



Company Announcements Office
Australian Stock Exchange Limited
4th Floor, 20 Bridge Street
Sydney
NSW 2000

25 June 2008

Dear Sir/madam,

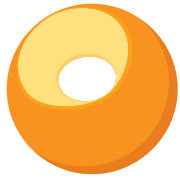
Attached is Arana Therapeutics' half year report as distributed to shareholders who have elected to receive such a report. The report is also available on our website – www.arana.com

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Niall Henderson', with a long horizontal flourish extending to the right.

Niall Henderson
Company Secretary

Arana Therapeutics Limited
Level 2, 37 Epping Rd
Macquarie Park
Sydney NSW 2113
Australia
P +61 2 8061 9900
F +61 2 8061 9999
ABN 98 002 951 877



arana
therapeutics®

HALF YEAR REPORT

31 March 2008



Significant Events

Arana achieved a number of significant commercial and clinical developments since September 2007 including:

OCTOBER 2007

- New technology licensing agreement with Aveo Pharmaceuticals delivering immediate revenues
- Successful completion of Phase I trial for ART621

NOVEMBER 2007

- Completion of project for technology partner CSL

JANUARY 2008

- Receipt of final instalment from sale of shares in Domantis - \$17.7 million

FEBRUARY 2008

- Sale of animal health business
- Milestone in collaboration with CSL

MARCH 2008

- Start of Phase II trial for ART621 in psoriasis

APRIL 2008

- Co-development deal with Kyowa Hakko Kogyo

JUNE 2008

- Completion of second project with CSL
- Collaboration agreement with Greenovation

Vision

To improve patients' lives by developing new generation products and platforms for the treatment of inflammatory diseases such as rheumatoid arthritis and cancer.

"Arana continues to strengthen its position as a significant player in the fast-growing antibody therapeutics sector and our technology is helping drive the development of next generation drugs. We now have a focused product pipeline and the financial assets to develop them to commercialisation."

Dr John Chiplin, CEO



Arana CEO's Report

Dear Shareholder,

Welcome to the Half Year Report of Arana Therapeutics®. We have come a long way since the merger of Peptech and EvoGenix in August 2007 and I believe we are delivering on the promise that the merger offered.

Since September 2007 we have remained focused on our strategic goals - concentrating our resources on the development of human therapeutics and expanding our commercial relationships globally.

Arana is a significant international biopharmaceutical company - a company that is well placed to develop next generation biologics for improving the lives of patients with inflammatory diseases and cancer. We have continued to strengthen our existing commercial relationships and develop new relationships in strategic areas.

We have successfully completed two collaborative projects with CSL - the first in November and the second in June - where we used our proprietary technologies to improve CSL candidate antibodies.

In October, we signed a new technology licensing agreement with US-based Aveo Pharmaceuticals that delivered immediate revenues and has the potential to provide a future licensing revenue stream.

In April, we signed a significant co-development deal with major Japanese biotechnology company Kyowa Hakko Kogyo. Kyowa Hakko Kogyo with its US-based subsidiary Biowa, has achieved extraordinary levels of antibody potency by application of its proprietary technology. The co-development relationship enables the application of Kyowa Hakko's impressive antibody enhancement technology to Arana's ART104, thus improving the chance of success for this potentially valuable and powerful anti-cancer drug. Importantly Kyowa Hakko's market presence and capability will also provide for improved product commercialisation.

Finally, in early June we entered into a collaborative agreement to develop potent anti-cancer antibodies with Germany-based Greenovation. Arana will contribute its proprietary protein engineering technologies to produce high quality drug candidates. Greenovation will then utilise its Bryotechnology - a novel moss-based protein glycoengineering and production platform - to further optimise and produce the antibodies.

We continue to look for partnering opportunities that will help us to spread the cost and lower the risk of our product development program and give us an unmatched suite of antibody engineering technologies to choose from as appropriate.

We have also advanced in the clinic. In March, we announced the start of Phase II clinical trials in psoriasis for our domain antibody compound ART621. ART621 is an "anti-TNF" - a class of drugs used for the treatment of inflammatory diseases such as rheumatoid arthritis, psoriasis and Crohn's disease. The trial follows successful Phase I clinical results, which showed that the drug was well tolerated in healthy volunteers.

We continue to actively communicate our story and value proposition to the market. We have recently conducted investor road shows in Australia and overseas. In addition, we have conference engagements planned in Australia, the United States and Europe to assist in raising our profile with professional investors in the industry.

Outlook

There is no doubt that market conditions have recently been challenging and particularly difficult for many companies in the biotechnology sector. Arana is in an enviable position of financial strength and we are carefully managing our resources by seeking efficiencies in overhead costs, while aggressively developing our pipeline and working towards our goal of getting our product candidates to market.

Arana has never been better positioned to deliver future growth - with a multi-product pipeline, a technology platform that attracts global partners, significant revenues - and a financial position that allows us to commercialise our developments at a point most beneficial to all shareholders.

John Chiplin
Chief Executive Officer



Review of Operations

BUSINESS STRATEGY

Arana is focused on antibody therapeutics - an area of major global opportunity.

Antibodies are a proven class of drugs that also offer new treatment opportunities and significant new markets. Antibody therapeutics are expected to account for over 50% of drug sales growth globally by 2011 and are increasingly attracting the interest of major pharmaceutical companies in search of new product opportunities.

Arana is well placed in the sector and continues to make significant progress in implementing its business strategy, which centres on three key areas:

- **Products** - Advancing our product pipeline to the clinic in high value markets such as inflammatory diseases and cancer. We are focused on novel, differentiated products with genuine "second generation" potential and worldwide freedom to operate with minimum royalty stack (payments to third parties).
- **Platform** - Our technology platform feeds our pipeline with novel products and generates near and long term revenue through our innovative protein engineering technologies (Superhumanisation™, Synhumanisation® and EvoGene™).
- **Partnerships** - For products we seek partnerships at the Phase II "sweet spot" and for our platform we aim to expand our partnerships with major pharmaceutical and biotechnology companies worldwide, including CSL Limited (CSL), GlaxoSmithKline (GSK), and develop new relationships in major markets. Most recently Arana announced a co-development deal with Japanese biotechnology company Kyowa Hakko Kogyo (Kyowa Hakko).

This strategy continues to drive developments at Arana and underpin its recognition as a world leading antibody/protein engineering company.

PRODUCT PIPELINE

Arana is developing a number of biologic compounds with potential to enter large markets for human conditions such as inflammatory diseases and cancer. The pipeline consists of several lead drug programs;

- ART621 to treat inflammatory disease including severe rheumatoid arthritis, psoriasis and others;
- PMX53 under investigation for the treatment of a range of inflammatory conditions including age-related macular degeneration, osteoarthritis and psoriasis;
- ART010 to treat cancer-related bone disease and osteoporosis;
- ART104 to treat colorectal cancer; and
- ART150 for lung cancer and melanoma.

Additionally, the company has earlier stage products under development targeting colorectal cancer and leukaemia.

Our most clinically advanced therapeutic is ART621, a compound that targets a protein called TNF (tumour necrosis factor alpha). ART621 is an "anti-TNF" agent, which works by blocking the action of TNF, as a protein involved in the generation of inflammation. Current marketed anti-TNF biologics are used for the treatment of inflammatory diseases such as rheumatoid arthritis, psoriasis, psoriatic arthritis, ankylosing spondylitis and Crohn's disease and collectively generate current global sales exceeding US\$13 billion. Sales of anti-TNFs are projected to continue their strong growth and exceed US\$20 billion by 2012.

Despite the major clinical and commercial success of anti-TNFs, available products are not ideal, with undesirable side effects and failure to respond being reported. As a result there is a strong demand for new anti-TNF products and in response Arana is developing ART621 as a major priority.

Importantly ART621 has some unique features, which may generate clinical and commercial advantage compared to existing products. Even a small market share could lead to very substantial revenues.

In April this year Arana announced commencement of recruitment for a Phase II trial in psoriasis for ART621. The study will provide repeat dose, pharmacokinetic, safety and preliminary anti-TNF efficacy data for ART621 in psoriasis patients. The results will also be used to inform the design of longer duration clinical studies in rheumatoid arthritis and other indications.

This Phase II trial, currently underway, follows the successful completion of a Phase I clinical trial of ART621 in which the drug was well tolerated in healthy volunteers. Earlier pre-clinical trials recorded potency levels at least equivalent to a market-leading anti-TNF drug in an animal model of rheumatoid arthritis. ART621 has also been shown to have design features that make it highly suitable for commercial production.

Subject to the successful completion of the psoriasis trial, Arana is planning to file a regulatory submission (Investigational New Drug application or IND) with the United States Food and Drug Administration (FDA) for rheumatoid arthritis in late 2008. We are planning to enter a Phase II rheumatoid arthritis study in late 2008 and are exploring the potential for pilot studies of ART621 in other indications.



Diagrammatic representation of ART621 distributing to areas of inflammation

There has been substantial progress across our pipeline as a whole, with a number of key steps expected to occur in 2008 and the first quarter of 2009.

Key clinical developments ahead:

For ART621:

- Pre IND meeting with FDA - quarter 2, 2008
- IND filing for rheumatoid arthritis indication - quarter 4, 2008
- Commence Phase II rheumatoid arthritis trial - quarter 4, 2008
- Psoriasis Phase II trial reported - quarter 4, 2008

For PMX53:

- Commencement of Phase I trial - quarter 1, 2009

For pre-clinical developments:

- There are ongoing pre-clinical studies for ART010, ART150, PMX53 and ART104, with reports anticipated in 2008 as data comes to hand.

PLATFORM TECHNOLOGIES

Our unique combination of protein and antibody engineering and optimisation technologies (including Superhumanisation™, Synhumanisation® and EvoGene™) provide significant scope for the development of new and improved products.

Arana is focused on extracting value from these technologies by using them to generate and improve not only Arana's own potential therapeutics but also to generate and optimise pipeline products for other biotechnology and biopharmaceutical companies (e.g. GSK, CSL, Vegenics and Aveo).

Where other companies benefit from access to the platform, Arana stands to gain both short term revenues and longer term licensing and royalty revenues, generated by the subsequent marketing of products that have drawn on the technologies.

In the case of GSK and CSL, where multi-product deals are in place, both are undertaking "repeat business" with new projects following the successful completion of initial projects which delivered improved therapeutics back to the partners.

The Arana platform is a valuable "product engine", contributing to novel product generation and improvement across the biologics pipeline - with new pipeline entries anticipated in late 2008 and the first half of 2009.

PARTNERSHIPS WITH MAJOR PHARMA

By reaching success milestones in our existing technology partnerships with CSL and GSK we have enhanced our potential in achieving long-term revenue as these products progress towards market and also gained significant validation of our technology.

Additional projects are underway with both of these partners and we also continue to make significant progress in our technology partnership with Vegenics, an Australian company. Further enhancing the Arana business model, in October 2007 Arana entered into a license only agreement with Aveo Pharmaceuticals, granting Aveo rights to use Arana's Superhumanisation™ technology.

Our latest major partnership was signed in April 2008, when we announced a co-development deal with Kyowa Hakko. The collaboration is centred on one of our lead anti-cancer antibodies, ART104, which is being developed for the treatment of colorectal cancer, a major indication and an unmet medical need. This collaboration will include the application of Kyowa Hakko's proprietary technologies to ART104, which has the potential to significantly enhance the anti-cancer potency of the product.

Under the agreement, Arana received an upfront US\$4 million payment and additional milestones of up to US\$4 million. Arana and Kyowa Hakko will have 50:50 ownership of the resulting product and will also share equally in the development costs going forward. Kyowa Hakko also has an option to develop and commercialise ART104 in some

Asian markets, including Japan, from which Arana will receive royalties.

By working with Kyowa Hakko, Arana joins an impressive list of companies such as GSK, Genentech, UCB, Takeda Pharmaceutical Company and MedImmune (Astra Zeneca), who also have technology partnerships with this major Japanese biotechnology company.

With the commencement of the Phase II clinical trial of our lead compound ART621, Arana has achieved another significant milestone in the development of this product. As we progress through the Phase II program we will be seeking potential commercial partners to steer the product through the crucial Phase III studies, regulatory approval process and on to market launch.

Arana continues to search for additional assets that may enhance our product portfolio within our current therapeutic focus. To this end, we have an open dialogue with a number of companies and academic groups and continue to evaluate these projects on all fronts.

In summary, our strategic partnership goals for 2008 are focused on exploring the options for partnering certain pipeline products, to further leverage our technology platforms with existing and new partners, and to strengthen our product pipeline through in-licensing and/or collaborations.

Arana is in a truly unique position within its peer group - it has a diverse range of valuable assets and strong corporate partnerships supported by a robust cash position, limiting downside risk.



Financial Overview

a) Income statement

(comparative figures are for the half year ended 31 March 2007)

The net profit for the half year was \$1.6 million (2007 \$137.7 million). The current period result includes six months of the EvoGenix operations after the merger in August 2007. The 2007 result includes the \$136.1 million gain on the sale of the investment in Domantis.

Total revenues for the half year were \$19.7 million (2007 \$17.8 million). Revenues from royalties of \$8.6 million (2007 \$8.2 million) have continued to increase, but have been impacted by the appreciating Australian dollar against the US dollar; the increase in US dollar terms was 20%. Sales and licensing income was \$4.6 million (2007 \$6.4 million); the decrease is due to timing of recognition of the incremental licence fees, which are anticipated to be recognised by September 2008. Other income of \$1.4 million (2007 \$136.4 million) includes \$1.0 million of grant income recognised under the P3 program and \$0.1 million of realised foreign exchange gains. The 2007 Other income included the net gain on sale of the Domantis investment of \$136.1 million and realised foreign exchange gains of \$0.4 million on foreign currency derivative instruments.

Employee benefits expense was \$5.8 million (2007 \$2.3 million) reflecting the increased number of employees following the merger with EvoGenix and increased resources in research and development as Arana continues to develop its product pipeline.

Depreciation and amortisation costs were \$4.9 million (2007 \$1.2 million); the increase represents the amortisation of the intangible intellectual property assets recognised on the merger with EvoGenix.

During the current half year \$5.9 million (2007 \$3.6 million) was spent on external research and development activities, the increase reflects the Phase I and II activity for ART621 as well as the inclusion of the EvoGenix research and development activity.

Premises expense was a \$0.9 million credit (2007 \$0.4 million expense). The credit resulted from the release of \$1.4 million from a surplus lease space provision and the release of \$0.3 million from an accrued lease incentive liability. These relate to Arana's site exit as part of the sale of the Animal Health business. Facility costs for continuing operations have increased due to the inclusion of the EvoGenix Melbourne and US sites and Arana's relocation to a larger site in Sydney.

Finance costs of \$0.3 million (2007 \$0.5 million) have been recorded, these are non-cash charges representing the implied finance costs arising from the discounted non current liabilities for the deferred consideration payable for the Promics and Scancell acquisitions. These finance costs are expected to be incurred in future reporting periods as the discounts continue to unwind.

Tax benefit in the current period was \$0.7 million (2007 \$1.0 million expense) arises from the increased research and development tax deductions generated by the merged entity as expenditure on the product pipeline continues.

b) Balance sheet

(comparative figures are amounts at 30 September 2007)

The increase in cash reserves to \$181.7 million (2007 \$169.0 million) has resulted from the \$17.7 million cash receipt of the escrowed Domantis sale proceeds in January 2008 and net of positive operating cash flows of \$3.1 million but offset by the \$6.2 million payments for property, plant and equipment.

Trade and other receivables of \$7.8 million (2007 \$25.5 million) have decreased due to the receipt of the escrowed Domantis sale proceeds of \$17.7 million.

Financial Overview continued

Property, plant and equipment have increased to \$7.0 million (2007 \$1.2 million) representing the investment in a new facility (leasehold) in Sydney and scientific equipment of \$1.3 million.

Intangible assets have decreased to \$125.5 million (2007 \$129.9 million), the movement represents current period amortisation.

Non current payables of \$12.4 million (2007 \$11.9 million) represent the discounted deferred consideration for the Promics and Scancell acquisitions, that have been recognised, but are payable contingent on the satisfaction of certain future events. The increase in 2008 represents the unwinding of the discount for this half year.

c) Statement of cash flows

(comparative figures are for the half year ended 31 March 2007)

Cash flows from continuing operations have increased from \$2.6 million to \$3.2 million, reflecting the increased receipts of royalty and licensing and interest income and offset by increased expenditure on consumables, research and development, employee benefits and costs of premises.

Cash inflows from investing activities (continuing operations) were \$10.4 million (2007 \$145.5 million). These represent the cash receipt of the escrowed Domantis sale proceeds and the payment of \$6.2 million for property, plant and equipment.

Consolidated income statement for the half year ended 31 March 2008

	2008 Half Year to 31 March	2007 Half Year to 31 March
	\$'000	\$'000
Revenue from continuing operations	19,704	17,839
Other income	1,408	136,454
Consumables expense	(1,000)	(258)
Employee benefits expense	(5,804)	(2,314)
Depreciation and amortisation expense	(4,870)	(1,157)
External research and development expense	(5,893)	(3,644)
Cost of premises	888	(378)
Legal and professional services	(2,049)	(2,607)
Impairment of intangibles	-	(2,831)
Other expenses	(1,629)	(1,309)
Finance costs	(334)	(490)
Profit before income tax	421	139,305
Income tax (expense) benefit	734	(986)
Profit from continuing operations	1,155	138,319
Profit (loss) from discontinued operation	488	(647)
Profit for the half year attributable to members of Arana Therapeutics Limited	1,643	137,672
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company :		
Basic earnings per share	0.49	84.30
Diluted earnings per share	0.49	83.93
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	0.70	83.91
Diluted earnings per share	0.70	83.54

Consolidated balance sheet as at 31 March 2008

	31 March 2008 \$'000	30 September 2007 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	181,728	169,006
Trade and other receivables	7,792	25,524
Current tax receivables	990	563
Derivative financial instruments	-	48
Assets of discontinuing operation held for sale	-	271
Total current assets	190,510	195,412
Non-current assets		
Receivables	511	-
Property, plant and equipment	6,989	1,233
Deferred tax assets	3,942	2,901
Intangible assets	125,483	129,938
Total non-current assets	136,925	134,072
Total assets	327,435	329,484
LIABILITIES		
Current liabilities		
Trade and other payables	3,215	3,712
Provisions	396	830
Liabilities directly associated with assets of a discontinuing operation held for sale	-	1,616
Total current liabilities	3,611	6,158
Non-current liabilities		
Payables	12,461	11,922
Deferred tax liabilities	590	942
Provisions	231	1,216
Total non-current liabilities	13,282	14,080
Total liabilities	16,893	20,238
Net assets	310,542	309,246
EQUITY		
Contributed equity	215,478	215,478
Reserves	378	725
Retained profits	94,686	93,043
Total equity	310,542	309,246

Consolidated cash flow statement for the half year ended 31 March 2008

	2008 Half Year to 31 March \$'000	2007 Half Year to 31 March \$'000
Cash flows from operating activities - Continuing operations		
Receipts from customers (inclusive of goods and services tax)	14,538	14,122
Payments to suppliers and employees (inclusive of goods and services tax)	(17,846)	(12,852)
	(3,308)	1,270
Interest received	6,872	2,460
Other revenue	356	15
Income taxes paid	(723)	(1,145)
	3,197	2,600
Cash flows from operating activities - Discontinued operation	(937)	(421)
Net cash inflows from operating activities	2,260	2,179
Cash flows from investing activities - Continuing operations		
Payment for purchase of business, net of cash acquired	-	(5,169)
Payments for property, plant and equipment	(6,209)	(363)
Proceeds from sale of investments - unlisted securities	17,709	151,058
Proceeds from sale of plant and equipment	-	1
	11,500	145,527
Cash flows from investing activities - Discontinued operation	(1,070)	(394)
Net cash inflows from investing activities	10,430	145,133
Cash flows from financing activities - Continuing operations		
Net cash inflows from financing activities	-	-
Net increase in cash and cash equivalents	12,690	147,312
Cash and cash equivalents at the beginning of the half year	169,038	40,687
Cash and cash equivalents at end of the half year	181,728	187,999



Principal Share Register

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney, NSW 2000 Australia
GPO Box 7045
Sydney, NSW 2001 Australia

Investor Enquiries:

Within Australia: 1300 855 080
Outside Australia: + 61 3 9415 4000
F: + 61 2 8234 5050
E: webqueries@computershare.com.au
www.computershare.com

Sydney

Arana Therapeutics Limited
Level 2
37 Epping Road
Macquarie Park NSW 2113
Australia
T: +612 8061 9900
F: +612 8061 9999
E: corporate@arana.com

Postal Address
Locked Bag 2053
North Ryde NSW 1670 Australia

Melbourne

Arana Therapeutics (VIC) Pty Ltd
Building 4, Level 5
399 Royal Parade
Parkville VIC 3052
Australia
T: +613 9009 3600
F: +613 9009 3699
E: corporate@arana.com

San Francisco

Arana Therapeutics Inc.
735 Galveston Drive
Redwood City, CA. 94063
United States
T: +1 650 284 6856
E: corporate@arana.com

www.arana.com

Arana Therapeutics Limited
ABN 98 002 951 877