



10 March 2009

Shareholder Update – Bid from Cephalon

Dear Arana Shareholder,

I am writing to you to ensure you are up to date with several important developments for Arana Therapeutics Limited (“Arana”).

As you may already be aware, on 27 February 2009 Cephalon, Inc. (Nasdaq: CEPH) announced that its wholly-owned subsidiary, Cephalon International Holdings, Inc. (“Cephalon”) intends to make a cash takeover offer for all of the shares in Arana which it does not already own at a minimum price of \$1.40 per share (“Cephalon Offer”). Should Cephalon obtain a relevant interest in 90% of Arana shares (ie the threshold for compulsory acquisition) and the offer conditions are satisfied or waived, then Cephalon will increase the consideration payable under the offer to \$1.45 per share (“Increased Cash Offer”).

On 2 March 2009, the Directors of Arana declared a 5 cent fully franked special dividend payable to all shareholders of Arana with a record date of 30 March 2009. Cephalon’s Offer of \$1.40 is cum dividend. Accordingly, the amount of the dividend will be set off against the offer price (reducing it to \$1.35) once Arana’s shares go ex dividend on 24 March 2009.

The Independent Directors unanimously recommend that Arana shareholders accept the Cephalon Offer, in the absence of a superior proposal. Key reasons for this recommendation include:

I. Substantial Premium – The Cephalon Offer represents a very substantial premium for Arana shareholders. In particular, it represents:

Minimum Cash Offer • a 68.7% premium to the closing share price on Wednesday 25 February 2009, being the date prior to Arana entering a trading halt in relation to the announcement of the Cephalon Offer; and

Increased Cash Offer • a 74.7% premium to the closing share price on Wednesday 25 February 2009, being the date prior to Arana entering a trading halt in relation to the announcement of the Cephalon Offer

On the business day prior to Cephalon announcing their intention to make a takeover offer for Arana, the Arana share price closed at \$0.83. Since announcement of the Cephalon Offer, the Arana share price has traded between a low of \$1.36 and a high of \$1.435.

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2. Increase in Price if Cephalon Offer Achieves 90% Acceptance – Cephalon has further announced that should it obtain a relevant interest in 90% of Arana shares (ie the threshold for compulsory acquisition) and the offer conditions are satisfied or waived, the Cephalon Offer consideration will be increased to \$1.40 per share (ex dividend), or \$1.45 (cum dividend) (the Increased Cash Offer).

	Offer Price	
	Below 90%	Above 90%
Cephalon Offer - BEFORE ex dividend date of 24 March 2009	\$1.40	\$1.45
Cephalon Offer - AFTER ex dividend date of 24 March 2009	\$1.35	\$1.40

3. Major Shareholder Support –Prior to announcing the Cephalon Offer, Cephalon entered into agreements to acquire an ownership position in Arana representing approximately 19.8% of Arana’s total issued share capital. This position has been acquired from Arana’s largest two shareholders, being Start-up Australia Ventures Pty Limited and Rockwell Securities Limited. Start-up Australia Ventures Pty Limited is an entity associated with former Arana Director, Dr George Jessup.

4. Low Conditionality of the Offer – Cephalon’s offer is subject to certain minimum conditions, including a 50.1% minimum acceptance condition.

5. Cash Certainty – Valuations of nearly all asset classes have decreased substantially over the past 12 months and the current global financial conditions make it very difficult to value assets with any certainty. In addition the nature of drug development and the lengthy commercialisation process makes any valuation inherently uncertain. The Cephalon Offer provides certainty of value to Arana Shareholders.

6. Directors’ Shareholdings – In the absence of a superior proposal, each of the Arana Directors intend to accept the Cephalon Offer in respect of all Arana shares they own or control.

Other important information of which you should be aware includes:

1. Cancellation of Share Buyback and Announcement of 5 cent Special Fully Franked Dividend – In light of the recommended takeover received from Cephalon, Arana has cancelled its on-market share buy-back program. As a substitute capital management initiative, the Directors declared a fully franked special dividend of 5 cents per share. The record date for this special dividend will be 30 March 2009 and the payment date will be 15 April 2009.

Once the shares trade ex dividend entitlement, as the Cephalon Offer is cum dividend, in effect the cash consideration under the Cephalon Offer will be reduced to \$1.35 per share, or \$1.40 per share if Cephalon achieves 90% acceptance level and its offer conditions are satisfied or waived.

2. Resignation of Non Independent Director – Dr George Jessup has resigned as a Non Independent Director of Arana. As stated above, Start Up Australia Ventures Pty Limited, an entity associated with Dr Jessup, was one of the major shareholders that sold a large portion of their holdings in Arana to Cephalon before the announcement of the Cephalon Offer.

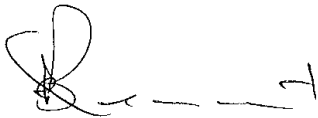
3. Successful completion of Phase II psoriasis study – On 9 March 2009, Arana announced the successful completion of its Phase II psoriasis trial. The results are as expected by the company and the independent directors do not change their recommendation with regard to the Cephalon Offer. A copy of the release (but excluding the Appendix) will be enclosed with this letter when it is sent to shareholders. The full announcement, including Appendix can be viewed on Arana's website www.arana.com.

4. Bidder's Statement – Cephalon released on 9 March 2009 its Bidder's Statement (a Bidder's Statement is a document setting out the full terms of Cephalon's offer to acquire Arana) and expect the offer will be open for acceptance by Arana shareholders by late March 2009.

What will happen now?

Arana is preparing a Target's Statement which will set out recommendations by Arana's Directors in relation to the Cephalon Offer. The Target's Statement will be lodged no later than 14 days after the Bidder's Statement has been sent to shareholders by Cephalon.

I will continue to keep shareholders informed of any new developments as they come to hand.



Robin Beaumont
Chairman

Contact information:

Shareholder enquiries regarding the offer can be made on: 02 9237 2800

About Arana Therapeutics:

Arana Therapeutics (ASX: AAH) is a biopharmaceutical company focused on developing next generation antibody based drugs that will improve the lives of patients with inflammatory diseases and cancer.

Arana Therapeutics' innovative engineering technologies provide the basis for developing its next generation antibody candidates. Arana Therapeutics has the financial strength and management expertise to develop its product pipeline.

Arana has a significant track record of commercialising its technologies and has collaborations with GlaxoSmithKline (GSK), CSL, Kyowa Hakko Kirin (KHK), and licensing arrangements with Centocor (J&J) and Abbott Laboratories.

For further information: www.arana.com.

About Cephalon, Inc.

Founded in 1987, Cephalon, Inc. is an international biopharmaceutical company dedicated to the discovery, development, and commercialization of many unique products in four core therapeutic areas: central nervous system, inflammatory diseases, pain, and oncology. A member of the Fortune 1000 and the S&P 500 Index, Cephalon currently employs approximately 3,000 people in the United States and Europe. U.S. sites include the company's headquarters in Frazer, Pennsylvania, and offices, laboratories or manufacturing facilities in West Chester, Pennsylvania, Salt Lake City, Utah, and suburban Minneapolis, Minnesota.

Cephalon has a growing presence in Europe, the Middle East and Africa. The Cephalon European headquarters and pre-clinical development center are located in Maisons-Alfort, France, just outside of Paris. Key business units are located in England, Ireland, France, Germany, Italy, Spain, the Netherlands for the Benelux countries, and Poland for Eastern and Central European countries. Cephalon Europe markets more than 30 products in four areas: central nervous system, pain, primary care and oncology.

The company's proprietary products in the United States include: AMRIX® (cyclobenzaprine hydrochloride extended-release capsules), TREANDA® (bendamustine hydrochloride) for Injection, FENTORA® (fentanyl buccal tablet) [C-II], PROVIGIL® (modafinil) Tablets [C-IV], TRISENOX® (arsenic trioxide) injection, GABITRIL® (tiagabine hydrochloride), NUVIGIL® (armodafinil) Tablets [C-IV] and ACTIQ® (oral transmucosal fentanyl citrate) [C-II]. The company also markets numerous products internationally. Full prescribing information on its U.S. products is available at <http://www.cephalon.com> or by calling 1-800-896-5855.

9 March 2009

Arana successfully completes Phase II psoriasis study

- **ART621 meets primary endpoint**
- **Clinical development in rheumatoid arthritis progresses**

Arana Therapeutics Limited (ASX: AAH) today announced positive results from its Phase II trial of ART621 in patients with stable plaque psoriasis. The primary endpoint was met with repeat doses of ART621 being well tolerated and exhibiting a safety profile consistent with anti-TNF activity, the method of administration and the underlying study population. Arana will continue clinical development of ART621 with two ongoing Phase II trials for rheumatoid arthritis (RA) in combination with methotrexate.

Secondary findings from the study provided insight into the efficacy, immunogenicity and pharmacokinetics of ART621. While the study was not designed to demonstrate efficacy, evidence of some anti-TNF activity was seen. A total of four subjects in the ART621 group achieved a 50% reduction in Psoriasis Area and Severity Index (PASI) score at week 12 compared to zero in the placebo group. One of these ART621 subjects also achieved a 90% PASI reduction.

No human anti-ART621 antibody responses were detected for up to four weeks after the last injection, suggesting inherently low immunogenicity of the drug. Consistent with prior Phase I data, ART621 exhibited a half life of approximately 14 days, which compares favourably to market leading anti-TNF products.

“We are pleased with the outcome of our Phase II study which has provided us with the confidence to continue clinical development of ART621. The data indicate that ART621 possesses anti-TNF activity, was well tolerated and has a competitive half life. Importantly we did not see any antibody responses against ART621 and this may be an important differentiator commercially, as other anti-TNF products may have their efficacy reduced by such responses” said Steffen Nock, Acting Chief Executive Officer.

“ART621 is now at an exciting stage with an open IND, encouraging clinical data, scale up of manufacturing progressing well and ongoing clinical trials in RA.”

Further detail on the results and study design are provided in the Appendix (and / or on our website www.arana.com).

ART 621-201 Trial Details

The study known as ART621-201 was designed to evaluate the safety, efficacy and pharmacokinetics of 3 dose levels of ART621 using a randomised, double-blind, placebo-controlled design in subjects with plaque psoriasis. The primary objective was to evaluate the safety and tolerability of subcutaneous injections of ART621 given every 2 weeks for 6 doses as assessed by adverse events and clinical laboratory data. Assessments of efficacy included the Psoriasis Area and Severity Index (PASI), Physician Global Assessment (PGA), photographs and the Dermatology Life Quality Index (DLQI).

Each subject completed a 2-4 week screening period, followed by a 12 week treatment period and then a 4 week follow up. Each subject received their designated dose of study medication on 6 occasions over the 12 week treatment period.

The study was conducted to ICH GCP standard at two Australian study centres – Nucleus Network in Melbourne and CMAX in Adelaide.

Contact information:

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