



DURECT Corporation Reports Third Quarter 2000 Financial Results

CUPERTINO, Calif., Nov. 13 /PRNewswire/ — DURECT Corporation (Nasdaq: DRRX) today announced financial results for the three months ended September 30, 2000.

DURECT's net loss attributable to common stockholders for its third quarter ended September 30, 2000 was \$6.0 million dollars, or \$0.62 cents per diluted share, compared to a net loss of \$2.4 million dollars, or \$0.43 cents per diluted share, for the same period last year. On a pro forma basis, DURECT's net loss for its third quarter ended September 30, 2000 was \$5.7 million dollars, or \$0.16 cents per diluted share, compared to a net loss of \$2.1 million dollars, or \$0.08 cents per diluted share, for the same period last year. Pro forma calculations assume the conversion of all preferred stock, at the date of issuance, into common stock. DURECT's pro forma net loss excluding the effects of certain non-cash and stock-related charges was \$4.1 million, or \$0.11 per diluted share, compared with \$2.0 million, or \$0.07 per diluted share during the third quarter of 1999. DURECT's results include non-cash charges for the amortization of intangibles and stock-based compensation of \$1.7 million for the third quarter ended September 30, 2000.

The increase in net loss for the three months ended September 30, 2000 compared to the same period in 1999 were due primarily to increases in research and development expenses, selling, general and administrative expenses and non-cash items including amortization and stock-based compensation. The increase in research and development expenses was attributable to increases in contract research and development services, research and development personnel and related payroll, and activity related to the preparation for DURECT's Phase II clinical trials for DUROS sufentanil, including the manufacturing of product to be used in the trial. The increase in selling, general and administrative expenses was primarily due to an increase in general and administrative personnel and related expenses necessary to support DURECT's growth. Non-cash charges, including stock-based compensation expenses and amortization expenses related to DURECT's acquisition of the ALZET and IntraEAR businesses also contributed to losses this quarter.

At the end of the third quarter, the Company had cash and cash equivalents, including short-term investments, that totaled \$23.7 million dollars, compared to \$16.6 million dollars as of December 31st, 1999. This increase was primarily due to the proceeds from the sale of preferred stock. DURECT also recorded a receivable of \$78.1 million for the proceeds from its initial public offering, which closed on October 3rd, 2000.

Commenting on third quarter results, James E. Brown, D.V.M., President and Chief Executive Officer, stated, "We are pleased to report progress with respect to our business, particularly with respect to our product development efforts. We have completed the development of a prototype clinical system for our second product in development, a DUROS-based pharmaceutical system for the delivery of hydromorphone to the spine for the treatment of terminal cancer pain. We are also continuing to make progress towards beginning our Phase II



clinical trials for our DUROS sufentanil product.”

DURECT Corporation is pioneering the development and commercialization of pharmaceutical systems to deliver the right drug to the right site in the right amount at the right time. DURECT’s pharmaceutical systems combine technology innovations from the medical device and drug delivery industries with proprietary pharmaceutical and biotechnology drug formulations. These capabilities can enable new drug therapies or optimize existing therapies based on a broad range of compounds, including small molecule pharmaceuticals as well as biotechnology molecules such as proteins, peptides and genes. DURECT’s initial portfolio of products combine the DUROS technology, a proven and patented drug delivery platform licensed for specified fields of use from ALZA Corporation, with drugs for which medical data on efficacy and safety are available. Founded in 1998, the Company is headquartered in Cupertino, CA. The Company’s World Wide Web site can be accessed at <http://www.durect.com>. To join DURECT’s email alert service, please register by selecting “Email Alerts” on the main Investor Relations web page at <http://www.durect.com>. DUROS is a registered trademark of ALZA Corporation.

The statements in this press release regarding DURECT’s products in development, product development plans, clinical trials, and expected product benefits are forward-looking statements involving risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Potential risks and uncertainties include, but are not limited to, DURECT’s ability to develop, manufacture and commercialize its products, complete successful clinical trials, obtain product approvals from regulatory agencies, build a manufacturing facility, marketplace acceptance of DURECT’s products and DURECT’s ability to manage its growth and costs. Further information regarding these and other risks is included in the company’s S-1 registration statement, filed with the SEC on September 22, 2000 and its 424(b) prospectus filed with the SEC on September 28, 2000.

DURECT CORPORATION
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three months ended		Nine Months ended	
	Sept. 30,		Sept. 30,	
	2000	1999	2000	1999
Revenues, net	\$1,101	\$--	\$2,182	\$--
Cost of goods sold	777	--	1,417	--
Gross margin	324	--	765	--
Operating expenses:				
Research and development	3,400	1,371	8,648	3,112
Research and development to related party	193	166	626	861
Selling, general and administrative	1,472	644	3,710	1,465
Stock-based compensation	1,432	125	3,932	351



Total operating expenses	6,497	2,306	16,916	5,789
Loss from operations	(6,173)	(2,306)	(16,151)	(5,789)
Other income (expense):				
Interest income	495	234	1,322	375
Interest expense	(34)	(10)	(88)	(20)
Net other income	461	224	1,234	355
Net Loss	(5,712)	(2,082)	(14,917)	(5,434)
Accretion of cumulative dividends on Series B convertible preferred stock	319	271	972	271
Net loss attributable to common stockholders	\$(6,031)	\$(2,353)	\$(15,889)	\$(5,705)
Net loss per common share, basic and diluted	\$(0.62)	\$(0.43)	\$(1.96)	\$(1.13)
Shares used in computing basic and diluted net loss per share	9,803	5,522	8,118	5,054
Pro forma net loss per share, basic and diluted(1)	\$(0.16)	\$(0.08)	\$(0.44)	\$(0.25)
Shares used in computing pro forma net loss per share(1)	36,408	27,194	34,170	21,719

(1) Pro forma calculations assume the conversion of all preferred stock,

at the date of issuance, into common stock.

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CONDENSED BALANCE SHEETS
(in thousands, except per share amounts)

	Sept. 30, 2000 (unaudited)	Dec. 31, 1999
Assets		
Current assets:		
Cash and cash equivalents	\$19,320	\$3,863



Short-term investments	4,372	12,735
IPO proceeds receivable	78,120	--
Accounts receivable, net	851	97
Inventories	3,096	188
Prepaid expenses and other current assets	1,015	584
Total current assets	106,774	17,467
Property and equipment, net	2,272	1,271
Intangible assets, net	5,449	1,390
Long-term investments	1,642	2,335
Total assets	\$116,137	\$22,463
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$347	\$483
Accrued liabilities	905	429
Accrued liabilities to related party	1,050	321
Accrued stock issuance cost	575	--
Contract research liability	406	180
Equipment financing obligations, current portion	326	133
Total current liabilities	3,609	1,546
Equipment financing obligations, noncurrent portion	923	189
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	--	2
Common stock	4	1
Additional paid-in capital	158,145	34,642
Notes receivable from stockholders	(652)	(33)
Accumulated other comprehensive income (loss)	(2)	--
Deferred compensation	(5,889)	(3,252)
Deferred royalties and commercial rights	(13,480)	--
Deficit accumulated during the development stage	(26,521)	(10,632)
Stockholders' equity	111,605	20,728
Total liabilities and stockholders' equity	\$116,137	\$22,463

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