

DURECT Corporation Announces Second Quarter 2005 Financial Results

CUPERTINO, Calif., July 22 /PRNewswire-FirstCall/ — DURECT Corporation (Nasdaq: DRRX) announced today financial results for the three months ended June 30, 2005.

DURECT's net loss for the three months ended June 30, 2005 was \$3.6 million or 7 cents per share, compared to a net loss of \$7.4 million or 14 cents per share for the same period in 2004. DURECT's results for the three months ended June 30, 2005 included non-cash charges of \$646,000 for the amortization of intangible assets and stock-based compensation, compared to \$443,000 for the same period in 2004. Cash provided by operating activities was \$4.8 million for the three months ended June 30, 2005, compared to \$6.3 million cash used for the same period in 2004.

"We had a very positive second quarter and executed on our corporate objectives. We announced exciting preliminary results from cohort 2 of the Phase II study for our post-operative pain relief depot, SABER(TM)-Bupivacaine. In addition, we advanced this program into the third and last cohort of the Phase II study, which is anticipated to enroll 60 patients. Also, our partner Pain Therapeutics announced the completion of enrollment of their first Phase III study using our ORADUR sustained release oral gel-cap technology, and we look forward to the results from this study," stated James E. Brown, DVM, President and CEO of DURECT.

Dr. Brown added, "We continue to make significant progress on our other development programs, including our collaborations with Voyager with respect to Alzheimer's disease and ENDO with respect to our seven-day sufentanil patch. Today, we also announced that we have taken the opportunity to retire a portion of our outstanding convertible notes in order to further strengthen our financial position."

Total revenues were \$8.8 million for the three months ended June 30, 2005, compared to \$3.1 million for the same period in 2004. Total collaborative research and development and other revenues were \$6.9 million for the three months ended June 30, 2005, compared with \$1.3 million for the same period in 2004. The increase in total revenues was primarily attributable to higher collaborative research and development revenue recognized from our agreements with Endo Pharmaceuticals, Inc. (TRANSDUR-sufentanil), Voyager Pharmaceutical Corporation, and Pain Therapeutics, Inc. and higher product revenues from our ALZET and polymer product lines.

Research and development expenses were \$7.6 million for the three months ended June 30, 2005, compared to \$6.0 million for the same period in 2004. The increase was primarily attributable to the higher development expenses for SABER-Bupivacaine, TRANSDUR-Sufentanil, DURIN-Leuprolide and certain other product candidates.

Selling, general and administrative expenses were \$2.8 million for the three months ended June 30, 2005, compared to \$2.3 million for the same period



in 2004. The increase in the three months ended June 30, 2005 was primarily due to higher employee related costs and other external costs to comply with the Sarbanes-Oxley Act.

Interest and other income was \$407,000 for the three months ended June 30, 2005, compared with \$289,000 for the same period in 2004. The increase in interest income was primarily the result of higher yields on cash and investment balances held during the three months ended June 30, 2005 compared with the same period in 2004. Interest expense was both \$1.1 million for the three months ended June 30, 2005 and 2004. The interest expense was primarily the result of the interest accrued on the \$60.0 million convertible notes the Company issued in June and July of 2003.

At June 30, 2005, DURECT had cash and investments of \$60.5 million, including \$2.4 mil......restricted investments, with cash and investments of \$61.8 million at December 31, 2004. We anticipate that our December 31, 2005 cash and investments balance to be in the range of \$48.0 million to \$50.0 million.

About DURECT Corporation

DURECT Corporation is an emerging specialty pharmaceutical company focused on the development of pharmaceutical systems based on its proprietary drug delivery platform technologies that treat chronic debilitating diseases and enable biotechnology products. These platform technologies include the SABER(TM) Delivery System (a patented and versatile depot injectable useful for protein and small molecule delivery), the ORADUR(TM) sustained release oral gel-cap technology (an oral sustained release technology with several potential abuse deterrent properties), the DURIN(TM) Biodegradable Implant (drug-loaded implant system), the TRANSDUR(TM) transdermal technology and the MICRODUR(TM) Biodegradable Microparticulates (microspheres injectable system). DURECT also collaborates with pharmaceutical companies to develop and commercialize proprietary and enhanced pharmaceutical products based on its technologies. DURECT has five disclosed on-going development programs of which four are in collaboration with pharmaceutical partners. Additional information about DURECT is available at www.www.durect.com.

NOTE: SABER(TM), ORADUR(TM), DURIN(TM), TRANSDUR(TM) and MICRODUR(TM) are trademarks of DURECT Corporation. Other referenced trademarks belong to their respective owners.

DURECT Forward-Looking Statement

The statements in this press release regarding DURECT's products in development, product development plans, clinical trials and projected financial results are forward-looking statements involving risks and uncertainties that can 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 (and that of its third party collaborators where applicable) abilities to complete the design, development, and manufacturing process development of the product candidate, obtain product and manufacturing approvals from regulatory agencies and manufacture and commercialize the product candidate, as well as marketplace acceptance of the product candidate. Further information regarding these and other risks is included in DURECT's Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed with the SEC on May 6, 2005 under the heading "Factors that may affect future results."



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

		Three months ended June 30,			
	2005	2004	June 2005	2004	
(1		(unaudited)			
- 1 .	41 000	41 860	42 646	42 105	
Product revenue, net Collaborative research	\$1,889	\$1,760	\$3,646	\$3,125	
and development and					
other revenue	6,930	1,320		-	
Total revenues	8,819	3,080	14,173	6,465	
Operating expenses:					
Cost of revenues	689	867	1,360	1,432	
Research and	7 (1)	6 040	14 021	11 440	
development Selling, general	7,613	6,040	14,231	11,449	
and administrative	2,812	2,339	5 316	4,563	
Amortization of	2,012	2,339	3,310	1 ,505	
intangible assets	303	308	606	643	
Stock-based compensation					
Total operating expense				18,257	
Loss from operations	•	(6,609)		(11,792)	
Other income (expense):					
Interest and other income			892		
Interest expense Net other expense		(1,113)	(2,234)	(2,224)	
Net other expense	(707)		(1,342)		
Net loss	\$(3,648)	\$(7,433)	\$(9,075)	\$(13,423)	
Net loss per common					
share, basic and	ė (O O7)	Ċ(O 14)	Ċ/O 17\	¢(0, 06)	
diluted Shares used in computing	\$ (0.07)	\$(0.14)	\$(0.17)	\$(0.26)	
basic and diluted net					
loss per share	52,047	51,396	51,967	51,260	
1000 per bhare	32,017	31,370	31,707	31,200	
(1) Stock-based compensation related to the following:					
Cost of revenues	\$	\$(2)	\$	\$1	
Research and development		126	46	153	
Selling, general and					
administrative	343	11	347	16	
	\$343	\$135	\$393	\$170	

DURECT CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)



	June 30, 2005	December 31, 2004 (1)
Assets		, ,
Current assets: Cash and cash equivalents Short-term investments Accounts receivable Inventories Prepaid expenses and other current assets Total current assets	\$30,269 18,918 6,166 1,911 1,139 58,403	21,765 2,481 1,929 1,364
Property and equipment, net Goodwill Intangible assets, net Long-term investments Restricted investments Other non-current assets Total assets	7,258 6,399 1,138 8,926 2,425 2,310 \$86,859	
Liabilities and stockholders' equity Current liabilities: Accounts payable, accrued liabilities and deferred revenue =.21.term obligations, current portion	E.E).612 366	
Total current liabilities	7,978	5,489
Long-term obligations, noncurrent portion	68,647	61,589
Stockholders' equity	10,234	18,390
Total liabilities and stockholders' equity	\$86,859	\$85,468

(1) Derived from audited financial statements.

SOURCE DURECT Corporation

07/22/2005

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