

21 May 2008

Arana reports strong financial position

Arana Therapeutics Limited today reported a successful half year for its development programs and a strong financial position for the half year ended 31 March 2008.

Half year highlights were:

- ART621 entering a Phase II clinical trial for psoriasis
- New technology licensing agreement with AVEO Pharmaceuticals delivering immediate revenues
- Completion of projects for technology partner CSL
- Receipt of final instalment from sale of shares in Domantis - \$17.7 million
- Strong cash position of \$181.7 million
- Upward revision to year end cash guidance
- Sale of animal health business

Further, in April Arana entered into an agreement with Kyowa Hakko (KHK) to co-develop a new anti-cancer drug for colorectal cancer, with Arana receiving an up-front US\$4 million payment with additional milestones of up to US\$4 million, and valuable access to KHK's technology.

In March Arana announced the start of Phase II clinical trials for lead 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 for ART621, which showed that the drug was well tolerated in healthy volunteers. In addition data from the trial suggest that the indicative half life of ART621 is competitive with the current marketed product Humira® and greater than Remicade® and Enbrel®. The data suggest that although ART621 is approximately half the size of conventional antibodies, it remains in the blood stream for at least as long as currently marketed anti-TNF antibody products. These data build on pre-clinical data indicating ART621 has potency in an animal model of rheumatoid arthritis at least equivalent to a market-leading anti-TNF drug. ART621 was also shown to have production yields that make it suitable for commercial production.

Dr John Chiplin, CEO of Arana said "The start of the Phase II trial for ART621 is a significant step for Arana. It brings us a step closer to addressing the key psoriasis and rheumatoid arthritis markets – markets that drive the substantial sales of currently registered anti-TNF's. We believe the novel nature of the product should allow ART621, if successful, to gain a significant share of a very large market."

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“Our technology business also continues to be a success – in the first half we completed a project with CSL Limited, our second collaboration project following the earlier completion of a project with GlaxoSmithKline, and entered into a new technology licencing transaction with AVEO Pharmaceuticals Inc of the USA, which generated immediate revenue for Arana,” Dr Chiplin said.

Revenues for the period were \$19.7 million, an increase of \$1.9 million (+10%) over the corresponding prior period. The increase was generated from higher royalty and interest revenues offset by a decline in sales and licensing revenues arising from the accounting recognition of the amounts received or receivable.

Excluding the one-off gain of \$136.1 million arising from the sale of Arana’s shares in Domantis Limited, the current period net profit of \$1.6 million was in line with the corresponding prior period result.

Cash at 31 March 2008 was \$181.7 million, an increase of \$12.7 million compared with the last year end (September 2007), with the final receipt in relation to the Domantis sale of \$17.7 million offsetting significant capital expenditure associated with Arana’s new leased site in Sydney.

Dr Chiplin said “We are in a very strong financial position which enables the company to focus on developing its product pipeline, including its lead compound ART621. Arana has never been in better financial condition.”

“In the half year our research and development expenditure increased 100% to \$10.8 million, reflecting the continuing development of products into later and more expensive stages of development and the inclusion of the activities of EvoGenix Limited, the company that merged with Arana in August 2007.”

“However, we are able to increase our year end cash guidance from the previous range of \$160 – 170 million, to \$170 - \$180 million, following the recent collaboration transaction with KHK and improved management of our overheads and R & D programs.”

“We have also delivered on our strategy of focusing on human therapeutics through the sale of our animal health business.” Dr Chiplin added.

About Arana Therapeutics

Arana Therapeutics Limited (ASX: AAH) is an international biopharmaceutical company formed through the merger of Peptech and EvoGenix in August 2007. The company uses superior technology to develop next generation drugs that will improve the lives of patients with inflammatory diseases and cancer.

Arana Therapeutics' innovative engineering technologies provide the basis for clinical development in the antibody space, a market which draws on high demand. Arana Therapeutics has the financial stability and management expertise to accelerate its clinical programs, and is on track to have at least 3 clinical stage assets within three years.

The pipeline consists of four lead drug programs: ART621 to treat severe rheumatoid arthritis, psoriasis and other inflammatory diseases; ART010 to treat osteoporosis and bone cancer; ART104 to treat solid tumours such as colorectal cancer; and ART150 for lung cancer and melanoma. Additionally, the company has earlier stage products in development for the treatment of a range of conditions including age related macular degeneration, psoriasis, colorectal cancer, and leukemia. Arana has recurring revenues from commercial and development partnerships with six international companies including GSK, CSL, Centocor (J&J) and Abbott Laboratories.

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