



# DURECT Corporation Reports Third Quarter 2001 Financial Results

CUPERTINO, Calif., Oct. 31 /PRNewswire/ —

DURECT Corporation (Nasdaq: DRRX) announced today financial results for the three months ended September 30, 2001.

The company's net loss attributable to common stockholders for the three months ended September 30, 2001 was \$8.9 million or 19 cents per share compared to \$6.0 million, or 62 cents per share, for the three months ended September 30, 2000. DURECT's results for the period also include non-cash charges for the amortization of intangible assets and stock-based compensation of \$1.3 million compared to \$1.7 million for the same period in 2000.

"We are delighted with the company's progress over the quarter," stated James E. Brown, CEO of DURECT. "During this quarter, we announced positive Phase II results from our lead product in development, Chronogesic(TM), a 3-month continuous infusion subcutaneous implant for the treatment of chronic pain. The results of the Phase II study exceeded our expectations. Patients in the study reported that Chronogesic(TM) provided better pain control and fewer side effects, resulting in a strong preference by patients for Chronogesic(TM) versus other medicines used prior to the study. These positive results support our belief that Chronogesic(TM) offers patients a better quality-of-life alternative to currently available therapies for the long-term treatment of stable and opioid responsive chronic pain."

The increase in net loss in the third quarter of 2001 compared to the same quarter in 2000 was primarily due to increased research and development activity and selling, general and administrative expenses. The increase in research and development expenses was primarily attributable to the company's Phase II clinical trial for its lead product, Chronogesic(TM). 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. The increase in operating expenses was partially offset by increased interest income resulting from higher average outstanding cash and investment balances.

At September 30, 2001, the company had cash and investments of \$88.2 million compared to \$106.1 million at December 31, 2000.

DURECT Corporation is pioneering the development and commercialization of pharmaceutical systems for the treatment of chronic debilitating diseases and enabling biotechnology-based pharmaceutical products. DURECT's goal is 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 focuses on the treatment of chronic diseases including pain, CNS disorders, cardiovascular disease and cancer. DURECT holds an exclusive license from ALZA Corporation (NYSE: AZA) to



develop and commercialize products in selected fields based on the DUROS(R) implant technology. Chronogesic(TM), a 3-month continuous infusion subcutaneous implant for the treatment of chronic pain, is the first product in this series and completed phase II testing in June, 2001. DURECT also owns three proprietary erodible implant platform technologies, including SABER(TM) (a patented and versatile depot injectable useful for protein delivery), microspheres and drug-loaded implants. DURECT also commercializes IntraEAR(R) catheters which have been used by physicians to treat inner ear disorders. Founded in 1998, DURECT is headquartered in Cupertino, CA. The company's World Wide Web site can be accessed at <http://www.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.www.durect.com> . Chronogesic(TM), SABER(TM) and IntraEAR(R) are trademarks of DURECT Corporation. DUROS(R) is a trademark of ALZA Corporation.

DURECT CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share amounts)  
(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2001	2000	2001	2000
Revenue, net	\$1,841	\$1,101	\$4,928	\$2,182
Cost of goods sold (A)	963	645	2,548	1,256
Gross profit	878	456	2,380	926
Operating expenses:				
Research and development	7,181	3,400	16,590	8,648
Research and development to related party	25	193	90	626
Selling, general and administrative	2,305	1,398	6,339	3,363
Amortization of intangible assets	555	206	1,290	508
Stock-based compensation (A)	750	1,432	2,605	3,932
Acquired in-process research and development	--	--	14,030	--
Total operating expenses	10,816	6,629	40,944	17,077
Loss from operations	(9,938)	(6,173)	(38,564)	(16,151)
Other income (expense):				
Interest income	1,096	495	3,960	1,322
Interest expense	(92)	(34)	(238)	(88)
Net other income	1,004	461	3,722	1,234
Net loss	(8,934)	(5,712)	(34,842)	(14,917)



Accretion of cumulative dividends on Series B convertible preferred stock	--	319	--	972
Net loss attributable to common stockholders	\$(8,934)	\$(6,031)	\$(34,842)	\$(15,889)
Net loss per common share, basic and diluted	\$(0.19)	\$(0.62)	\$(0.76)	\$(1.96)
Shares used in computing basic and diluted net loss per share	46,906	9,802	46,120	8,118
Pro forma net loss attributable to common stockholders excluding acquired in-process research & development			\$(20,811)	
Pro forma net loss per share, basic and diluted excluding acquired in-process research & development			\$(0.45)	
Shares used in computing pro forma net loss per share			46,120	

(A) Stock-based compensation related to the following:

Cost of goods sold	\$31	\$22	\$118	\$43
Research and development	503	1,020	1,798	2,685
Selling, general and administrative	247	412	807	1,247
	\$781	\$1,454	\$2,723	\$3,975

DURECT CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEET  
(in thousands)

	September 30, 2001 (unaudited)	December 31, 2000 (A)
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$69,397	\$104,432
Accounts receivable, net	1,054	1,261
Inventories	2,052	2,682
Other current assets	1,848	938
Total current assets	74,351	109,313



Property and equipment, net	11,456	4,472
Intangible assets, net	10,631	5,175
Long-term investments and other	18,839	1,652
Total assets	\$115,277	\$120,612
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$6,079	\$3,846
Other current liabilities	678	407
Total current liabilities	6,757	4,253
Other long-term liabilities	2,405	1,105
Stockholders' equity	106,115	115,254
Total liabilities and stockholders' equity	\$115,277	\$120,612

(A) Derived from audited financial statements.

The statements in this press release regarding DURECT's products in development, product development plans, expected product benefits or potential product markets 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 successfully complete clinical trials, develop, manufacture and commercialize its products, obtain product and manufacturing approvals from regulatory agencies, validate and qualify a manufacturing facility and manage its growth and expenses, as well as marketplace acceptance of DURECT's products. Further information regarding these and other risks is included in DURECT's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 filed with the SEC on August 14, 2001, and Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed with the SEC on March 30, 2001, under the heading "Factors that may effect future results."

SOURCE DURECT Corporation

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