



ARPIDA REPORTS INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2009

Reinach, Switzerland, 19 August 2009. Arpida Ltd (SIX: ARPN) announced today its financial results for the six months ending 30 June 2009.

Key events 2009 to date

- Regulatory setback for intravenous iclaprim in cSSSI in U.S.A.
- Strategic options under review
- Company restructuring completed

Cash and financial investments of CHF 22.7 million at 30 June 2009

CFO Harry Welten, MBA, commented: “Our cost-saving measures have been implemented, resulting in a substantial reduction of the cash burn. We expect to have cash and financial investments of around CHF 14 million at the end of 2009.”

Dr Jürgen Raths, President and CEO, commented: “Arpida is going through challenging times. We’ve completed a painful restructuring process in anticipation of a possible strategic deal. We remain fully committed to finding a strategic partner and securing the maximum value for our shareholders. Discussions are ongoing, as soon as these advance, we will provide an update.”

Financial review for six months to 30 June 2009

Key financial indicators

(CHF million)

| | 2009 H1 | 2008 H2 | 2008 H1 |
|--|--------------|---------------|---------|
| Research and development expenses | (7.9) | (28.3) | (15.5) |
| Management and general expenses | (4.1) | (7.4) | (6.0) |
| Restructuring expenses | <u>(2.3)</u> | <u>(12.6)</u> | = |
| Total operating expenses | (14.3) | (48.3) | (21.5) |
| Net result | (14.6) | (46.2) | (20.3) |
| Cash and financial investments end of period | 22.7 | 38.7 | 67.9 |
| Equity end of period | 8.7 | 21.9 | 67.1 |

Results

After a review of the TLT programme and business case, Arpida has decided it will terminate the current trial in the autumn of 2009. This decision has prompted a non-cash impairment charge of CHF 3.6 million. This charge is included in the item ‘Research and development expenses’ in the first half of 2009. The ‘In-process R&D’ asset is now fully written-off. On the other hand, the contingent obligation to pay a purchase consideration to the former owners of TLT Medical Ltd. upon achieving certain development milestones is no longer relevant. This item was reversed, leading to a positive non-cash income effect of CHF 1.6 million.

Overall, operating expenses were substantially below last year's level, reflecting the effect of the cost-saving measures taken earlier. The remaining 'Research and development expenses' concerned mainly the TLT item described above, costs related to the EMEA filing, external consultants and expenses of the clinical studies with TLT, intravenous iclaprim in HAP/VAP/HCAP and oral iclaprim.

Balance sheet / cash flow

Cash used in operations was substantially lower than in the first half of 2008, reflecting the cost-cutting measures announced earlier. Cash and financial investments stood at CHF 22.7 million as per 30 June 2009 compared with CHF 38.7 million at year-end 2008.

Outlook

Arpida expects that cash and financial investments will be around CHF 14 million at year-end 2009. This amount is partially restricted for current and future operational and legal commitments and liabilities.

Strategic discussions

As reported at the Annual General Meeting (AGM) in May 2009, Arpida, supported by external advisors, has explored all strategic scenarios, including 'reverse mergers', takeovers, asset sales as well as liquidation as a last resort. Arpida will provide additional information regarding the strategic discussions if and when negotiations progress to a more advanced stage.

Restructuring

The extensive restructuring, first announced in November 2008, was completed during the first half of 2009, as planned. This involved a reduction of the company's headcount from 78 at year-end 2008 to 23 at the end of April. Currently, the number of non-terminated employment contracts is six.

The build-up of commercial operations has been reversed and the research operations have been terminated. The laboratory space in the Arpida premises in Reinach is now empty and the company is actively looking for companies to take over the rental contract.

Arpida maintains a core team in place in order to secure the orderly conduct of the remaining business operations. This team is supported by external experts whenever necessary. The Chief Executive Officer and the Chief Financial Officer have committed to remain with the company until the search for a strategic solution has come to an end.

Pipeline Development

Intravenous iclaprim in complicated skin infections – Regulatory update

In January 2009, the US FDA issued a Complete Response Letter denying iclaprim market authorisation and requesting additional data from further clinical research. In response to this setback, Arpida initiated a process, aimed at establishing a possible development path for intravenous iclaprim in the U.S. In the course of this process, 20 global experts in this field were consulted. Their input was used to evaluate potential development paths with various pharmaceutical partners. Despite extensive contacts, no development partner has so far shown interest to partner in a clinical programme or to invest in iclaprim.

Apart from the U.S. submission, Arpida filed a Marketing Authorisation Application (MAA) for intravenous iclaprim in complicated Skin and Soft Tissue Infections (cSSTI) to the European Medicines Agency (EMA) in 2008. During the first half of 2009, the Arpida team, supported by external consultants, has provided answers to a list of questions, including some major objections, regarding the MAA. In addition, a meeting between Arpida and the rapporteurs took place. Arpida expects to receive EMA's decision on the MAA in October 2009.

Other programmes

The detailed results of the Phase II 'intravenous-to-oral' switch trial with oral iclaprim confirm the earlier data suggesting that additional development work will be required in order to better understand the effect of orally administered iclaprim on liver enzymes and to explore optimal dosing regimens.

As part of the action plan to reduce costs, the Phase II trial with intravenous iclaprim in hospital-acquired pneumonia / ventilator-associated pneumonia / healthcare-associated pneumonia (HAP/VAP/HCAP) was stopped in December 2008. Arpida has compiled an overview of the clinical outcomes of the treated patients. The results, though not statistically significant, show a trend towards higher cure rates relative to those of the comparator (vancomycin) for both investigated dosing regimens of iclaprim (0.8 mg/kg, twice a day and 1.2 mg/kg, three times a day). Treatment emergent adverse events in the iclaprim arms were comparable to those in the comparator arm. Further development work is required for this indication.

Patient enrolment into the Phase III trial with TLT in onychomycosis was stopped in December 2008 as part of the action plan to reduce costs. Arpida has conducted a review of the clinical programme as well as the business plan for the TLT therapy. It was concluded that a continuation of the programme would require substantial additional investments in clinical studies. Moreover, a potential launch would take place several years later than earlier anticipated. Taken together, these factors have led to the decision to terminate the current trial in the autumn of 2009. An analysis of the first approx. 60 patients is expected to be available later in 2009. Arpida is in discussions with the former owners of TLT Medical Ltd. to develop a strategic roadmap for the TLT therapy.

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This press release contains specific forward-looking statements, e.g. statements including terms like believe, assume, expect or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the company and those explicitly or implicitly presumed in these statements. Against the background of these uncertainties readers should not place undue reliance on forward-looking statements. The company assumes no responsibility to update forward-looking statements or to adapt them to future events or developments.

Arpida Condensed Consolidated Interim Financial Statements

CONSOLIDATED BALANCE SHEETS

| CHF | 30 June 2009 | 31 December 2008 |
|---|-------------------|-------------------|
| | (unaudited) | (audited) |
| Assets | | |
| Non-current assets | | |
| Intangible assets | - | 3,643,000 |
| Financial investments (rent deposit) | 2,198,381 | 2,202,654 |
| Plant and equipment | 535,612 | 634,733 |
| Total non current assets | 2,733,993 | 6,480,387 |
| Current assets | | |
| Prepayments | 551,620 | 635,121 |
| Other receivables | 442,956 | 770,628 |
| Cash and cash equivalents | 20,508,999 | 36,469,101 |
| Total current assets | 21,503,575 | 37,874,850 |
| Total assets | 24,237,568 | 44,355,237 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 4,218,820 | 4,218,820 |
| Share premium | 19,597,728 | 209,439,205 |
| Other reserves (share based compensation) | 11,041,876 | 10,095,915 |
| Cumulative translation differences | (609,137) | (1,161,957) |
| Accumulated loss | (25,511,699) | (200,730,046) |
| Total equity | 8,737,588 | 21,861,937 |
| Non-current liabilities | | |
| Deferred tax liabilities | - | 255,785 |
| Provisions | 5,462,224 | 5,645,805 |
| Pension liabilities | 34,618 | 44,074 |
| Contingent purchase consideration | - | 1,587,664 |
| Total non-current liabilities | 5,496,842 | 7,533,328 |
| Current liabilities | | |
| Trade accounts payables | 350,736 | 1,199,697 |
| Accrued and other current liabilities | 9,652,402 | 13,760,275 |
| Total current liabilities | 10,003,138 | 14,959,972 |
| Total equity and liabilities | 24,237,568 | 44,355,237 |

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

| CHF | Period from 1 January 2009 to 30 June 2009 | Period from 1 January 2008 to 30 June 2008 |
|---|--|--|
| Income from services | - | 283,906 |
| Income from Sale of consumables | 328,368 | - |
| Total Income | 328,368 | 283,906 |
| Research and development expenses | (7,976,187) | (15,496,372) |
| Management and general expenses | (4,062,491) | (5,998,166) |
| Restructuring expenses | (2,287,014) | - |
| Total operating expenses | (14,325,692) | (21,494,538) |
| Operating loss | (13,997,324) | (21,210,632) |
| Financial income | 23,379 | 1,342,992 |
| Financial expenses | (922,020) | (310,214) |
| Net loss before tax | (14,895,965) | (20,177,854) |
| Income tax expenses | 272,835 | (121,296) |
| Net loss for the period | (14,623,130) | (20,299,150) |
| Basic and diluted loss per share | (0.69) | (1.00) |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

| CHF | Period from 1 January 2009 to 30 June 2009 | Period from 1 January 2008 to 30 June 2008 |
|--|--|--|
| Net loss for the period | (14,623,130) | (20,299,150) |
| Translation differences | 552,820 | (987,580) |
| Other comprehensive income/(loss) | 552,820 | (987,580) |
| Total comprehensive loss | (14,070,310) | (21,286,730) |

CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)

| CHF | Period from 1 January 2009 to 30 June 2009 | Period from 1 January 2008 to 30 June 2008 |
|--|--|--|
| Operating activities | | |
| Net loss | (14,623,130) | (20,299,150) |
| Adjustments to reconcile net loss to net cash | | |
| - Income taxes | (272,835) | 98,053 |
| - Depreciation on tangible assets | 101,418 | 592,104 |
| - Impairment of intangible assets | 3,643,000 | - |
| - Interest income | (23,380) | (806,871) |
| - Interest expenses | 334,513 | 310,214 |
| - Share-based compensation charges | 945,961 | 1,669,590 |
| - Changes in the composition of working capital | | |
| - Change in other current and long-term receivables | 411,172 | 1,803,450 |
| - Change in account payables and accrued liabilities | (4,369,544) | (3,178,162) |
| - Change in provisions | (455,809) | (38,500) |
| - Change in pension liabilities | (9,456) | 99,542 |
| - Release of Contingent purchase consideration | (1,649,949) | - |
| - Interest payments received | 23,380 | 692,580 |
| - Interest paid | - | (135,596) |
| Net cash used in operating activities | (15,944,659) | (19,192,746) |
| Investing activities | | |
| Plant and equipment purchases | - | (14,816) |
| Financial investments (rent deposit) | - | 9,920 |
| Net cash used in investing activities | - | (4,896) |
| Financing activities | | |
| Finance lease payments | - | (154,439) |
| Issuance of common shares | - | 21,120,000 |
| Capital increase costs | - | (1,485,582) |
| Total cash provided by financing activities | - | 19,479,979 |
| Net change in cash position | (15,944,659) | 282,337 |
| Net increase /(decrease) in cash and cash equivalents | (15,944,659) | 282,337 |
| Exchange gains on cash and cash equivalents | (15,443) | (425,495) |
| Cash and cash equivalents, beginning of period | 36,469,101 | 65,874,259 |
| Cash and cash equivalents, end of period | 20,508,999 | 65,731,101 |

Consolidated Statements of Equity (unaudited)

| | CHF | | | | | | | |
|---|-------------------------------|------------------|--------------------|--------------------------|-------------------|--|----------------------|-------------------|
| | Number of Common shares | Share capital | Share premium | Total capital paid-in | Other reserves | Cumulative translation differences | Accumulated loss | Total equity |
| At 1 January 2008 | 19,494,104 | 3,898,820 | 217,204,316 | 221,103,136 | 6,146,008 | 1,231,419 | (161,358,026) | 67,122,537 |
| Total comprehensive loss for first six months of 2008 | - | - | - | - | - | (987,580) | (20,299,150) | (21,286,730) |
| Compensation of accumulated loss with share premium in general reserves | - | - | (27,079,529) | (27,079,529) | - | - | 27,079,529 | - |
| Capital increase April 2008 | 1,600,000 | 320,000 | 20,800,000 | 21,120,000 | - | - | - | 21,120,000 |
| Equity funding costs | - | - | (1,485,582) | (1,485,582) | - | - | - | (1,485,582) |
| Exercise of stock options | - | - | - | - | - | - | - | - |
| Effect of IFRS 2 share-based compensation | - | - | - | - | 1,669,590 | - | - | 1,669,590 |
| Compensation of other reserves with share premium for exercised options | - | - | - | - | - | - | - | - |
| At 30 June 2008 | 21,094,104 | 4,218,820 | 209,439,205 | 213,658,025 | 7,815,598 | 243,839 | (154,577,647) | 67,139,815 |
| At 1 January 2009 | 21,094,104 | 4,218,820 | 209,439,205 | 213,658,025 | 10,095,915 | (1,161,957) | (200,730,046) | 21,861,937 |
| Total comprehensive loss for first six months of 2009 | - | - | - | - | - | 552,820 | (14,623,130) | (14,070,310) |
| Compensation of accumulated loss with share premium in general reserves | - | - | (189,841,477) | (189,841,477) | - | - | 189,841,477 | - |
| Equity funding costs | - | - | - | - | - | - | - | - |
| Exercise of stock options | - | - | - | - | - | - | - | - |
| Effect of IFRS 2 share-based compensation | - | - | - | - | 945,961 | - | - | 945,961 |
| Compensation of other reserves with share premium for exercised options | - | - | - | - | - | - | - | - |
| At 30 June 2009 | 21,094,104 | 4,218,820 | 19,597,728 | 23,816,548 | 11,041,876 | (609,137) | (25,511,699) | 8,737,588 |

Condensed Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

1. Organisation

Arpida Ltd (the “Company”) together with its subsidiaries (collectively “Arpida”) is a therapeutically focused biopharmaceutical company focusing on the discovery and development of new, safer and more efficacious anti-microbial drugs for the treatment of infectious diseases. To date, Arpida has financed its cash requirements primarily from share issuances and debt financings. Arpida is a development stage enterprise as of 30 June 2009 and is exposed to all the risks inherent in establishing a business: Inherent in Arpida’s business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. Arpida’s success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) attract and retain key personnel, and (iv) acquire additional capital to support its operations. Due to the cost-saving measures which resulted in a substantial reduction of the cash burn, management anticipates Arpida to continue as a going concern until at least the second quarter of 2010. Management continually monitors the Company’s cash position and the level of spending. Furthermore, Arpida continues to actively evaluate strategic options.

The Company was registered in the register of commerce on 18 August 1997, and has its domicile and registered office at Duggingerstrasse 23, CH-4153 Reinach, Switzerland. Since 4 May 2005, the Company is a public company whose shares are traded at the SIX Swiss Exchange.

2. Accounting policies

Basis of accounting

The condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2008. The business is not affected by seasonal or cyclical variations.

Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of Arpida’s annual consolidated financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations noted below.

IFRS 8, ‘Operating segments’. IFRS 8 replaces IAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis that is provided to and used by the ‘chief operating decision-maker’ (CODM). The distinction between primary and secondary segment information as required by IAS 14 Segment Reporting does longer exist.

The Senior Executive Officers execute the function of the CODM at Arpida. The CODM reviews the result of the Company on an aggregated basis and manages the operations of the Company as a single operating segment which is the discovery and development of new, safer and more efficacious antimicrobial drugs for the treatment of infectious diseases. Therefore, Arpida represents a single reportable segment.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Arpida elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

The adoption of the following standards and interpretations did not have a significant effect on the financial positions or performance of Arpida: IAS 23 revised 'Borrowing costs', amendment to IFRS 2 'Share-based payment': Vesting conditions and cancellations, amendments to IAS 32 'Financial instruments': Presentation and IAS 1 'Presentation of financial statements': Puttable financial instruments and obligations arising on liquidation, IFRIC 15 'Agreements for the construction of real estate', IFRIC 16 'Hedges of a net investment in a foreign operation', improvements to IFRSs (May 2008) as well as the amendments to IFRS 7 'Financial Instruments': Disclosure.

3. Changes in the Scope of Consolidation

There were no changes to the group scope in the first half of 2009 or 2008.

4. Research and Development expenses

After a review of the TLT programme and business case, Arpida has decided it will terminate the current trial in the autumn of 2009. This decision resulted in an impairment charge of CHF 3,643,000 on 'In-process R&D' which was partially off-set by the release of the contingent purchase consideration (liability) of CHF 1,649,949. Furthermore, the costs of CHF 710,000 for the phase III trial with TLT in onychomycosis were fully accrued as of 30 June 2009.

5. Restructuring expenses

In December 2008, the Board of Directors of Arpida decided to restructure the business by reducing all non-core activities which included the immediate reduction of the workforce by three-quarters down to 20 employees and the cancellation of clinical trials. This could amongst others potentially result in an early termination of the TechCenterReinach lease agreement. An impairment of leasehold improvements and laboratory equipment was included in the restructuring expenses in December 2008. In June 2009, the Board of Directors of Arpida decided to further reduce the workforce and to close the US operations resulting in additional restructuring expenses in the first half of 2009:

| CHF | Six months to 30 June 2009 | Six months to 30 June 2008 |
|---|-------------------------------|-------------------------------|
| Reduction of the workforce | | |
| - Accrued salaries | 1,716,763 | - |
| - IFRS 2 immediate vesting charges | 508,075 | - |
| - IAS 19 curtailments | (21,847) | - |
| Accrued Rent Arpida, Inc. | 84,023 | - |
| Total restructuring related expenses | 2,287,014 | - |

6. Financial result

| CHF | Six months to 30 June 2009 | Six months to 30 June 2008 |
|--|-------------------------------|-------------------------------|
| Charges related to bank accounts | (36,185) | (15,365) |
| Interest finance lease | - | (120,231) |
| Accrual of interest on long-term liabilities | (334,513) | (174,618) |
| Foreign exchange loss, net | (551,322) | - |
| Total financial expenses | (922,020) | (310,214) |
| Interest income from bank deposits | 23,379 | 806,871 |
| Foreign exchange gain, net | - | 536,121 |
| Total financial income | 23,379 | 1,342,992 |

7. Share Capital

As of 1 January 2008, the total number of registered common shares issued amounted to 19,494,104 with a nominal value of CHF 0.20 each, representing a nominal share capital of CHF 3,898,820. During the first half of 2008, the total number of common shares outstanding rose by 1,600,000 to 21,094,104 with a total nominal value of CHF 4,218,820 as of 30 June 2008. The increase is due to the placing of 1 April 2008, involving 1,600,000 new shares from the authorised capital.

As of 1 January 2009, the total number of registered common shares issued amounted to 21,094,104 with a nominal value of CHF 0.20 each, representing a nominal share capital of CHF 4,218,820. During the first half of 2009, there were no changes in issued share capital.

As of 30 June 2009, conditional capital of CHF 333,135 is available for the issuance of 1,665,675 shares under the stock option plan for employees, Board members and persons in comparable positions.

In addition, the Annual General Meeting of shareholders of 7 May 2008 approved the creation of conditional capital of CHF 640,000 (3,200,000 shares) available for the exercise of options in relation with convertible bonds, bonds with options rights and similar forms of financing. The Annual General Meeting of shareholders of 7 May 2008 also approved the creation of authorised capital of CHF 640,000 (3,200,000 shares) which expires on May 8 2010. The following restrictions apply to the conditional capital as well as to the authorised capital created on 7 May 2008: The available conditional capital is reduced by the amount used as authorised capital. The available authorised capital is reduced by the amount used as conditional capital.

8. Commitments and contingencies

The Company entered into various purchase commitments for services and materials as well as for equipment as part of the ordinary business. These commitments reflect normal business operations. In connection with the acquisition of TLT Medical Ltd., success-based future milestone payments to the former shareholders of TLT Medical Ltd. with respect to the onychomycosis indication could have totalled up to CHF 52 million. However, as a result of the decision to terminate the trial relating to the TLT programme in 2009 and an understanding reached with the former shareholders of TLT Medical Ltd., these payment obligations will not arise (see note 4).

9. Legal Proceedings

No legal actions are pending at the time of this report.

10. Subsequent events

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