

Interim Report for the period 1 January to 30 September 2008

Santaris Pharma – Interim Report for the period 1 January to 30 September 2008

The board of directors of Santaris Pharma has approved the interim report for the period 1 January to 30 September 2008.

- The loss after tax realised in the 3rd quarter of 2008 was 39,0m DKK (5,2m EUR) compared to 19,3m DKK (2,6m EUR) in 2007.
- The accumulated loss after tax realised at the end of 3rd quarter 2008 was 104,7m DKK (14,0m EUR) compared to 69,3m DKK (9,3m EUR) in 2007.
- At September 30 the capital resources totalled 184,5m DKK (24,8m EUR).

Based on the negative development in the financial markets Santaris Pharma has in October decided to react proactively and trim the Company's rather broad business base and refocus its own research activities. In the future Santaris Pharma's own activities will mainly focus on two therapeutic areas: metabolic diseases and infectious diseases. The Company's promising development projects within cancer will be included in existing or new partnering deals with Pharma and biotech companies. Santaris Pharma will at the same time reduce the staff with approximately 40%. By focusing its own future research activities on two instead of three therapeutic areas, Santaris Pharma has the optimal basis to face the changed market conditions.

Development

- **SPC3649**
In May 2008, Santaris Pharma initiated a Phase I First-in-Man study of SPC3649 with 48 healthy volunteers. SPC3649 is a potent and specific inhibitor of microRNA-122, a liver specific regulatory RNA known to be involved in cholesterol metabolism and in hepatitis virus replication in the liver. SPC3649 is being developed as a potential new therapy for Hepatitis C Virus infection. The clinical study was the first ever human trial of a drug targeting a microRNA.
- **SPC2996**
In accordance with Santaris refocusing of its activities within the metabolic disorder and infectious disease areas, it has been decided to divest the cancer activities. The Company has therefore initiated the process of divesting the Bcl-2 Antagonist, SPC2996.
- **ApoB antagonist**
Santaris Pharma has in rodent and primate studies shown that its ApoB Antagonists are able to lower LDL cholesterol and triglycerides effectively. The

Company is encouraged by the exciting results and continues its development activities to select the most effective clinical candidate.

Collaborations

- **GlaxoSmithKline Collaboration**

Under the terms of the collaboration with GlaxoSmithKline (GSK) on new drugs for the treatment of viral diseases, Santaris Pharma is responsible for the discovery and development of RNA antagonist drug candidates through to completion of Phase IIa ("Clinical Proof of Concept") for 4 viral targets, at which point GlaxoSmithKline will have an exclusive option to license each compound for further development and commercialisation on a worldwide basis.

During the third quarter of 2008 Santaris Pharma continued the discovery research aimed at identifying novel and potent RNA Antagonists against the first viral target selected by GSK.

- **Enzon Collaboration**

Enzon Pharmaceuticals continues the clinical development of EZN/SPC2968 – a HIF-1 α Antagonist – which is currently being evaluated in two separate Phase I/II clinical trials in patients with advanced solid tumors.

Further, in July 2008, Santaris received a progress milestone payment from Enzon for the drug candidate EZN/SPC3042 – a Survivin Antagonist.

In addition to the above 2 drug candidates Enzon has now received all the other 6 novel cancer drug candidates. Enzon has for the first 2 of these novel drug candidates targeting Her3 and beta catenin commenced preclinical development.

According to the parties' collaboration agreement, Enzon will fund and manage the further development of these 8 drug candidates and file for regulatory approvals outside Europe. Santaris Pharma has maintained all commercial rights for all 8 drug candidates in Europe.

Enzon has announced plans to spin out its biotech R&D activities, including the 8 programs relating to the collaboration agreement with Santaris Pharma, into a new public biotechnology company. Enzon expects to capitalize the new company with sufficient cash to fund approximately two to three years of operations, including appropriate milestone commitments to Santaris Pharma and other third parties. Enzon has announced that it expects to complete the transaction in the fourth quarter. Enzon has furthermore announced that its management and financial advisors have continued to review a variety of strategic alternatives including a potential sale of Enzon's specialty pharmaceutical business, and that Enzon has received confidential, non-binding, preliminary indications of interest for the purchase of all or a portion of the specialty pharmaceutical business, which are subject to various conditions. Enzon currently intends to continue evaluating the sale process.

Pipeline Summary

In Q3 Santaris Pharma continued the progress for both the drug discovery programs and the drug development pipeline. At the end of the quarter Santaris Pharma had 3 drugs in clinical development:

- EZN/SPC2968, a HIF-1 α Antagonist, being developed for the treatment of various solid tumors
- SPC3649, an LNA-antimiR against microRNA-122, being developed for the treatment of HCV infections.
- SPC2996, a Bcl-2 Antagonist, being developed for the treatment of cancer. Santaris Pharma has initiated the process of divesting this candidate.

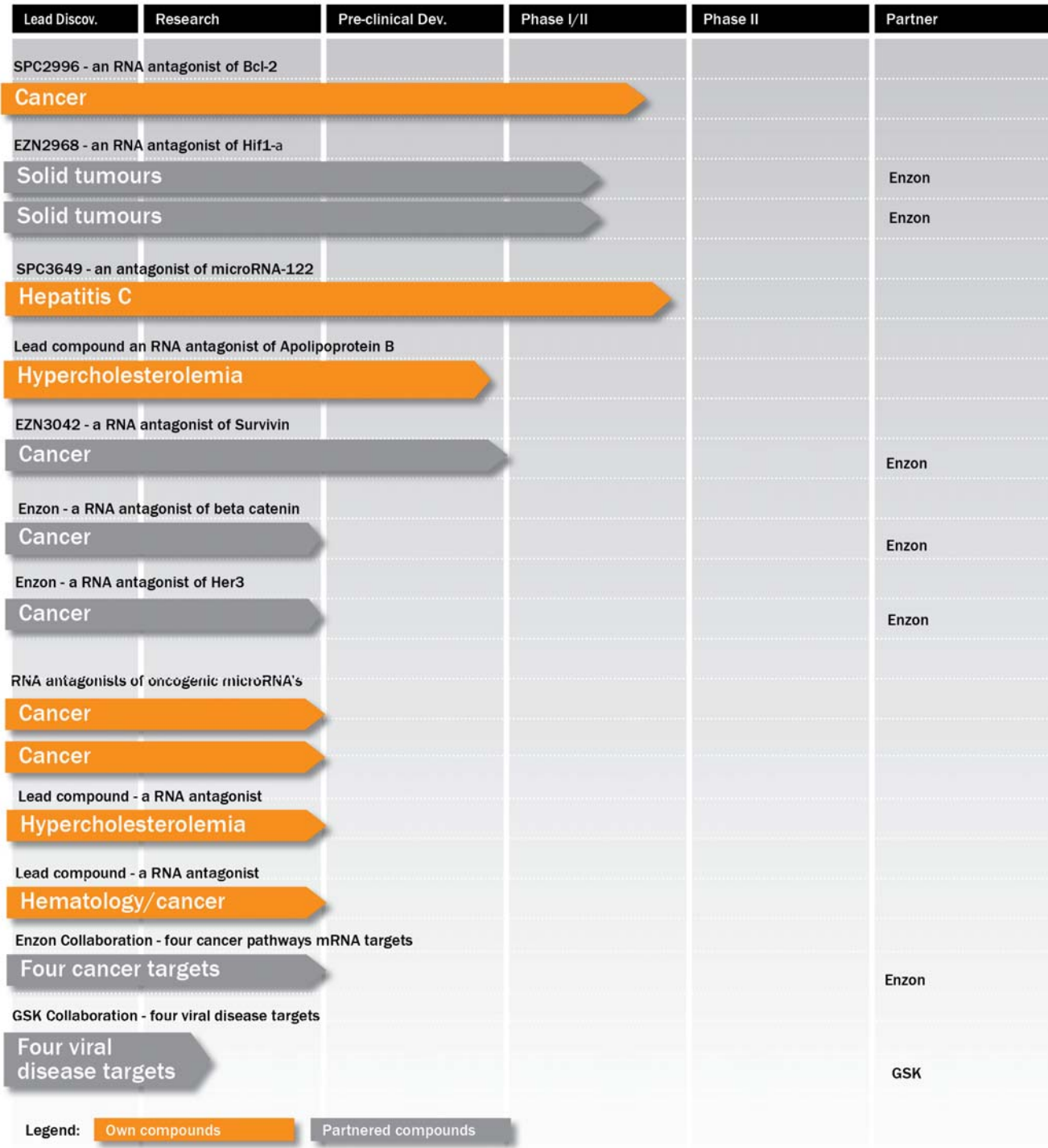
Further the Survivin Antagonist EZN/SPC3042 and two new drug candidates, Her3 and beta catenin are now in preclinical development under the Enzon Collaboration.

Finally Santaris Pharma is pursuing research in 9 new drug discovery projects:

- 4 anti-cancer drug discovery projects being conducted under the Enzon Collaboration
- 1 viral research program, the first of up to 4 viral research programs, in collaboration with GSK
- 4 un-partnered drug discovery programs.

In total 8 oncology programs are funded under partnership agreement with Enzon Pharmaceuticals and the viral disease program is funded under the partnership agreement with GlaxoSmithKline.

Santaris Pharma Product Pipeline



Research

During 2008 the major research announcements from Santaris Pharma have been:

- **Molecular Cancer Therapeutics**

In the September 2008 issue of the journal *Molecular Cancer Therapeutics* Santaris Pharma published data on SPC3042 the RNA-based antisense oligonucleotide developed using the company's proprietary Locked Nucleic Acid (LNA) technology. SPC3042 potently blocks survivin, a key survival protein in cancer cells, in both *in vitro* and *in vivo* models of prostate cancer. Importantly, SPC3042 works synergistically with the anticancer drug paclitaxel (Taxol®) in both model systems.

- **4th Annual Oligonucleotide Therapeutics Society (OTS) Meeting in Boston**

Santaris Pharma's presented six abstracts at the OTS meeting. An abstract on LNA- *antimiR*® demonstrated outstanding recognition and detection of disease-associated microRNAs due to their high specificity and affinity in both *in vitro* and *in vivo* models, including rodents and non-human human primates. Santaris Pharma's LNA- *antimiR*®'s bolstering the company's efforts to develop new LNA-based, microRNA-targeted therapeutics for human disease. Other abstracts included preclinical safety and pharmacokinetic data supporting its candidate therapies already in clinical trials, as well as data on cancer and hypercholesterolemia target identification.

- **Nature publication**

On March 26 2008 Nature published a study by Santaris Pharma scientists and collaborators regarding LNA-mediated microRNA silencing in African Green Monkeys. This paper was the first demonstration of microRNA silencing in non-human primates and it was an important validation of the Company's emerging clinical program to develop a new class of LNA based therapeutics capable of silencing disease associated microRNAs. The study showed a dose depending lowering of plasma cholesterol and an efficient long-lasting silencing of microRNA-122 in the primates following three intravenous doses of 3mg/kg.

- **The Advanced Technology Foundation**

In May Santaris Pharma announced that the Danish National Advanced Technology Foundation (ATF) has awarded a major program grant of DKK 45m (€6m) towards the development of a high-throughput drug discovery platform for novel RNA medicines. The project will be based on Santaris Pharma's proprietary LNA drug chemistry and the screening platform will be developed by a collaborative Research Consortium led by Santaris Pharma and the Biotech Research & Innovation Centre (BRIC) at the University of Copenhagen. Other members of the Consortium are the Nucleic Acid Centre (NAC), University of Southern Denmark, H. Lundbeck A/S, the Danish headquartered pharmaceutical company and RiboTask A/S, the Danish reagents company.

Corporate matters

- Santaris Pharma has been shortlisted to the Scripp award Best Biotech Company of the year. The award ceremony will take place in December 2008
- Santaris Pharma presented at the Sachs conference in Zürich in September
- Santaris Pharma presented at the Rodman & Renshaw conference in November
- Santaris Pharma, as the only biotech company outside USA, was named to the annual FierceBiotech "Fierce 15" list, designated as one of the top biotech companies of 2008. The editors of FierceBiotech evaluated hundreds of privately-held firms based on company vision, revenue potential, quality of deals, strength of technology, partnerships, and competitive market position. Santaris Pharma was determined to be one of the "fiercest," proven by their creativity and innovations in the industry. An internationally recognized daily newsletter reaching more than 65,000 biotech and pharma industry professionals, FierceBiotech provides subscribers with a quick authoritative briefing on the day's top stories, with a special focus on drug discovery and clinical trials.

Santaris Pharma guidance for the year ending 31 December 2008 is a loss before tax in the region of DKK 160 – 170 million. The forecast includes various costs related to the reduction of the staff as well as various success-based milestone revenues that may or may not be realized during the year.

Flemming Ørnskov
Chairman of the Board

Søren Tulstrup
President and CEO

FINANCIAL REVIEW

The Financial Statements in this interim report are presented in accordance with IAS 34 as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies. The accounting policies are consistent with those applied in the annual report for 2007. The interim report is un-audited and un-reviewed.

Income Statement (1 July – 30 September 2008)

The loss after tax in the 3rd quarter of 2008 was 39,0m DKK (5,2m EUR) compared to 19,3m DKK (2,6m EUR) in the same period 2007.

Revenues from partnerships were recognised with a value of 18,5m DKK (2,5m EUR) compared to 18,6m DKK (2,5m EUR) in 2007.

In the 3rd quarter of 2008, the costs totalled 59,7m DKK (8,0m EUR) compared to 39,7m DKK (5,3m EUR) in 2007. The Research & Development costs mainly relate to the development programmes SPC2996 and SPC3649.

The Net Financial Income was 2,2m DKK (0,3m EUR) in Q3 2008 compared to 1,8m DKK (0,2m EUR) in Q3 2007.

Income Statement (1 January – 30 September 2008)

The accumulated loss after tax realised for the period 1 January to 30 September 2008 was 104,7m DKK (14,0m EUR) compared to 69,3m DKK (9,3m EUR) in 2007.

The Revenues amounted to 48,3m DKK (6,5m EUR) compared to 20,5m DKK (2,8m EUR) in 2007.

The costs totalled 161,4m DKK (21,7m EUR) compared to 94,3m DKK (12,7m EUR) in 2007. The costs include the calculated non-cash costs of Warrants granted to management, employees and directors. The costs can be sub-divided into Research & Development Costs of 147,2m DKK (19,7m EUR) and Administrative costs of 14,3m DKK (1,9m EUR).

The Net Financial Income was 8,4m DKK (1,2m EUR) compared to 4,6m DKK (0,6m EUR) in 2007.

Resultatopgørelse (Income Statement)	Quarter				Year to date				Full Year 2007	
	1/7 - 30/9 2008		1/7 - 30/9 2007		1/1 - 30/9 2008		1/1 - 30/9 2007		1/1 - 31/12 2007	
	DKK	EUR	DKK	EUR	DKK	EUR	DKK	EUR	DKK	EUR
(All amounts in '000)										
Indtægter (Revenues)	18.532	2.486	18.579	2.494	48.349	6.487	20.534	2.756	37.828	5.077
Forsknings- og udviklingsomkostninger (Research and development costs)	-54.434	-7.303	-35.014	-4.700	-147.158	-19.743	-82.191	-11.031	-132.481	-17.781
Administrationsomkostninger (Administrative costs)	-5.288	-709	-4.679	-628	-14.295	-1.918	-12.131	-1.628	-16.980	-2.279
Driftsresultat (Loss from operating activities)	-41.190	-5.526	-21.114	-2.834	-113.104	-15.175	-73.787	-9.904	-111.633	-14.983
Finansielle indtægter (Financial income)	2.270	305	1.826	245	8.801	1.181	4.596	617	9.267	1.244
Finansielle omkostninger (Financial expenditures)	-107	-14	-43	-6	-382	-51	-61	-8	-94	-13
Resultat før skat (Loss before tax)	-39.028	-5.236	-19.331	-2.595	-104.686	-14.045	-69.252	-9.295	-102.461	-13.752
Skat af årets resultat (Tax on the results of the year)	0	0	0	0	0	0	0	0	0	0
Årets resultat (Underskud) (Loss for the year (Loss))	-39.028	-5.236	-19.331	-2.595	-104.686	-14.045	-69.252	-9.295	-102.461	-13.752

Balance Sheet

At September 30 2008, the Company had total assets of 253,0m DKK (33,9m EUR) of which the Cash & Cash Equivalents amounted to 184,5m DKK (24,8m EUR). This cash position is, subject to the Company's receipt of certain milestone payments related to its ongoing collaboration activities, expected to be sufficient to finance the Company's operation until approximately the end of 2009.

The total Equity amounts to 227,2m DKK (30,5m EUR). Long Term Debts (Operative Leases) amounts to 1,8m DKK (0,3m EUR) and other short term debts to 24,0m DKK (3,2m EURO).

Balance (Balance Sheet)

(All amounts in '000)

	30/9 2008		30/9 2007		Full Year 2007	
	DKK	EUR	DKK	EUR	DKK	EUR
Aktiver (Assets)						
Immaterielle aktiver (Intangible assets)	21.372	2.867	22.104	2.967	21.414	2.874
Materielle aktiver (Tangible assets)	13.837	1.857	9.804	1.316	12.301	1.651
Finansielle aktiver (Long term financial assets)	7.659	1.028	122	16	2.364	317
Langfristede aktiver (Non-current assets)	42.869	5.752	32.030	4.299	36.080	4.843
Varebeholdning (Inventory)	15.849	2.126	9.494	1.274	9.825	1.319
Tilgodehavender (Accounts receivable)	9.734	1.306	7.469	1.002	41.122	5.519
Likvide beholdninger (Cash and cash equivalents)	184.502	24.754	161.786	21.715	276.820	37.154
Kortfristede aktiver (Current assets)	210.085	28.186	178.749	23.991	327.768	43.992
Aktiver i alt (Total assets)	252.954	33.938	210.779	28.290	363.847	48.835
Passiver (Equity and liabilities)						
Selskabskapital (Share Capital)	85.387	11.456	65.536	8.796	85.387	11.460
Overført resultat m.v. (Retained earnings etc.)	141.832	19.029	130.175	17.472	241.908	32.468
Egenkapital (Equity)	227.219	30.485	195.711	26.268	327.295	43.929
Langfristet gældsforpligtelse (Long-term debt)	1.778	239	1.055	142	1.468	197
Kortfristet gældsforpligtelse (Short-term debt)	23.958	3.214	14.012	1.881	35.084	4.709
Passiver i alt (Total equity and liabilities)	252.954	33.938	210.779	28.290	363.847	48.835

Udvikling i egenkapital (Statement of change in Equity)

1. januar - 30. juni (1 January - 30 June)

(All amounts in '000)	Selskabs- kapital (Share capital)	Overført resultat, etc. (Retained earnings, etc)	Total	Total
	DKK	DKK	DKK	EUR
Egenkapital 31. december 2006 (Equity 31 December 2006)	40.641	62.871	103.513	13.893
Kapitaludvidelse, netto (Net Capital Increase)	44.745	275.722	320.467	43.013
Aktiebaseret vedlæggelse (Sharebased payments)	-	5.776	5.776	775
Periodens resultat (Result for the period)	-	-102.461	-102.461	-13.752
Egenkapital 31. december 2007 (Equity 31 December 2007)	85.387	241.908	327.295	43.929
Kapitaludvidelse, netto (Net Capital Increase)	-	52	52	6.926
Aktiebaseret vedlæggelse (Sharebased payments)	-	4.667	4.667	627
Periodens resultat (Result for the period)	-	-104.686	-104.686	-14.063
Regulering af overført resultat (Adjustment to Retained earnings etc.)		-108	-108	-15
Egenkapital 30. september 2008 (Equity 30 September 2008)	85.387	141.832	227.219	30.485

Weighted Conversion rate for information purposes only:

7,444

Udvikling i aktiekapital (Development in share capital)	DKK
Aktiekapital pr. 1. januar 2002 (Share capital as per 1 January 2002)	1.296
Kapitaludvidelse 2003 (Capital increase 2003)	6.062
Kapitaludvidelse 2006 (Capital increase 2006)	33.283
Kapitaludvidelse 2007 (Capital increase 2007)	44.745
Aktiekapital pr. 30. september 2008 (Share capital as per 30 September 2008)	85.387

MANAGEMENT'S STATEMENT

The board of directors and executive management today considered and approved the interim report for the period 1 January to 30 September 2008. The interim report, which is unaudited and unreviewed, is presented in accordance with international accounting standards. We consider the accounting policies to be appropriate to the effect that the interim report gives a true and fair view of the Group's assets and liabilities, financial position, results of operations and cash flows. Furthermore, we consider the management report to give a true and fair statement of the developments in the Group's activities and financial affairs, results of operations and the Group's financial position as a whole as well as a description of the significant risks and uncertainties the Group faces.

Hørsholm, 21 November 2008

Board of Executives

Søren Tulstrup
President & CEO

Henrik Stage
Vice President & CFO

Board of Directors

Flemming Ørnskov
Chairman

Linda Sjöström
Vice Chairman

Claus Braestrup
Director

Søren Carlsen
Director

Edwin W. de Graaf
Director

Keith McCullagh
Director

Martien van Osch
Director

Holger Reithinger
Director

Walter Wenninger
Director

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Santaris Pharma forward looking statements

This written announcement contains forward-looking statements, identified by the use of words such as "believes," "expects," "may," "will," "should", "potential," "anticipates," "plans" or "intends" and similar expressions. Such forward-looking statements involve risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from the future results, events or developments indicated in this announcement. Such factors include, but are not limited to the timing, success and cost of clinical studies; the ability to obtain regulatory approval of products, market acceptance of and future demand for Santaris Pharma products and the impact of competitive products and pricing. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. No assurance can be given that the future results covered by the forward-looking statements will be achieved. All information in this press release is as of the date of this press release and Santaris Pharma does not intend to update this information.