



ARPIDA INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2007

Reinach / Basel, Switzerland, 28 August 2007. Arpida Ltd (SWX: ARPN) announced today its financial results for the six months ending 30 June 2007.

Highlights 2007 to date

- ▶ Major pipeline progress:
 - Iclaprim's second pivotal Phase III trial in complicated skin and skin structure infections (cSSSI) also achieves its pre-specified primary endpoint
 - Results from a Phase I study in special populations confirm iclaprim's safety profile
 - Novel antibiotic AR-2474 achieves preclinical proof of concept
 - Promising results of 'first-in-man' studies with AR-709
 - FDA authorises a Phase II trial with iclaprim in hospital pneumonia
- ▶ Raised CHF 51.9 million
- ▶ Late-stage antifungal therapy added to pipeline via acquisition of TLT Medical Ltd.

Harry Welten, MBA, Senior Vice President and CFO, said: "In terms of spending, the first half of 2007 developed in line with our expectations. A major financial highlight of the first half was the share offering of last March. In a matter of a few hours, we successfully raised CHF 51.9 million, significantly boosting our cash position. Going forward, spending on the now completed Phase III programme with intravenous iclaprim in cSSSI will fall substantially. On the other hand, additional costs will be incurred for the NDA filing, pre-launch activities and the recently announced development programmes. On balance, we expect cash used in operating activities in the second half of the year to remain around the level of the first half."

Dr Khalid Islam, President and CEO of Arpida, said: "Progress in the year 2007 to date has been tremendous. Our lead compound, intravenous iclaprim, has achieved the pre-specified primary endpoint in its second pivotal Phase III trial in cSSSI, confirming the result of the first. We have subsequently initiated discussions with the FDA in order to prepare for the next step: the filing of a New Drug Application for intravenous iclaprim in cSSSI. With a view to a potential launch of intravenous iclaprim in 2008, we are significantly expanding our medical and scientific communications. A total of 24 abstracts on iclaprim have been accepted at the upcoming ICAAC and IDSA conferences in the USA. We are eager to share our preclinical and clinical data with the medical and scientific community."

Dr Islam added: "Progress was not limited to our most advanced programme, but was seen across the board. It included the authorisation from the US FDA to initiate Phase II trials with intravenous iclaprim in hospital-acquired pneumonia, as well as steady progress in other programmes such as oral iclaprim, AR-709 and AR-2474. Looking at the disturbing increase and the broadening of bacterial resistance against many of the current drugs, I feel these antibiotic programmes are aimed at significant existing or emerging medical needs. Very recently, we succeeded in broadening our clinical pipeline further by acquiring the late-stage anti-fungal TLT therapy. TLT is about to enter Phase III clinical trials in Europe targeting onychomycosis an important indication, affecting dozens of millions of people worldwide."

Dr Islam concluded: "Overall I can say that Arpida remains on a steady, successful course, strengthening the foundations for a profitable future."

Financial review for six months to 30 June 2007

Key financial indicators

(CHF million)

	2007 H1	2006 H2	2006 H1
Research and development expenses	(27.7)	(40.8)	(23.9)
Management and general expenses	<u>(6.0)</u>	<u>(4.6)</u>	<u>(4.6)</u>
Total operating expenses	(33.7)	(45.4)	(28.5)
Net result	(33.8)	(44.6)	(27.9)
Cash and financial investments end of period	94.7	72.8	98.6
Equity end of period	87.7	65.5	104.9

Results

In the first half of 2007, revenues of CHF 0.1 million were generated, related to contract research carried out for third parties.

Total operating expenses increased to CHF 33.7 million for the first six months of 2007. Of these expenses CHF 2.7 million relate to IFRS 2 non-cash charges for options accounting whereas this charge was CHF 1.0 million in the first half of 2006.

In the first half of 2007, 82% of the total operating expenses or CHF 27.7 million (first half of 2006: CHF 23.9 million) was spent on research & development, a substantial part of which was related to the phase III clinical trial programme with intravenous iclaprim.

Management and general expenses were CHF 6.0 million in the first half of 2007 (first half of 2006: CHF 4.6 million), thus remaining at a low level relative to the total operating expenses.

Financial income rose from CHF 0.6 million to CHF 0.8 million. This increase is mainly due to higher levels of cash invested and higher interest rates in Swiss Francs money market accounts. Financial expenses increased to CHF 0.8 million due to unrealised currency translation differences on inter-company relationships and CHF 0.3 million of realised exchange losses. On balance, the net financial result amounts to zero.

Balance sheet / cash flow

Cash and financial investments stood at CHF 94.7 million as per 30 June 2007, an increase of CHF 21.9 million relative to the situation at year-end 2006. The funds are held in current and money market accounts with leading banks.

Cash used in operating activities amounted to CHF 29.8 million (first half of 2006: CHF 24.0 million), while investing activities required CHF 0.9 million, compared with CHF 2.8 million in the first half of 2006. Financing activities amounted to CHF 52.2 million, mainly reflecting the proceeds of the share issue of March 2007.

In the share placing of March 2007, 1.7 million registered common shares from authorised capital were placed with institutional investors via an accelerated bookbuilding transaction. The shares were placed at CHF 30.50 per share, resulting in gross proceeds of CHF 51.9 million. Net proceeds (after expenses and taxes) were CHF 49.8 million.

The annual general meeting of shareholders of 8 May 2007 approved the appropriation of the accumulated loss in the Statutory accounts. The accumulated Statutory loss of CHF 31.1 million was compensated with an equal amount of share premium in the general reserves. This concerns a movement within equity and has no impact on the total amount.

Outlook

Based on current expectations and including pre-launch activities, NDA preparation and the recently announced development plans, cash used in operating activities in the second half of the year is forecast to remain around the level of the first half.

Shareholder structure

During the first half of 2007, the total number of common shares outstanding rose by 12.1% to 19.3 million. The increase was due to the placing of March, involving 1.7 million new shares from the authorised capital. In addition, 0.4 million shares were issued from conditional capital due to the exercise of staff options. Early August 2007, the number of outstanding shares increased by an additional 0.3% in connection with the payment related to the closing of the TLT transaction.

As per 28 August 2007, Arpida has four shareholders with stakes above 5%: Fidelity (10.7%), Deutsche Bank (10.1%), Schrodgers (7.8%) and Capital Group (5.0%). In accordance with SWX Swiss Exchange these stakes are considered free-float, which consequently is 100%.

Pipeline Development

Intravenous iclaprim in cSSSI – Phase III programme completed

In February 2007, Arpida reported positive results of a Phase I trial with intravenous iclaprim in volunteers with varying degrees of renal and hepatic impairment and obesity. The predictable pharmacokinetics observed in these populations would suggest that monitoring may not be required. This could be an important competitive advantage in the clinical setting.

In March, patient enrolment in ASSIST-2, the second pivotal Phase III trial with iclaprim in complicated skin and skin structure (cSSSI) was completed. Top-line results were published on 15 July 2007. These showed that the pre-specified primary endpoint of the second trial was achieved, as it was in the first.

The next step will be to discuss the data with the regulatory authorities and define the path forward for the filing of a New Drug Application (NDA) which is expected to take place in the course of this year.

Intravenous iclaprim - Additional indications

In June 2007, the US FDA granted authorisation to initiate a Phase II trial with intravenous iclaprim in the treatment of patients with hospital-acquired pneumonia (HAP), ventilator-associated pneumonia (VAP) or healthcare-associated pneumonia (HCAP) suspected or confirmed to be due to Gram-positive pathogens. Results of this trial are expected in the course of 2008.

Oral iclaprim

Additional Phase I trials are currently ongoing. After completion of these trials, efficacy trials could be undertaken.

TLT

In July 2007, Arpida announced the acquisition of TLT Medical Ltd., a Swiss privately-owned biopharmaceutical company with an innovative onychomycosis (OM) therapy. European regulatory authorities have granted authorisation to initiate a pivotal Phase III clinical trial that aims to demonstrate superiority of the TLT therapy compared to the standard of care topical treatment for mild to moderate OM. Enrolment is expected to start in the short term and filing for approval could be expected in late 2008 or early 2009.

AR-709 – “First-in-man” successfully completed

AR-709 originates from Arpida’s own drug discovery efforts. It is a bactericidal antibiotic that is being developed for the treatment of upper and lower respiratory tract infections contracted in the community setting.

In August 2006, the UK Medicines and Healthcare products Regulatory Authority granted authorisation to start “first-in-man” studies with AR-709. Results were published on 29 March 2007. These showed that AR-709 achieves high concentrations in the key compartments of the lungs where pathogens can reside and replicate. Moreover, the results of the studies showed that AR-709 exhibited a large volume of distribution and a long half life in man. Three possible routes of administration are under investigation: intravenous, oral and targeted delivery. The latter could have the added benefit of avoiding unnecessary systemic exposure.

Additional studies are ongoing in order to initiate Phase I studies in humans.

AR-2474

AR-2474 originates from Arpida’s own drug discovery efforts. It is an antibiotic with a novel mechanism of action that has demonstrated, both *in vitro* and *in vivo*, to be highly effective in eradicating multi-drug resistant bacteria known to cause topical infections. AR-2474 is being developed as a topical therapy for different applications, including infections of the skin and eye as well as nasal carriage of MRSA.

In March, results from preclinical studies were published, showing AR-2474 to be at least as efficacious as the gold standard mupirocin (Batroban ®) in two distinct preclinical models of MRSA infection of the skin and MRSA nasal carriage.

Additional preclinical studies are currently ongoing.

Early-stage research programmes

Arpida has a number of programmes at earlier research stages. Efforts are focussed on a number of selected targets. Crystallisation and co-crystallisation of these target proteins and inhibitory molecules could open up new avenues for rational drug design.

Organisation

In February 2007 Arpida announced an important focusing of the research organisation, concentrating operations in the headquarters in Reinach, Switzerland. This strategic re-alignment has been completed on schedule during the first half.

In the annual general meeting of 8 May 2007, Arpida’s shareholders approved the appointment of Michel Pettigrew MBA as a non-executive member of the Board of Directors of Arpida Ltd. Michel Pettigrew is currently Chief Operating Officer at Ferring Pharmaceuticals, a privately owned research-driven specialty biopharmaceutical company. In this position, he oversees all sales, marketing and manufacturing activities around the world. In earlier positions, he has worked for Procter & Gamble and Bristol-Myers Squibb in North-America, Europe and Asia.

In view of the new growth phase that Arpida is entering, the Board of Directors has decided to establish two new committees. The task of the newly established Research & Development Committee is to provide strategic guidance to Arpida’s activities in this field. The committee consists of Prof Dr Axel Kleemann (chair) and Prof Dr Nam-Hai Chua. The

task of the Commercialisation Committee is to define the strategic focus and framework for the (pre-) marketing efforts. The committee is chaired by Dr Jürgen Raths and has Michel Pettigrew, MBA and Dr André Lamotte as members.

The Compensation and Nomination committees have been merged into one which consists of Prof Dr Nam-Hai Chua (chair), Dr André Lamotte and Dr Hans Fünfschilling. The Finance & Audit Committee consists of Dr Hans Fünfschilling (chair), Prof Dr Axel Kleemann and Michel Pettigrew, MBA.

(Pre-)Marketing

Based on current expectations, intravenous iclaprim could be launched in its first indication (cSSSI) in the USA in the course of 2008. Arpida is convinced it can market the drug in the USA without the need for a partner. The potential profitability of this approach clearly exceeds that of an outlicensing scenario. In Europe, the approach is flexible: Arpida could handle the marketing itself, but does not exclude working with partners. For all other regions, Arpida will be looking for partners to handle marketing and logistics.

The preparations for the market launch are in full progress; they consist of two parts: the pre-launch activities and the actual build-up of a marketing organisation.

In the course of 2007, Arpida has significantly expanded its efforts aimed at raising the awareness of iclaprim in its target audiences. Activities focus on regular contacts with opinion leaders in the field of anti-infectives, on increasing the number of publications in key journals and on securing a substantial presence at major conferences. The two main conferences coming up in the short term are ICAAC in September and IDSA in October; both take place in the USA. A total of 37 abstracts containing preclinical and clinical information on Arpida's compounds have been accepted at these conferences. Of these 37, 24 concern iclaprim with the remainder related to AR-709 and AR-2474. Arpida is working with external partners in this area to further accelerate these operations.

Both in the executive management and the Boards of Directors of both Arpida Ltd. and Arpida Inc., a wealth of expertise is present to support these activities. Dr Raths heads the European hospital-focused marketing organisation of Eli Lilly and Mr Pettigrew, MBA is Chief Operating Officer at Ferring Pharmaceuticals. Prof Bartlett, MD, who is on the Board of Arpida Inc. in the USA, is one of the leading experts in the anti-infectives field. The expertise present within Arpida should be instrumental in the build-up of the commercial organisation.

- ends -

Conference call:

In order to provide more background to the results announcement Arpida will host a conference call on 28 August 2007, at 3.00pm CET.

The dial-in numbers are:

+41 (0) 91 610 56 00 (Europe)

+44 (0) 207 107 0611 (UK)

+ 1 (1) 866 291 4166 (USA)

The conference call (Call ID **406**, followed by the #) will be available for play-back for 48 hours by dialling:

+41 (0) 91 612 43 30 (Europe)

+44 (0) 207 108 6233 (UK)

+ 1 (1) 866 416 2558 (USA)

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About Arpida Ltd.

Arpida (SWX: ARPX) is a biopharmaceutical company with research facilities near Basel, Switzerland and in the USA. It focuses on the discovery and development of novel drugs that seek to overcome the growing problem of microbial resistance.

Arpida's leading product candidate is intravenous iclaprim, a broad-spectrum antibiotic that targets severe infections requiring hospital treatment, including those caused by methicillin-resistant *Staphylococcus aureus* (MRSA). The US Food and Drug Administration has granted fast track status to intravenous iclaprim. In July 2007, Arpida reported the completion of the Phase III programme in complicated skin and skin structure infections. An NDA filing is expected to take place in the second half of 2007.

In June 2007, Arpida announced that it has received approval from the US FDA to initiate Phase II trials with intravenous iclaprim in the treatment of patients with hospital-acquired pneumonia (HAP), ventilator-associated pneumonia (VAP) or healthcare associated pneumonia (HCAP).

An oral formulation of iclaprim has successfully completed three Phase I trials: an ADME study (absorption, distribution, metabolism and excretion) with radiolabelled compound, a Phase I bioavailability trial with a solution and one with a capsule formulation. Iclaprim could be offered not only as an intravenous therapy for hospital use in acute situations, but also as an oral formulation, allowing early patient discharge followed by outpatient treatment. This switch should be a valuable instrument in reducing healthcare costs and enhancing patient comfort.

Arpida's fourth most advanced programme, AR-709, targets upper and lower respiratory tract infections acquired in the community setting. AR-709 exhibited potent activity against a large panel of pneumococcal clinical isolates including those resistant to currently used drugs. Promising results of "first-in-man" studies with AR-709 were published in March 2007.

An additional compound, AR-2474, has achieved *in vivo* proof of concept. AR-2474 has been shown to be highly effective in eradicating pathogens in preclinical models of skin infection and nasal carriage.

Apart from the antibiotic programmes, Arpida has an innovative antifungal therapy (TLT) which is about to enter Phase III clinical trials in Europe, targeting onychomycosis.

Moreover, the company has several other leads in optimisation and additional discovery programmes derived from its own discovery platform at various research stages.

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 2007	31 Dec. 2006
	(unaudited)	(audited)
Assets		
Non current assets		
Financial investments (rent deposit)	2,150,000	2,150,000
Plant and equipment	9,052,119	9,082,966
Total non current assets	11,202,119	11,232,966
Current assets		
Prepayments	710,096	382,238
Other receivables	1,525,549	1,463,448
Cash and cash equivalents	92,527,312	70,675,127
Total current assets	94,762,957	72,520,813
Total assets	105,965,076	83,753,779
Equity and liabilities		
Equity		
Share capital	3,853,777	3,436,646
Share premium	214,423,575	192,004,739
Other reserves (share based compensation)	3,691,646	2,530,830
Cumulative translation differences	1,673,870	821,481
Accumulated loss	(135,991,700)	(133,316,873)
Total equity	87,651,168	65,476,823
Current liabilities		
Trade accounts payables	4,387,792	5,551,107
Accrued and other current liabilities	7,607,939	7,069,176
Short term portion of lease liabilities	302,237	268,769
Total current liabilities	12,297,968	12,889,052
Non current liabilities		
Deferred tax liabilities	188,789	23,890
Provisions	400,000	150,000
Pension liabilities	133,752	5,099
Long term lease liabilities	5,293,399	5,208,915
Total non current liabilities	6,015,940	5,387,904
Total equity and liabilities	105,965,076	83,753,779

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

CHF	Period from 1 January 2007 to 30 June 2007	Period from 1 January 2006 to 30 June 2006
Income from services	98,039	-
Research and development expenses	(27,742,025)	(23,927,037)
Management and general expenses	(5,999,524)	(4,586,977)
Total operating expenses	(33,741,549)	(28,514,014)
Operating loss	(33,643,510)	(28,514,014)
Financial income	781,475	630,649
Financial expenses	(764,694)	(19,379)
Net loss before tax	(33,626,729)	(27,902,744)
Income tax expenses	(127,227)	-
Net loss for the period	(33,753,956)	(27,902,744)
Basic and diluted loss per share	(1.83)	(1.70)

CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)

CHF	Period from 1 January 2007 to 30 June 2007	Period from 1 January 2006 to 30 June 2006
Operating activities		
Net loss	(33,753,956)	(27,902,744)
Adjustments to reconcile net loss to net cash		
- Changes in deferred tax liabilities	164,898	-
- Depreciation on tangible assets	633,587	759,232
- Amortisation on intangible assets	-	78,005
- Interest income	(945,606)	(630,649)
- Share-based compensation charges	2,719,097	971,576
- Changes in the composition of working capital		
- Change in other current assets	(431,939)	(217,357)
- Change in current liabilities	533,890	2,354,573
- Change in provisions	250,000	-
- Change in pension liability / prepaid pension	128,653	(70,038)
- Interest payments received	903,625	630,649
Net cash used in operating activities	(29,797,751)	(24,026,753)
Investing activities		
Proceeds from sale of equipment	57,220	-
Plant and equipment purchases	(1,000,448)	(605,137)
Financial investments	-	(2,150,000)
Net cash used in investing activities	(943,228)	(2,755,137)
Financing activities		
Finance lease payments	(147,798)	-
Issuance of common shares	54,425,024	725,385
Capital increase costs	(2,068,209)	-
Total cash provided by financing activities	52,209,017	725,385
Net change in cash position	21,468,038	(26,056,505)
Net increase /(decrease) in cash and cash equivalents	21,468,038	(26,056,505)
Exchange gains on cash and cash equivalents	384,147	135,036
Cash and cash equivalents, beginning of period	70,675,127	122,420,409
Cash and cash equivalents, end of period	92,527,312	96,498,940

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 2006	16,371,959	3,274,392	231,831,941	235,106,333	1,905,427	79,393	(106,212,682)	130,878,471
Translation differences	-	-	-	-	-	183,081	-	183,081
Net income/(expense) recognised directly in equity	-	-	-	-	-	183,081	-	183,081
Loss for the period	-	-	-	-	-	-	(27,902,744)	(27,902,744)
Total recognised income and expense for first six months of 2006	-	-	-	-	-	262,474	(27,902,744)	(27,719,663)
Compensation of accumulated loss with share premium in general reserves	-	-	(45,427,108)	(45,427,108)	-	-	45,427,108	-
Exercise of stock options	142,056	28,411	696,973	725,384	-	-	-	725,384
Effect of IFRS 2 share-based compensation	-	-	-	-	971,576	-	-	971,576
At 30 June 2006	16,514,015	3,302,803	187,101,806	190,404,609	2,877,003	262,474	(88,688,318)	104,855,768
At 1 January 2007	17,183,232	3,436,646	192,004,739	195,441,385	2,530,830	821,481	(133,316,873)	65,476,823
Translation differences	-	-	-	-	-	852,389	-	852,389
Net income/(expense) recognised directly in equity	-	-	-	-	-	852,389	-	852,389
Loss for the period	-	-	-	-	-	-	(33,753,956)	(33,753,956)
Total recognised income and expense for first six months of 2007	-	-	-	-	-	852,389	(33,753,956)	(32,901,567)
Compensation of accumulated loss with share premium in general reserves	-	-	(31,079,129)	(31,079,129)	-	-	31,079,129	-
Capital increase	1,700,000	340,000	51,510,000	51,850,000	-	-	-	51,850,000
Equity funding costs	-	-	(2,068,209)	(2,068,209)	-	-	-	(2,068,209)
Exercise of stock options	385,652	77,131	2,497,893	2,575,024	-	-	-	2,575,024
Effect of IFRS 2 share-based compensation	-	-	-	-	2,719,097	-	-	2,719,097
Compensation of other reserves with share premium for exercised options	-	-	1,558,281	1,558,281	(1,558,281)	-	-	-
At 30 June 2007	19,268,884	3,853,777	214,423,575	218,277,352	3,691,646	1,673,870	(135,991,700)	87,651,168

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 2007 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. Based on the current cash position, management anticipates Arpida to continue as a going concern. Management continually monitors the Company's cash position and the level of spending.

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 SWX Swiss Exchange.

2. Accounting policies

Basis of accounting

The condensed consolidated interim financial statements for the six months ended 30 June 2007 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 2006. 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 2006, except for the adoption of new Interpretations noted below. The adoption of these Interpretations did not have any effect on the financial positions or performance of Arpida

IFRIC 8 Scope of IFRS 2

The Company adopted IFRIC Interpretation 8 as of 1 January 2007 which requires IFRS 2 to be applied if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred meaning that unidentifiable consideration has been or will be received.

IFRIC 9 Reassessment of Embedded Derivatives

The Company adopted IFRIC Interpretation 9 as of 1 January 2007 which requires the Company to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative at the time when the Company first becomes a party to the contract and prohibits subsequent reassessment unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

IFRIC 10 *Interim Financial Reporting and Impairment*

The Company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an impairment loss on goodwill and certain financial assets recognised in a previous interim period is not reversed.

3. Changes in the Scope of Consolidation

During the first half of 2007, there were no changes to the group scope.

In 2006, the Company incorporated Arpida, Inc, in order to establish a presence in the USA. The results of Arpida, Inc. are included in the consolidated financial statements since incorporation on 11 May 2006.

4. Information by Geographical Area

The group has only one business segment, namely the discovery and development of new, safer and more efficacious antimicrobial drugs for the treatment of infectious diseases. The geographical analysis of operating expenses is as follows:

CHF	Six months to 30 June 2007	Six months to 30 June 2006
Switzerland	(24,388,606)	(21,086,010)
Outside Switzerland	(3,353,419)	(2,841,027)
Total research and development	(27,742,025)	(23,927,037)
Switzerland	(5,231,528)	(4,100,313)
Outside Switzerland	(767,996)	(486,664)
Total management and general expenses	(5,999,524)	(4,586,977)
Total operating expenses	(33,741,549)	(28,514,014)

The geographical analysis of income from services is as follows:

CHF	Six months to 30 June 2007	Six months to 30 June 2006
Switzerland	98,039	-
Outside Switzerland	-	-
Total income from services	98,039	-

5. Shareholders Equity

As of January 1, 2006, the total number of registered common shares issued amounted to 16,371,959 with a nominal value of CHF 0.20 each, representing a nominal share capital of CHF 3,274,392. In the course of the first half year 2006, 142,056 shares were issued due to the exercise of staff options, lifting the total number of common shares outstanding to 16,514,015 per 30 June 2006 with a nominal value of CHF 3,302,803.

As of January 1, 2007, the total number of registered common shares issued amounted to 17,183,232 with a nominal value of CHF 0.20 each, representing a nominal share capital of CHF 3,436,646. During the first half of 2007, the total number of common shares outstanding rose by 2,085,652 to 19,268,884 with a total nominal value of CHF 3,853,777 as of 30 June 2007. The increase is due to the placing of March, involving 1,700,000 new shares from the authorised capital. In addition, 385,652 shares were issued due to the exercise of staff options.

The Annual General Meeting of shareholders of 8 May 2007 approved the creation of authorised capital of CHF 340,000 (1.7 million shares). The authorisation expires 8 May 2009.

As of January 1, 2007, conditional capital was available for the issuance of 1,623,727 shares under the stock option plan for employees, Board members and persons in comparable positions. On 8 May 2007, the shareholders approved an increase of the conditional capital by CHF 120,000 for the potential issuance of 600,000 registered common shares of CHF 0.20 each. During the first half of 2007, 385,652 registered common shares were issued due to option exercise. Hence, as of 30 June 2007, conditional capital was available for the issuance of 1,838,075 shares.

6. Events subsequent to the 30 June 2007 balance sheet date

On 18 July 2007, Arpida announced the acquisition of TLT Medical Ltd., a Swiss privately-owned biopharmaceutical company with an innovative onychomycosis therapy. The transaction regarding the onychomycosis treatment comprises an upfront payment as well as success-dependent future payments to the former shareholders of TLT Medical Ltd. which could total up to CHF 57 million. Up to CHF 5 million will be paid in Arpida shares to be issued out of the authorised capital, with the remainder payable in cash.

7. 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.

8. Legal Proceedings

No legal actions are pending at the time of this report but the Company expects to be involved in up to two lawsuits arising in the ordinary course of its business. The Company believes that adequate provisions were made to cover the risks associated with these threatened lawsuits.