



Monday 17 July 2006

## CSL AND ZENYTH ANNOUNCE PROPOSED MERGER

CSL Limited (*CSL*) and Melbourne-based biotech company, Zenyth Therapeutics Limited (*Zenyth*), today announced a proposal under which CSL would acquire 100% of the issued shares in Zenyth. The acquisition is to be implemented by way of a scheme of arrangement between Zenyth and its shareholders (*Share Scheme*).

The consideration to be offered by CSL to Zenyth shareholders will comprise 82 cents cash per Zenyth share and, subject to shareholder approval, a pro-rata capital return to Zenyth shareholders of all Zenyth's shareholding in Avexa Limited (*Avexa*) (*Special Distribution*). If the Special Distribution is approved by Zenyth shareholders, and if the Share Scheme becomes effective, Zenyth shareholders will also receive approximately one Avexa share for every six Zenyth shares they hold at the record date. This represents additional value of four cents per Zenyth share, as at the date of this announcement<sup>1</sup>.

The total consideration of 86 cents per Zenyth share:

- values Zenyth at approximately \$108 million;
- represents a 59% premium to Zenyth's last traded price on the Australian Stock Exchange (*ASX*) on 14 July 2006 of 54 cents; and
- represents a 79% premium to the one month volume weighted average price of 48 cents.

The proposal has been unanimously recommended by Zenyth's directors, in the absence of a superior proposal and subject to the receipt of an independent expert's report that the proposed transaction is in the best interests of Zenyth shareholders. Subject to those same qualifications, Zenyth's directors unanimously intend to vote all of the shares they hold or control in favour of the Share Scheme and the Special Distribution and all of the options they hold or control in favour of the proposed option scheme (see below).

Zenyth has approximately 6.4 million options on issue. Zenyth will also propose a scheme of arrangement between itself and its option holders to cancel these options for cash (*Option Scheme*). The cash consideration payable to Zenyth option holders will be based on standard option valuation methodology.

CSL's Chief Executive Officer, Dr Brian McNamee, commented:

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<sup>1</sup> Avexa is an anti-infectives biotechnology company that was demerged from Zenyth in September 2004. Zenyth currently holds 21.1 million Avexa shares. The last traded price of Avexa shares on 14 July 2006 was 24 cents giving a market value of \$5.1 million for Zenyth's holding. As at the date of this announcement, this equates to approximately four cents per share for the 125.2 million Zenyth shares currently on issue.

*“A Zenyth acquisition is consistent with our research and development strategy. Of note, we are both Melbourne-based and have complementary skills in the same field of research giving rise to enhanced scientific capabilities.”*

CSL’s Chief Scientist, Dr Andrew Cuthbertson, added:

*“CSL’s research and development strength lies in protein-based biological medicines used to treat serious diseases. Zenyth’s portfolio of pre-clinical R&D projects, while at a relatively early stage, sits well within our field of research in cancer, immunology and inflammation.”*

Zenyth’s Chairman, Mr Ian Davis, stated:

*“Zenyth is very pleased to have worked closely with CSL to develop the current proposal. CSL’s acquisition price is attractive as it recognises the potential of Zenyth’s technology, which is not currently being reflected in Zenyth’s share price”.*

Dr Andrew Nash, Zenyth’s Chief Executive Officer, noted that the Zenyth Board was conscious of CSL’s research and development capabilities:

*“Zenyth has worked closely with its many partners over a number of years to develop and progress a portfolio of exciting projects. We are confident that, given their resources, CSL will be well placed to continue this process and to maximise the potential value”.*

### ***Transaction Details***

The Share Scheme will require the approval of Zenyth’s shareholders and the approval of the Supreme Court of Victoria (***Court***). The other key terms and conditions of the Share Scheme are summarised in Annexure A to this announcement.

Zenyth will also seek shareholder approval to undertake the Special Distribution. This approval will be sought at a general meeting to be held on the same day as the meeting to consider and vote on the Share Scheme.

Zenyth will also seek approval from its optionholders, and the Court, for the cancellation of outstanding options under the Option Scheme. This approval will be sought at a meeting of option holders to be held on the same day as the meetings to consider and vote on the Share Scheme and the Special Distribution.

The cash consideration offered under the Share Scheme provides certainty to Zenyth shareholders. However, the value of the consideration to be received under the Special Distribution depends on the market value of Avexa shares. Therefore, the value of the total consideration will fluctuate depending on movements in the market price of Avexa shares between the date of this announcement and the date that the Share Scheme and the Special Distribution are implemented.

CSL and Zenyth have entered into a Merger Implementation Deed (***MID***) which provides a framework for implementing the proposed Share Scheme, Option Scheme and Special Distribution. The key terms and conditions of the MID are summarised in Annexure A to this announcement.

The proposed acquisition of all the Zenyth shares under the Share Scheme will be financed from internal cash resources of CSL.

Zenyth's Chairman and Chief Executive Officer will remain on the Board of Zenyth for a period following implementation of the proposed transaction to assist with transitional issues.

***Timing***

An Explanatory Booklet with full details of the proposed transactions, including an Independent Expert's Report, is expected to be despatched to Zenyth shareholders in early September 2006. The meetings to approve the Share Scheme, Option Scheme and the Special Distribution are expected to be held in early to mid October 2006.

A more detailed timetable for the approval and implementation of the three proposed transactions will be announced in due course.

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## **Annexure A – Summary of the key terms and conditions of the MID**

### **General Description**

CSL and Zenyth have entered into the MID under which they have agreed to implement a proposal under which CSL will acquire 100% of the shares in Zenyth. The proposal will be implemented by way of:

- a scheme of arrangement between Zenyth and its shareholders (the *Share Scheme*), under which all Zenyth shares will be transferred to CSL for a cash payment of 82 cents per Zenyth share;
- a special pro-rata distribution (by way of a reduction of capital) by Zenyth to its shareholders of all shares it holds in Avexa, representing approximately one Avexa share for each six Zenyth shares held (the *Special Distribution*); and
- a scheme of arrangement between Zenyth and its option holders (the *Option Scheme*), under which all Zenyth options will be cancelled and the option holders will be entitled to receive cash consideration determined by applying standard option valuation methodology.

### **Key Terms and Conditions**

#### Conditions precedent

Implementation of the Share Scheme is conditional on the satisfaction or waiver of a number of conditions precedent. These conditions include:

- the independent expert providing an opinion that the Share Scheme and the Special Distribution are in the best interests of Zenyth shareholders;
- shareholder approval of the Share Scheme;
- Court approval of the Share Scheme;
- no prohibitions, including restraining orders or injunctions, being issued by any court of competent jurisdiction or the Takeovers Panel;
- no Material Corporate Transaction, Material Adverse Change or Prescribed Occurrence (in each case as specifically defined in the MID) arising in respect of Zenyth;
- that standard representations and warranties given by both parties are (and remain) true and correct; and
- consent being obtained from CSIRO and Ludwig Institute for Cancer Research for the novation or assignment of a collaboration agreement with Zenyth to CSL.

### The Schemes and the Special Distribution

The Option Scheme and the Special Distribution are conditional on the Share Scheme becoming effective. The Share Scheme is not conditional on the Option Scheme or the Special Distribution becoming effective.

The Avexa shares that would otherwise be transferred to certain Zenyth shareholders outside Australia, or who would receive less than a marketable parcel of Avexa shares, will be transferred to and sold by a nominee. The net cash proceeds of that sale will be distributed on a pro-rata basis to those shareholders.

### Termination

Either party may terminate the MID if, amongst other circumstances, the Share Scheme does not come into effect by 17 November 2006, if the other party is in material breach of the MID, if the Share Scheme is not approved by Zenyth shareholders, or any court, the Takeovers Panel or regulatory authority issues any order or ruling restraining or otherwise prohibiting the transaction.

In addition, either party may terminate the MID if certain of the conditions precedent are not satisfied or waived, including, the condition that the independent expert deliver a favourable opinion.

CSL may terminate the MID if any Zenyth director withdraws his recommendation of the Share Scheme or the Special Distribution or if certain of the conditions precedent are not satisfied or waived.

Zenyth may terminate the MID if:

- a bona fide third party proposal to acquire a relevant interest in all or a substantial part of the Zenyth shares, or any interest in all or a substantial part of the business or assets of Zenyth or the Zenyth group is publicly announced, or Zenyth receives an offer from the relevant counterparty to vary one of Zenyth's key collaboration projects;
- the Zenyth Board, acting in good faith, determines that the third party proposal is reasonably capable of being valued and completed and is more favourable to Zenyth shareholders than the Share Scheme; and
- the Zenyth Board publicly recommends that the third party proposal is in the interests of Zenyth and its members.

The full terms of the MID will be disclosed in the Explanatory Booklet that will be sent to all Zenyth shareholders.