collaboration income | | |
| Research revenue | 4,210 | 4,915 |
| Milestones | - | 3,419 |
| Partnering income | 2,447 | 1,226 |
| Diagnostics profit share | - | 120 |
| Interest revenue | 1,945 | 1,809 |
| Other revenue | 35 | 40 |
| Total revenues from continuing operations | 12,456 | 28,012 |
| Other income | | |
| Litigation settlement | 20,000 | - |
| Grant income | 1,105 | 2,358 |
| Total other income | 21,105 | 2,358 |
| Total revenues and other income | 33,561 | 30,370 |

Notes to the financial statements

31 December 2008
(continued)

4. Contributed equity

| | Half year | | Half year | |
|--|----------------|----------------|----------------|----------------|
| | 2008 Shares | 2007 Shares | 2008 \$'000 | 2007 \$'000 |
| Issues of ordinary shares | | | | |
| At start of period | 180,817,823 | 182,711,348 | 159,124 | 161,671 |
| Exercise of options issued under the Biota Employee Option Plan | - | 10,000 | - | 6 |
| Cancellation of shares | (6,629,509) | - | (4,945) | - |
| Transfer from share based payment reserve for options exercised (Note 5) | 375,685 | 613,350 | 597 | 448 |
| At end of period | 174,563,999 | 183,334,698 | 154,776 | 162,125 |

5. Reserves

| | 31 December 2008 \$'000 | 30 June 2008 \$'000 |
|--|-------------------------------|---------------------------|
| Share based payment reserve | | |
| At start of period | 1,437 | 636 |
| Transfer to share capital for options exercised (Note 4) | (597) | (475) |
| Option expense for the period | 381 | 1,276 |
| Balance at end of period | 1,221 | 1,437 |

Nature and purpose of reserves

The share based payments reserve recognises the fair value of all options issued but not exercised at the reporting date.

6. Retained losses

| | 31 December 2008 \$'000 | 30 June 2008 \$'000 |
|----------------------------------|-------------------------------|---------------------------|
| Balance 1 July | (97,261) | (90,772) |
| Net profit/(loss) for the period | 7,214 | (6,489) |
| Balance at end of period | (90,047) | (97,261) |

Notes to the financial statements

31 December 2008

(continued)

7. Earnings per share

| | Half year 2008 | Half year 2007 |
|---|---------------------------|---------------------------|
| | Cents | Cents |
| Basic earnings per share (EPS) | 4.1 | 3.0 |
| Diluted earnings per share (EPS) | 4.1 | 2.9 |
| | \$'000 | \$'000 |
| Profit used to calculate EPS | 7,214 | 5,524 |
| | Number | Number |
| Weighted average shares used to calculate | | |
| - basic EPS | 177,846,085 | 183,224,713 |
| - diluted EPS | 177,846,085 | 190,050,522 |

Options granted by the Company to directors and employees are considered to be potential ordinary shares.

8. Events occurring after balance sheet date

No other matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

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

9. Net Tangible Asset backing

| | 31 December 2008 | 30 June 2008 |
|---|-----------------------------|-------------------------|
| Net tangible asset backing per ordinary share | 31 cents | 28 cents |

Directors' declaration

As at 31 December 2008

In the directors' opinion:

- a) the financial statements and notes set out on pages 3 to 9 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
- b) there are reasonable grounds to believe that Biota Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

For and on behalf of the Board.



John Grant AM
Director



Peter Cook
Director

Melbourne
17 February 2009

Independent audit report to the members

As at 31 December 2008



Independent auditor's report to the members of Biota Holdings Limited

PricewaterhouseCoopers
ABN 52 780 433 757

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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Biota Holdings Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Biota Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Biota Holdings Limited (the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Biota Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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**Independent auditor's report to the members of Biota Holdings Limited
(continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Biota Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Nadia Carlin
Partner

Melbourne
17 February 2009