



## ARPIDA REPORTS INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2008

### JAMES BRUNO TO LEAD ARPIDA'S NORTH-AMERICAN COMMERCIAL OPERATIONS

**Reinach, Switzerland, 20 August 2008.** Arpida Ltd (SWX: ARPN) announced today its financial results for the six months ending 30 June 2008.

#### Highlights 2008 to date

Major pipeline progress:

- Regulatory filings for intravenous iclaprim in cSSSI submitted in U.S.A. and Europe
- Enrolment in Phase II "intravenous-to-oral" switch trial with oral iclaprim progresses well
- Enrolment in Phase II HAP/VAP/HCAP trial challenging
- Enrolment in Phase III trial with TLT approaches 50%

- Leadership change to enable Arpida to become a fully integrated pharmaceutical company
- Raised CHF 19.6 million in a secondary offering in April 2008
- Cash and financial investments of CHF 67.9 million at 30 June 2008

CFO Harry Welten, MBA, commented: "Thanks to continued focus we have managed to keep spending in the first half of 2008 within the guidance given in March this year. Due to the build-up of commercial capabilities, we expect cash spending on operating activities in the second half of 2008 to be around CHF 4.5 million on average per month. Based on our financial position and iclaprim's advanced development status, we feel we are well-placed as we approach 2009, which we expect to be a launch year."

Dr Jürgen Raths, President and CEO, commented: "I am very pleased with the achievements in the year to date, not only in financial terms, but also in terms of development and regulatory progress. Our lead product candidate iclaprim is now under review at the major regulatory authorities on both sides of the Atlantic. We are very much looking forward to hearing from the U.S. authorities in January 2009. After more than 10 years of hard work, Arpida is getting very close to turning what used to be a promising compound into a promising drug, providing physicians with a potent new therapy in the fight against MRSA and other important pathogens."

Dr Raths added: "I am delighted that we have been able to attract James Bruno to join us and support us in developing and executing our commercial strategy. His proven track record of outstanding commercial leadership will be crucial as we add commercial competences."

## Financial review for six months to 30 June 2008

### Key financial indicators

(CHF million)

	2008 H1	2007 H2	2007 H1
Research and development expenses	(15.5)	(17.3)	(27.7)
Management and general expenses	<u>(6.0)</u>	<u>(9.4)</u>	<u>(6.0)</u>
Total operating expenses	(21.5)	(26.7)	(33.7)
Net result	(20.3)	(25.3)	(33.8)
Cash and financial investments end of period	67.9	68.1	94.7
Equity end of period	67.1	67.1	87.7

### Results

In the first half of 2008, revenues of CHF 0.3 million were generated, related to contract research carried out for third parties.

In the first half of 2008, CHF 15.5 million (first half of 2007: CHF 27.7 million) was spent on research & development. The decrease is largely due to the fact that spending related to the Phase III programme for intravenous iclaprim in cSSSI were still substantial in the first half of 2007. This clinical programme was completed in 2007.

Management and general expenses were CHF 6.0 million in the first half of 2008 (first half of 2007: CHF 6.0 million), thus remaining at a low level.

Relative to the first half of 2007, financial income rose from CHF 0.9 million to CHF 1.3 million. Financial expenses fell from CHF 0.9 million to CHF 0.3 million. On balance, the net financial result increased from virtually zero in the first half of 2007, to a positive contribution of CHF 1.0 million. This increase is due to the impact of foreign exchange results, which swung from a loss in the first half of 2007 to a gain in the first half of 2008.

### Balance sheet / cash flow

Cash and financial investments stood at CHF 67.9 million as per 30 June 2008, virtually unchanged compared with the situation at year-end 2007. The funds are held in current and money market accounts with leading banks.

Cash used in operating activities amounted to CHF 19.2 million in the first half of 2008, or CHF 3.2 million on average per month (first half of 2007: CHF 29.8 million, or CHF 5.0 million on average per month). Cash spending in the first half remained within the guidance given earlier this year. Financing activities contributed CHF 19.5 million, mainly reflecting the proceeds of the share issue of April 2008.

In the share placing of April 2008, 1.6 million registered common shares from authorised capital were placed at CHF 13.20 per share, resulting in gross proceeds of CHF 21.1 million.

### Outlook

Spending in the second half of 2008 is expected to increase relative to the first half, driven mainly by the build-up of commercial capabilities. Cash used in operating activities in the second half is expected to be around CHF 4.5 million on average per month. In addition, CHF 3 million are expected to become payable in the second half in conjunction with the achievement of a clinical milestone for TLT.

## **Shareholder structure**

Relative to the situation at year-end 2007, the total number of common shares outstanding rose by 8% to 21.1 million during the first half of 2008. The increase was entirely due to the placing of April, involving 1.6 million new shares from authorised capital.

As per 20 August 2008, Arpida has four shareholders with stakes exceeding 3%: Fidelity (10.7%), Deutsche Bank (17.1%), Capital Group (5.0%) and MKM Longboat (4.7%). In accordance with SWX Swiss Exchange regulations, these stakes are considered free-float, which consequently is 100%.

## **Pipeline Development**

### **Intravenous iclaprim in cSSSI – Regulatory submissions filed in U.S.A. and Europe**

In March 2008, Arpida reported the submission of a New Drug Application (NDA) for intravenous iclaprim for the treatment of complicated Skin and Skin Structure Infections (cSSSI) to the U.S. Food and Drug Administration (FDA). On 16 May Arpida announced that the FDA had accepted the NDA for review. The FDA established a goal of a standard ten month review of the iclaprim NDA and defined that the Prescription Drug User Fee Act (PDUFA) goal date will be 16 January 2009.

The submission of a Marketing Authorisation Application (MAA) for intravenous iclaprim in complicated Skin and Soft Tissue Infections (cSSTI) to the European Medicines Agency (EMA) was announced on 28 July 2008.

### **Intravenous-to-Oral switch – Recruitment in Phase II trial in cSSSI progresses well**

In January 2008, Arpida received authorisation from the FDA to conduct a Phase II 'intravenous-to-oral' switch trial with iclaprim in patients with complicated Skin and Skin Structure Infections. Patient enrolment started in May and is expected to complete within 2008, as planned.

The key objective of the study is to assess the clinical efficacy of an oral capsule formulation of iclaprim as step-down therapy in comparison with a full course of intravenous treatment with vancomycin in the treatment of cSSSI. The primary endpoint will be the clinical cure rate at the Test-of-Cure visit. Secondary objectives include bacteriological outcomes as well as safety and tolerability.

### **Intravenous iclaprim – Challenging enrolment in Phase II trial in HAP/VAP/HCAP**

In 2007, Arpida received authorisation from the U.S. Food and Drug Administration for 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. Patient recruitment started in December 2007 and is proving to be challenging. Measures have been implemented to speed-up patient recruitment, but completion of enrolment within this year seems unlikely.

### **TLT – Enrolment approaches 50%**

European regulatory authorities have granted authorisation to initiate a pivotal Phase III clinical trial with the TLT therapy in mild to moderate onychomycosis (OM). Approximately 220 patients in total will be enrolled in this study. Patient screening for the pivotal Phase III study with the TLT treatment in OM was initiated in January 2008. Enrolment is currently close to 50% of the envisaged total and is expected to be completed around year-end 2008.

## **Other Research and Development programmes**

Preclinical studies are ongoing for both AR-709 and AR-2474 with the aim to initiate tolerability studies in humans.

Arpida's early-stage research efforts are focused on finding new chemical entities to address current and future needs. To this end Arpida employs an integrated, multidisciplinary discovery platform which includes a leading biostructural group.

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. Increasingly, the focus moves towards Gram-negative pathogens and fungi.

## **Pre-Marketing**

Arpida had a good presence at the 18<sup>th</sup> European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in April in Barcelona, Spain. The booth was very well visited, as were the poster sessions and the oral presentation. The combined ICAAC/IDSA conference on 25 – 28 October in the U.S.A. will be another important opportunity to raise the awareness of our pipeline among key audiences.

## **Key hire**

Arpida has taken an important step in the build-up of a marketing and sales organisation by appointing James Bruno as Head of Commercial Development North America. He brings more than 20 years of marketing and sales experience at leading biotech and pharmaceutical companies such as GSK, Pharmacia and MedImmune, with particular emphasis on anti-infectives.

Arpida is in the process of recruiting additional executives to form a core commercial team. The strategy for the further ramp-up of the broader sales force is currently being established.

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## **Conference Call**

Arpida will host a conference call to discuss this news release, 20 August 2008, at 3 pm 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 **18772**, followed by the #) will be available for play-back for 48 hours after the call by dialling:

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

**+44 (0) 207 108 6233** (UK)

**+ 1 (1) 866 416 2558** (USA)

## **Contacts:**

### **Arpida**

Dr Jürgen Raths, President and CEO

Harry Welten, MBA, CFO and Senior Vice President

Paul Verbraeken, Head of Corporate Communications

Tel: + 41 61 417 96 60

Tel: + 41 61 417 96 65

Tel: + 41 61 417 96 83

### **About Arpida Ltd.**

Arpida (SWX: ARPN) is a biopharmaceutical company headquartered in Reinach, Switzerland with operations in Switzerland and the USA. It focuses on the discovery, development and commercialisation of novel drugs that seek to overcome the growing problem of microbial resistance. The most advanced compounds include an antibacterial under regulatory review and an antifungal in Phase III.

Arpida's leading product candidate is intravenous iclaprim, a potent antibacterial that targets severe infections requiring hospital treatment, including those caused by methicillin-resistant *Staphylococcus aureus* (MRSA). The clinical programme for the first indication, complicated skin and skin structure infections (cSSSI), has been completed. The submission of the NDA to the US FDA was completed in March 2008. The FDA has defined that the Prescription Drug User Fee Act (PDUFA) goal date will be 16 January 2009. Arpida submitted a Marketing Authorisation Application for intravenous iclaprim in Europe in July 2008.

In May 2008, Arpida announced the enrolment of the first patients in a Phase II 'intravenous-to-oral' switch trial. 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 could be a valuable instrument in reducing healthcare costs and enhancing patient comfort.

In December 2007, Arpida announced the enrolment of the first patients in a Phase II clinical study with intravenous iclaprim in the treatment of patients with hospital-acquired pneumonia (HAP), ventilator-associated pneumonia (VAP) or healthcare associated pneumonia (HCAP).

Arpida's fourth most advanced antibiotic 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 2007.

An additional compound, AR-2474, has achieved *in vivo* proof of concept. AR-2474 has been shown to be 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 in 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 2008	31 Dec. 2007
	(unaudited)	(audited)
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	7,200,640	7,200,640
Financial investments (rent deposit)	2,194,142	2,204,062
Plant and equipment	7,712,618	8,297,007
<b>Total non current assets</b>	<b>17,107,400</b>	<b>17,701,709</b>
<b>Current assets</b>		
Prepayments	726,923	1,207,339
Other receivables	537,241	1,745,984
Cash and cash equivalents	65,731,101	65,874,259
<b>Total current assets</b>	<b>66,995,265</b>	<b>68,827,582</b>
<b>Total assets</b>	<b>84,102,665</b>	<b>86,529,291</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	4,218,820	3,898,820
Share premium	209,439,205	217,204,316
Other reserves (share based compensation)	7,815,598	6,146,008
Cumulative translation differences	243,839	1,231,419
Accumulated loss	(154,577,647)	(161,358,026)
<b>Total equity</b>	<b>67,139,815</b>	<b>67,122,537</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	819,504	721,451
Provisions	361,500	400,000
Pension liabilities	545,933	446,390
Contingent purchase consideration	4,540,050	4,365,432
Long-term lease liabilities	4,977,580	5,138,960
<b>Total non-current liabilities</b>	<b>11,244,567</b>	<b>11,072,233</b>
<b>Current liabilities</b>		
Trade accounts payables	862,339	2,526,862
Accrued and other current liabilities	4,540,125	5,498,782
Short term portion of lease liabilities	315,819	308,877
<b>Total current liabilities</b>	<b>5,718,283</b>	<b>8,334,521</b>
<b>Total equity and liabilities</b>	<b>84,102,665</b>	<b>86,529,291</b>

## CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

CHF	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
<b>Income from services</b>	<b>283,906</b>	<b>98,039</b>
Research and development expenses	(15,496,372)	(27,742,025)
Management and general expenses	(5,998,166)	(5,999,524)
<b>Total operating expenses</b>	<b>(21,494,538)</b>	<b>(33,741,549)</b>
<b>Operating loss</b>	<b>(21,210,632)</b>	<b>(33,643,510)</b>
Financial income	1,342,992	945,606
Financial expenses	(310,214)	(928,825)
<b>Net loss before tax</b>	<b>(20,177,854)</b>	<b>(33,626,729)</b>
Income tax expenses	(121,296)	(127,227)
<b>Net loss for the period</b>	<b>(20,299,150)</b>	<b>(33,753,956)</b>
<b>Basic and diluted loss per share</b>	<b>(1.00)</b>	<b>(1.83)</b>

## CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)

CHF	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
<b>Operating activities</b>		
Net loss	(20,299,150)	(33,753,956)
Adjustments to reconcile net loss to net cash		
- Income taxes	98,053	164,898
- Depreciation on tangible assets	592,104	633,587
- Amortisation on intangible assets	-	-
- Interest income	(806,871)	(945,606)
- Interest expenses	310,214	164,131
- Share-based compensation charges	1,669,590	2,719,097
- Changes in the composition of working capital		
- Change in other current assets	1,803,450	(431,939)
- Change in current liabilities	(3,178,162)	533,890
- Change in provisions	(38,500)	250,000
- Change in pension liability	99,542	128,653
- Interest payments received	692,580	903,625
- Interest paid	(135,596)	(164,131)
<b>Net cash used in operating activities</b>	<b>(19,192,746)</b>	<b>(29,797,751)</b>
<b>Investing activities</b>		
Proceeds from sale of equipment	-	57,220
Plant and equipment purchases	(14,816)	(1,000,448)
Financial investments	9,920	-
<b>Net cash used in investing activities</b>	<b>(4,896)</b>	<b>(943,228)</b>
<b>Financing activities</b>		
Finance lease payments	(154,439)	(147,798)
Issuance of common shares	21,120,000	54,425,024
Capital increase costs	(1,485,582)	(2,068,209)
<b>Total cash provided by financing activities</b>	<b>19,479,979</b>	<b>52,209,017</b>
<b>Net change in cash position</b>	<b>282,337</b>	<b>21,468,038</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>282,337</b>	<b>21,468,038</b>
Exchange gains on cash and cash equivalents	(425,495)	384,147
Cash and cash equivalents, beginning of period	65,874,259	70,675,127
<b>Cash and cash equivalents, end of period</b>	<b>65,731,101</b>	<b>92,527,312</b>

## 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
<b>At 1 January 2007</b>	<b>17,183,232</b>	<b>3,436,646</b>	<b>192,004,739</b>	<b>195,441,385</b>	<b>2,530,830</b>	<b>821,481</b>	<b>(133,316,873)</b>	<b>65,476,823</b>
Translation differences	-	-	-	-	-	852,389	-	852,389
<b>Net income/(expense) recognised directly in equity</b>	-	-	-	-	-	<b>852,389</b>	-	<b>852,389</b>
Loss for the period	-	-	-	-	-	-	(33,753,956)	(33,753,956)
<b>Total recognised income and expense for first six months of 2007</b>	-	-	-	-	-	<b>852,389</b>	<b>(33,753,956)</b>	<b>(32,901,567)</b>
Compensation of accumulated loss with share premium in general reserves	-	-	(31,079,129)	(31,079,129)	-	-	31,079,129	-
Capital increase March 2007	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)	-	-	-
<b>At 30 June 2007</b>	<b>19,268,884</b>	<b>3,853,777</b>	<b>214,423,575</b>	<b>218,277,352</b>	<b>3,691,646</b>	<b>1,673,870</b>	<b>(135,991,700)</b>	<b>87,651,168</b>
<b>At 1 January 2008</b>	<b>19,494,104</b>	<b>3,898,820</b>	<b>217,204,316</b>	<b>221,103,136</b>	<b>6,146,008</b>	<b>1,231,419</b>	<b>(161,358,026)</b>	<b>67,122,537</b>
Translation differences	-	-	-	-	-	(987,580)	-	(987,580)
<b>Net income/(expense) recognised directly in equity</b>	-	-	-	-	-	<b>(987,580)</b>	-	<b>(987,580)</b>
Loss for the period	-	-	-	-	-	-	(20,299,150)	(20,299,150)
<b>Total recognised income and expense for first six months of 2008</b>	-	-	-	-	-	<b>(987,580)</b>	<b>(20,299,150)</b>	<b>(21,286,730)</b>
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	-	-	-	-	-	-	-	-
<b>At 30 June 2008</b>	<b>21,094,104</b>	<b>4,218,820</b>	<b>209,439,205</b>	<b>213,658,025</b>	<b>7,815,598</b>	<b>243,839</b>	<b>(154,577,647)</b>	<b>67,139,815</b>

## **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 2008 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. Considering Arpida’s current cash position and the level of spending according to management’s plans and budgets, management anticipates Arpida to continue as a going concern until at least the third quarter of 2009. 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 2008 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 2007. 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 2007, 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 11 ‘IFRS 2 - Group and Treasury Share Transactions’. The Company adopted IFRIC 11 which provides additional guidance for the distinction between equity- and cash-settled share-based payment transactions. This IFRIC also provides guidance on the classification and accounting for share-based payment plans, where a subsidiary grants rights to shares of the parent.

IFRIC 14 ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interaction’. The Company adopted IFRIC 14 which provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. This IFRIC also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

IFRIC 12 ‘Service Concession Arrangements’ is not applicable for the Company.

### 3. Changes in the Scope of Consolidation

During the first half of 2008, there were no changes to the group scope.

During the first half of 2007, there were no changes to the group scope. On 10 August 2007, the Company acquired 100% of the shares of TLT Medical Ltd., a Swiss privately owned biopharmaceutical company with an innovative onychomycosis therapy.

### 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 2008	Six months to 30 June 2007
Switzerland	(14,457,210)	(24,388,606)
Outside Switzerland	(1,039,162)	(3,353,419)
<b>Total research and development</b>	<b>(15,496,372)</b>	<b>(27,742,025)</b>
Switzerland	(5,584,308)	(5,231,528)
Outside Switzerland	(413,858)	(767,996)
<b>Total management and general expenses</b>	<b>(5,998,166)</b>	<b>(5,999,524)</b>
<b>Total operating expenses</b>	<b>(21,494,538)</b>	<b>(33,741,549)</b>

The geographical analysis of income from services is as follows:

CHF	Six months to 30 June 2008	Six months to 30 June 2007
Switzerland	283,906	98,039
Outside Switzerland	-	-
<b>Total income from services</b>	<b>283,906</b>	<b>98,039</b>

### 5. Share Capital

As of 1 January 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 was 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.

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 4,218,821 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 30 June 2008, 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.

## 6. Financial result

CHF	Six months to 30 June 2008	Six months to 30 June 2007
Charges related to bank accounts	(15,365)	(37,260)
Interest finance lease	(120,231)	(126,871)
Accrual of interest on TLT milestones	(174,618)	-
Foreign exchange loss, net	-	(764,694)
<b>Total financial expenses</b>	<b>(310,214)</b>	<b>(928,825)</b>
Interest income from bank deposits	<b>806,871</b>	<b>945,606</b>
Foreign exchange gain, net	<b>536,121</b>	-
<b>Total financial income</b>	<b>1,342,992</b>	<b>945,606</b>

## 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. On 10 August 2007, the Company acquired 100 % of the shares of TLT Medical Ltd., a Swiss privately owned biopharmaceutical company with an innovative onychomycosis therapy. Success-based future milestone payments to the former shareholders of TLT Medical Ltd., related to the Onychomycosis indication, could total up to CHF 55 million.

## 8. Legal Proceedings

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