UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 3, 2006

VANDA PHARMACEUTICALS INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

000-51863	03-0491827
(Commission File No.)	(IRS Employer Identification No.)

9605 Medical Center Drive
Suite 300
Rockville, Maryland 20850
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (240) 599-4500

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On August 3, 2006, Vanda Pharmaceuticals Inc. issued a press release relating to its results of operations and financial condition for the quarter ended June 30, 2006. The full text of this press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in Item 2.02 of this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

EXHIBIT NO.	DESCRIPTION
99.1	Press release of Vanda Pharmaceuticals Inc. dated August 3, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VANDA PHARMACEUTICALS INC.

By: /s/ STEVEN A. SHALLCROSS

Name: Steven A. Shallcross
Title: Senior Vice President,
Chief Financial Officer and Treasurer

Dated: August 3, 2006

Exhibit 99.1

VANDA PHARMACEUTICALS REPORTS SECOND QUARTER 2006 FINANCIAL RESULTS

COMPANY'S PHASE III TRIAL ENROLLMENT FOR ILOPERIDONE IS NEAR COMPLETION;
COMPANY'S PHASE III TRIAL FOR VEC-162 IS AHEAD OF SCHEDULE

ROCKVILLE, Md., Aug. 3 /PRNewswire-FirstCall/ -- Vanda Pharmaceuticals Inc. (Nasdaq: VNDA), a biopharmaceutical company focused on the development and commercialization of clinical-stage product candidates for central nervous system disorders, today announced financial and operational results for the second quarter ended June 30, 2006.

Vanda reported research and development (R&D) expenses in the second quarter of $19.1 million, compared to first quarter 2006 R&D expenses of $15.5 million and second quarter 2005 R&D expenses of $3.7 million. Total expenses for the second quarter of 2006 were $22.1 million, compared to $18.4 million in the first quarter of 2006 and $5.5 million in the second quarter of 2005. The increase in expenses is primarily attributable to the combined costs of administering the Company's current Phase III trial for its product candidate iloperidone and the Company's current Phase III trial for its product candidate VEC-162.

Net loss applicable to common stockholders was $21.4 million for the second quarter of 2006, compared to a net loss of $18.1 million in the first quarter of 2006 and a net loss of $5.5 million in the second quarter of 2005. As of June 30, 2006, Vanda's cash, cash equivalents, and short-term investments totaled $60.2 million.

"We are pleased to see that our two Phase III clinical trails continue to enroll ahead of schedule and move closer to completion," stated Mihael Polymeropoulos, M.D., President and CEO of Vanda. "Looking ahead, we are excited and optimistic about reporting the results for both of these trials as early as the first quarter of 2007, and if successful, our anticipated NDA filing for iloperidone by the end of 2007."

OPERATIONAL HIGHLIGHTS

Iloperidone Phase III Trial

Vanda's ongoing Phase III clinical trial to evaluate its product candidate iloperidone for the treatment of patients with schizophrenia is significantly ahead of schedule and is nearing the completion of achieving its enrollment target. The trial is a randomized, double-blind, placebo-controlled Phase III trial of approximately 600 patients.

The study began in November 2005, and reached an enrollment of 567 patients as of July 31, 2006. Vanda expects to report top-line results early in the first quarter of 2007. If successful, Vanda expects to file a New Drug Application (NDA) with the Food and Drug Administration (FDA) for iloperidone by the end of 2007.

VEC-162 Phase III Trial

In February 2006, the Company initiated a Phase III clinical trial to evaluate the safety and efficacy of its product candidate VEC-162 for the treatment of insomnia. The trial is a randomized, double-blind, placebo-controlled transient insomnia trial in which we expect to enroll approximately 400 healthy volunteers at up to 20 investigator sites in the U.S. The trial will measure sleep efficiency and time to fall asleep, as well as next-day performance and mood.

Enrollment for the trial is ahead of schedule and reached an enrollment of 308 patients as of July 31, 2006. Vanda expects to report the top-line results in the first quarter of 2007. The Company will need to conduct additional Phase III trials to receive FDA approval of VEC-162 for the treatment of insomnia.

FINANCIAL DETAILS

* Operating Expenses. Second quarter research and development expenses, primarily consisting of salaries, stock-based compensation, and related expenses for personnel and capital resources used in the Company's clinical trials and research initiatives, were $19.1 million, up from $15.5 million in the previous quarter and up from $3.7 million in the second quarter of 2005. The increase in R&D expenses in the second quarter relative to the first quarter of 2006 was primarily due to an increase in clinical trial expenses related to the Company's two ongoing Phase III clinical trials.

General and administrative (G&A) expenses totaled $3.0 million in the second quarter of 2006, up from $2.9 million in the first quarter of 2006, and up from $1.9 million in the second quarter of 2005. The increase in G&A expenses in the second quarter of 2006 relative to the first quarter of 2006 was primarily due to increased insurance expense and professional fees.

Stock-based compensation recorded in the second quarter of 2006 was $1.5 million for employees under SFAS 123(R). Of the total $1.5 million, $0.1 million was recorded in R&D expenses and $1.4 million was recorded in G&A expenses. In the first quarter of 2006 and the second quarter of 2005, total stock-based compensation was $1.5 million and $1.4 million, respectively.

* Net loss applicable to common stockholders for the second quarter of 2006 was $21.4 million. This compares to a net loss of $18.1 million in the first quarter of 2006 and $5.5 million in the second quarter of 2005.

* Cash and marketable securities increased by $40.1 million during the second quarter. Changes were primarily composed of $21.4 million of operating losses and $0.5 million in fixed asset additions and other items, offset by net cash proceeds of $53.3 million from the issuance of common stock in the Company's initial public offering, increases in accrued R&D expenses and accounts payable of $5.9 million, decreases in prepaid expenses and deposits of $1.1 million and $1.6 million of non- cash depreciation, amortization, and stock-based compensation expenses.

* The balance sheet at June 30, 2006 reflected $60.2 million of unrestricted cash, cash equivalents and marketable securities, compared to $20.1 million as of March 31, 2006, and $31.2 million as of December 31, 2005.

FINANCIAL GUIDANCE

As previously discussed last quarter full year 2006 financial results are expected to show total cash used from the Company's operations to be approximately $60 million to $65 million. Total cash balance at December 31, 2006 is expected to be in the range of $20 million to $25 million, without taking into account the receipt of any proceeds from collaborations or partnerships that the Company may enter into in 2006. Vanda anticipates that its current funds will be sufficient to complete and report the results from its ongoing iloperidone and VEC-162 Phase III clinical trials that are expected to be completed in the first quarter of 2007, and to continue additional development and clinical activities for its product candidates.

Net loss for the year is expected to be between $70 million to $75 million, or approximately $4.38 to $4.69 per diluted common share. Non-cash charges for 2006, consisting primarily of stock-based compensation expenses and depreciation and amortization, are expected to be approximately $8 million. Per share figures were computed on a weighted average basis of 15,986,501 common shares outstanding at the end of the year.

CONFERENCE CALL

The Company has scheduled a conference call for today, Thursday, August 3, 2006 at 10:30 AM ET. During the call, Mihael Polymeropoulos, M.D., President and CEO, and Steven Shallcross, Sr. Vice President and CFO, will discuss quarterly results and other corporate activities. Investors can call 1-800-688-0836 (domestic) and 1-617-614-4072 (international) prior to the 10:30 AM start time and ask for the Vanda Pharmaceuticals conference call hosted by Dr. Polymeropoulos. A replay of the call will be available on Thursday, August 3, 2006, beginning at 12:30 PM ET and will be accessible until Thursday, August 10, 2006, at 5:00 PM ET. The replay call-in number is 1-888-286-8010 for domestic callers and 1-617-801-6888 for international callers. The access number is 93900921.

The conference call will be broadcast simultaneously on the Company's Web site, http://www.vandapharma.com. Investors should click on the Investor Relations tab and are advised to go to the Web site at least 15 minutes early to register, download, and install any necessary audio software. The call will also be archived on the Vanda Web site for a period of 30 days, through September 1, 2006.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding Vanda's plans for its product candidates. Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," and "could," and similar expressions or words, identify forward-looking statements. Such forward- looking statements are based upon current expectations that involve risks, changes in circumstances, assumptions and uncertainties. Vanda is at an early stage of development and may not ever have any products that generate significant revenue. Important factors that could cause actual results to differ materially from those reflected in Vanda's forward-looking statements include, among others, a failure of Vanda's product candidates to be demonstrably safe and effective, a failure to obtain regulatory approval for the company's products or to comply with ongoing regulatory requirements, a lack of acceptance of Vanda's product candidates in the marketplace, or a failure to become or remain profitable, Vanda's inability to obtain the capital necessary to fund its research and development activities, a loss of any of the company's key scientists or management personnel, and other factors that are described in the "Risk Factors" section of Vanda's report on Form 10- Q for its first quarter ended March 31, 2006. No forward-looking statements can be guaranteed and actual results may differ materially from such statements. The information in this release is provided only as of the date of this release, and Vanda undertakes no obligation to update any forward- looking statements contained in this release on account of new information, future events, or otherwise, except as required by law.

ABOUT VANDA PHARMACEUTICALS INC.:

Vanda Pharmaceuticals Inc. is a biopharmaceutical company focused on the development and commercialization of clinical-stage product candidates for central nervous system disorders. The Company has three product candidates in clinical development. Vanda's lead product candidate, iloperidone, is a compound for the treatment of schizophrenia and bipolar disorder and is in a Phase III clinical trial for schizophrenia. Vanda's second product candidate, VEC-162, is a compound for the treatment of insomnia and depression which is currently in a Phase III clinical trial for insomnia. Vanda's third product candidate, VSF-173, is a compound for the treatment of excessive sleepiness and is ready for a Phase II clinical trial. For more on Vanda Pharmaceuticals Inc., please visit http://www.vandapharma.com.

VANDA PHARMACEUTICALS INC
(A Development Stage Company)

STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended	
	June 30, 2006	June 30, 2005
Revenue	$ -	$ -
	-	-
Operating Expenses:		
Research and development	19,099,850	3,671,523
General and administrative	2,980,642	1,862,407
Total expenses	22,080,492	5,533,930
Loss from operations	(22,080,492)	(5,533,930)
Interest income	709,033	71,548
Interest expense	(1,625)	(5,768)
Other income (expense)	-	-
Total other income	707,408	65,780
Net loss before tax expense	(21,373,084)	(5,468,150)
Tax expense	-	-
Net loss	$ (21,373,084)	$ (5,468,150)
Basic and diluted net loss per share applicable to common stockholders	$ (1.11)	$ (667.66)
Shares used in calculation of basic and diluted net loss per share	19,183,660	8,190

VANDA PHARMACEUTICALS INC
(A Development Stage Company)

STATEMENTS OF OPERATIONS (Unaudited)

	Six Months Ended	
	June 30, 2006	June 30, 2005
Revenue	$ -	$ -
	-	-
Operating Expenses:		
Research and development	34,588,404	7,549,324
General and administrative	5,905,590	3,922,245
Total expenses	40,493,994	11,471,569
Loss from operations	(40,493,994)	(11,471,569)
Interest income	1,002,893	151,504
Interest expense	(4,433)	(15,563)
Other income (expense)	-	93
Total other income	998,460	136,034
Net loss before tax expense	(39,495,534)	(11,335,535)
Tax expense	-	-
Net loss	$ (39,495,534)	$ (11,335,535)
Basic and diluted net loss per share applicable to common stockholders	$ (4.11)	$ (2,022.40)
Shares used in calculation of basic and diluted net loss per share	9,616,347	5,605

VANDA PHARMACEUTICALS INC
(A Development Stage Company)

BALANCE SHEETS (Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,439,621	$ 21,012,815
Short-term investments	13,731,498	10,141,189
Prepaid expenses & other current assets	2,086,608	2,217,960
Total current assets	62,257,727	33,371,964
Property and equipment, net	1,900,330	1,110,576
Deposits	180,000	840,000
Restricted cash	430,230	430,230
Total assets	$ 64,768,287	$ 35,752,770
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,062,970	$ 2,254,897
Accrued expenses	11,777,020	2,528,091
Current portion of long-term debt	48,928	142,461
Deferred grant revenue	136,501	129,950
Deferred rent and other current liabilities	-	8,131
Total current liabilities	17,025,419	5,063,530
Deferred rent and other long term liabilities	175,274	24,433
Total liabilities	17,200,693	5,087,963
Stockholders' equity:		
Common stock, par value	21,907	99
Preferred stock	-	61,795,187
Capital in excess of par value	123,386,631	23,982,981
Accumulated other comprehensive loss	(16,002)	(17,609)
Deferred compensation	-	(18,766,443)
Deficit accumulated during the development stage	(75,824,942)	(36,329,408)
Total stockholders' deficit	47,567,594	30,664,807
Total liabilities and stockholders' equity	$ 64,768,287	$ 35,752,770

VANDA PHARMACEUTICALS INC
(A Development Stage Company)

STATEMENTS OF CASH FLOWS (Unaudited)

	For the Six Months Ended	
	June 30, 2006	June 30, 2005
Cash flows from operating activities:		
Net loss	$ (39,495,534)	$ (11,335,535)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	264,017	210,228
Stock-based compensation	3,017,878	3,307,284
Loss on disposal of assets	29,528	-
Accretion of discount on investments	(188,447)	(15,362)
Changes in assets and liabilities:		
Prepaid expenses and other current assets	132,458	(96,482)
Deposits	660,000	-
Accounts payable	2,723,025	107,048
Accrued expenses	9,135,082	405,878
Deferred grant revenue	-	130,924
Other liabilities	142,711	804
Net cash used in operating activities	(23,579,282)	(7,285,213)
Cash flows from investing activities:		
Purchases of property and equipment	(871,225)	(57,930)
Purchases of short-term investments	(14,075,908)	(1,734,200)
Maturities of short-term investments	10,670,000	1,400,000
Net cash used in investing activities	(4,277,133)	(392,130)
Cash flows from financing activities:		
Principal payments on obligations under capital lease	(704)	(50,921)
Principal payments on note payable	(92,888)	(84,187)
Proceeds from exercise of stock options and warrants	48,886	6,355
Proceeds from issuance of common stock	53,329,951	-
Net cash provided by (used in) financing activities	53,285,245	(128,753)
Effect of foreign currency translation	(2,024)	(6,614)
Net increase (decrease) in cash and cash equivalents	25,426,806	(7,812,710)
Cash and cash equivalents, beginning of period	21,012,815	16,259,770
Cash and cash equivalents, end of period	$ 46,439,621	$ 8,447,060

SOURCE Vanda Pharmaceuticals Inc.

-0- 08/03/2006

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