

Financial Highlights

2005-2009

	2009	2009	2008	2007	2006	2005
	(EUR '000)	(DKK '000)	(DKK '000)	(DKK '000)	(DKK '000)	(DKK '000)
Income Statement						
(1 January - 31 December)						
Revenues	9.744	72.595	66.722	37.828	78.874	-
Research and development costs	-20.315	-151.350	-220.358	-128.930	-81.682	-73.502
Administrative costs	-2.084	-15.525	-23.216	-16.980	-9.926	-8.819
Profit/Loss from operating activities	-13.281	-98.945	-182.581	-111.633	-14.032	-82.321
Profit/Loss for the year	-11.815	-88.022	-171.938	-102.461	-13.110	-84.378
Balance Sheet						
(As per 31 December)						
Total Assets	28.662	213.535	302.978	363.847	131.948	25.739
hereof:						
Cash and cash equivalents	20.686	154.110	195.030	276.820	68.661	14.196
Intangible assets	2.293	17.085	19.202	21.414	23.238	1.443
Total Equity and liabilities	28.662	213.535	302.978	363.847	131.948	25.739
hereof:						
Equity	19.025	141.734	218.352	327.295	103.513	-44.712
Short-term debt	7.846	58.450	60.121	35.084	28.251	70.264
Cash Flow						
(1 January - 31 December)						
Cash generated from operating activities	-7.019	-52.288	-157.067	-63.346	-16.890	-72.379
Cash generated from investing activities	1.614	12.028	-1.501	-3.484	-22.180	-1.486
- hereof investments in tangible and intangible assets	-205	-1.526	-12.306	-11.500	-24.838	-1.915
Cash generated from financing activities	-88	-659	76.777	274.990	93.534	56.620
Net increase in cash and cash equivalents	-5.493	-40.919	-81.790	208.160	54.464	-17.245
Key Ratios						
(1 January - 31 December)						
Earnings per share	-0,13	-0,98	-2,01	-1,49	-0,37	-11,47
Diluted earnings per share	-0,13	-0,98	-2,01	-1,49	-0,37	-11,47

The warrants have an anti-dilutive effect as a result of the loss for the year, and they have consequently not been taken into account in connection with the calculation of diluted earnings per share. The diluted earnings per share are therefore the same as the basic earnings per share.

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Income Statement

1 January - 31 December

	Note	2009	2009	2008	2008
		(DKK '000)	(EUR '000)	(DKK '000)	(EUR '000)
Revenues		72.595	9.744	66.722	8.956
Cost of goods		-4.666	-626	-5.729	-769
Contribution margin		67.929	9.118	60.993	8.187
Research and development costs	3,4	-151.350	-20.315	-220.358	-29.578
Administrative costs	3,4	-15.525	-2.084	-23.216	-3.116
Loss from operating activities		-98.945	-13.281	-182.581	-24.508
Financial income	6	11.135	1.495	10.912	1.465
Financial costs	7	-131	-18	-268	-36
Loss before tax		-87.941	-11.804	-171.938	-23.079
Tax on the results of the year	8	-81	-11	-	-
Loss for the year (Loss)		-88.022	-11.815	-171.938	-23.079
Distribution of Loss					
The Board proposes the loss for the year is carried forward thereby decreasing the Company's distributable reserves		-88.022	-11.815	-171.938	-23.079
Earnings per share (EPS) (DKK)	9	-0,98	-0,13	-2,00	-0,27
Diluted earnings per share (DEPS) (DKK)	9	-0,98	-0,13	-2,00	-0,27

The warrants have an anti-dilutive effect as a result of the loss for the year, and they have consequently not been taken into account in connection with the

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Statement of Comprehensive Income

1 January - 31 December

	Note	2009	2009	2008	2008
		(DKK '000)	(EUR '000)	(DKK '000)	(EUR '000)
Loss for the year (Loss)		-88.022	-11.815	-171.938	-23.079
Exchange rate adjustments		226	30	-	-
Other comprehensive income for the year		226	30	-	-
Total comprehensive income for the year		-87.796	-11.785	-171.938	-23.079

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Balance Sheet

31 December

Assets	Note	2009	2009	2008	2008
		(DKK '000)	(EUR '000)	(DKK '000)	(EUR '000)
Patent Rights		17.085	2.293	19.202	2.577
Intangible assets	10	17.085	2.293	19.202	2.577
Leasehold improvements		1.201	161	1.870	251
Plant, fixtures and fittings, tools and equipment		7.713	1.035	13.303	1.786
Tangible assets	11	8.914	1.196	15.173	2.037
Deposit, Rental		5.273	708	7.282	977
Long term financial assets		5.273	708	7.282	977
Non-current assets		31.272	4.198	41.657	5.591
Inventory		20.966	2.814	17.203	2.309
Trade receivables		1.722	231	4.767	640
Other receivables		4.294	576	40.650	5.456
Prepaid expenses		1.170	157	3.670	493
Accounts receivable		7.187	965	49.087	6.589
Cash and cash equivalents		154.110	20.686	195.030	26.179
Current assets		182.263	24.465	261.321	35.077
Total assets		213.535	28.662	302.978	40.668

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Balance Sheet

31 December

Equity and liabilities	Note	2009	2009	2008	2008
		(DKK '000)	(EUR '000)	(DKK '000)	(EUR '000)
Share Capital	12	89.938	12.072	89.936	12.072
Retained earnings etc.		51.797	6.953	128.416	17.237
Equity		141.734	19.025	218.352	29.309
Finance lease debt		-	-	1.604	215
Deferred income		13.351	1.792	22.901	3.074
Long-term debt		13.351	1.792	24.505	3.289
Current portion of long-term debt		-	-	249	33
Trade payables		11.729	1.574	6.135	823
Income taxes	8	81	11	-	-
Other current liabilities		15.628	2.098	36.473	4.896
Deferred income		31.012	4.163	17.264	2.317
Short-term debt		58.450	7.846	60.121	8.070
Total equity and liabilities		213.535	28.662	302.978	40.668

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Notes:

Accounting policies	1
Critical accounting estimates and judgements	2
Warrants	5
Subsidiaries	13
Contingent liabilities	14
Public grants	15
Related parties	16
Financial instruments	17

Statement of change in Equity

1 January - 31 December

	Share capital	Retained earnings, etc	Total	Total
	(DKK '000)	(DKK '000)	(DKK '000)	(EUR '000)
Equity 31 December 2007	85.387	241.908	327.295	43.932
Loss for the year (Loss)	-	-171.938	-171.938	-23.079
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-171.938	-171.938	-23.079
Net Capital Increase	4.549	47.604	52.153	7.000
Sharebased payments	-	10.842	10.842	1.455
Transactions with owners	4.549	58.446	62.995	8.456
Equity 31 December 2008	89.936	128.416	218.352	29.309
Loss for the year (Loss)	-	-88.022	-88.022	-11.815
Other comprehensive income for the year	-	226	226	30
Total comprehensive income for the year	-	-87.796	-87.796	-11.785
Net Capital Increase	2	14	16	2
Sharebased payments	-	11.162	11.162	1.498
Transactions with owners	2	11.176	11.178	1.500
Equity 31 December 2009	89.938	51.797	141.734	19.025

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Development in share capital

	DKK '000
Share capital as per 1 January 2002	1.296
Capital increase 2003	6.062
Capital increase 2006	33.283
Capital increase 2007	44.745
Capital increase 2008	4.549
Capital increase 2009	2
Share capital as per 31 December 2009	89.938

Cash Flow Statement

1 January - 31 December

	Note	2009	2009	2008	2008
		(DKK '000)	(EUR '000)	(DKK '000)	(EUR '000)
Loss from operating activities		-98.945	-13.281	-182.581	-24.508
Adjustments:					
Amortisation and depreciation and other non-cash transactions	18	19.716	2.646	17.557	2.357
Changes in net working capital:					
Changes in inventory		-3.762	-505	-7.379	-990
Changes in accounts receivables		41.779	5.608	-32.917	-4.418
Changes in trade and other current liabilities		-9.897	-1.328	16.168	2.170
Changes in other liabilities		-1.048	-141	32.351	4.342
Finance costs		-131	-18	-266	-36
Cash from operating activities		-52.288	-7.019	-157.067	-21.083
Purchases, plant, fixtures and fittings, tools and equipment		-1.184	-159	-12.106	-1.625
Sale of tangible assets		410	55	-	-
Acquisitions, intangible assets		-342	-46	-200	-27
Changes in deposits		2.009	270	-	-
Finance income		11.135	1.495	10.806	1.450
Cash from investing activities		12.028	1.614	-1.501	-201
Proceeds from share issue		16	2	77.223	10.366
Financial leasing		-675	-91	-446	-60
Cash from financing activities		-659	-88	76.777	10.306
Net increase in cash and cash equivalents		-40.919	-5.493	-81.790	-10.979
Cash and cash equivalents, beginning of year		195.030	26.179	276.820	37.157
Cash and cash equivalents, end of year		154.110	20.686	195.030	26.179

The figures in Euro have been calculated for information purposes only based on an exchange rate of 7.45.

Notes to the Financial Statements

Note 1

Accounting Policies

Basis of Preparation

The Annual Report is prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU and additional Danish requirements to Annual Reports for a business enterprise in reporting class C, cf. the Danish Financial Statements Act.

Applied accounting policies are consistent with the previous years, except that from 2009 consolidated financial statements are prepared, as Santaris Pharma has established a subsidiary in the US.

New Financial Reporting Standards

In its Annual Report for 2009 Santaris Pharma has applied all new and amended standards and interpretations which have become effective and are approved by the EU with effect for this financial period.

The standards and interpretations concerned are the following:

IAS 1 "Presentation of Financial Statements"

The amendment requires presentation of a statement comprising all recognised income and expenses (statement of comprehensive income) and presentation of comparative figures for two years in respect of the balance sheet in case of any changed accounting policies. The new presentation requirements have been implemented in this Annual Report. The implementation has no effect on equity and profit/loss.

IFRS 8 "Operating Segments"

Disclosure of operating segments should now be given on the basis of the company's management reporting. The implementation has had no effect as the group is managed and operated as one business unit.

Other standards and interpretations which have been adopted by IASB and approved by the EU, but have not yet become effective and therefore not implemented, are not expected to have any material effect on the Annual Report for future financial years.

Moreover, IASB has issued a number of amendments to standards and new interpretations which have not yet been approved by the EU. The amendments are not expected to have any material effect on the Annual Report for future financial years.

Consolidation

The consolidated financial statements comprise the financial statements of Santaris Pharma A/S (the parent company) and all the companies in which the Group owns more than 50% of the voting rights or otherwise has control or similar de facto control (subsidiaries). The consolidated financial statements are based on the financial statements for the parent company and for the subsidiaries, and are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances, and unrealized intercompany profits and losses. All the financial statements used for consolidation are prepared in accordance with the Group's accounting policies.

Recognition and Measurement

The Annual Report is prepared on the basis of the historic cost principle. Revenue is recognised in the income statement when generated. In addition, value adjustments are recognised for financial assets and liabilities, which are measured at fair value or amortised cost. Furthermore, all costs incurred to achieve the revenue for the year are recognised in the income statement, including amortisation, depreciation, impairment losses and provisions.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably. Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described below for each item.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses in accordance with the terms of the assets and liabilities. Danish kroner (DKK) are used as the measuring currency. All other currencies are treated as foreign currencies.

Foreign Currency Translation

Transactions denominated in foreign currency are recorded in Danish kroner (DKK) using the average rate of exchange for the month in which the transaction occurred or the exchange rate prevailing on the date of the relevant transaction. Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner (DKK) at the exchange rates ruling at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement under financial items.

Income Tax and Deferred Tax

Tax on income for the year, consisting of the year's current tax and deferred tax, is recognised in the income statement in the amount that can be related to the income or loss for the year and is taken directly to equity by the portion attributable to transactions recognized directly in equity. Current tax includes tax payable based on the year's expected taxable income and any adjustments of prior year tax charged to the income statement. Deferred tax is calculated according to the balance sheet oriented liability method on all temporary differences between accounting and tax values. Deferred tax is calculated at the tax rate of that are expected to be in effect at the balance date. Deferred tax arising on tax-deductible temporary differences (tax assets) is included in the balance sheet only if there is reasonable certainty that the tax assets can be set off by the Company against future taxable income. Tax-deductible temporary differences, which are not capitalised, are disclosed in a note to the financial statements disclosing the amount involved.

Leasing

Assets held under finance leases are recognised in the balance sheet at the lower of the fair values and the discounted present value of the minimum lease payments at the inception of the lease, and the corresponding amount is included in liabilities.

The present value of the future lease payments is calculated using the interest rate implicit in the lease as the discount factor. The assets are depreciated over their expected useful economic lives like other similar groups of assets, and the liability is reduced by the repayment portion of the lease payment. Lease payments for assets held under operating leases are charged to the income statement.

INCOME STATEMENT

Income Recognition

Non-refundable up-front payments received when research and development contracts are concluded are recognised when the contracts are signed, if such payments are not attributable to subsequent research and/or development activities. Other revenue is recognised in the income statement when generated.

Revenue

Revenue comprises product sales and up-front payments, milestone payments, and other income from research and development contracts. Income is recognized over the period of the agreements in accordance with the terms of the agreements when it is considered realized or realizable and earned. This means that the general income criteria for income recognition has to be met, all significant risk and rewards of ownership of the goods/services has been transferred to the buyer, Santaris Pharma retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods/services sold, the amount of revenue can be measured reliably, it is probable that the economic benefit associated with the transaction will flow to the company, and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Public grants

Public grants comprise grants for research, development and other investments. Grants for investments are recognised as deferred income, which is subsequently recognised as income as the investment is amortised, depreciated or written down. Other grants are recognised as income on a systematic basis, so that they are matched with the related costs which they compensate. Grants are recognised in the income statement from the date, when the conditions attaching to them are deemed to be complied with.

Research and Development Costs

Research costs include salaries, other costs, including patent costs, and depreciation attributable to the Company's research activities. Research costs are expensed in the year in which they are incurred.

Development costs include salaries and costs relating to specific development programmes. A specific development programme is characterised in that a single compound is being tested in a number of studies to illustrate the physical-chemical properties, toxicology and effect in humans. Development costs are capitalised if it is sufficiently certain that the future earnings from the product can cover not only production, selling and administrative costs, but also the development costs themselves. However, the Company has assessed that, in view of the general risk related to the development of pharmaceutical products, such sufficient certainty cannot be obtained at the present time, and all development costs are therefore expensed in the year they are incurred. The future financial benefits relating to product development cannot be estimated with sufficient certainty, until the development has been completed and the necessary regulatory approvals have been obtained.

Administrative Costs

General and administrative costs include salaries, other staff costs, office costs, etc. as well as depreciation.

Financial Items

Financial items comprise interest, financial expenses for finance leases, currency translation adjustments and market value adjustments of securities.

BALANCE SHEET

Intangible Assets

Rights acquired are measured at cost less accumulated amortisation. Amortisation is allocated on a straight-line basis over the expected useful economic lives of the assets. The rights will typically run for more than five years, and as the development of drugs is usually long-term, the chosen period of amortisation applied is a maximum of ten (10) years.

Property, Plant, and Equipment

Plant and machinery and other equipment are measured at the lowest purchase price less accumulated depreciation and the recoverable amount. Borrowing costs are not included. Property, plant, and equipment are depreciated on a straight-line basis over the useful economic lives of the assets to the expected residual values. The depreciation is based on an estimate of the useful economic lives for uniform categories of assets.

The expected useful economic lives are as follows:

Plant and equipment 5 years. Other plant and equipment 3-5 years. Leasehold improvements 5-10 years.

Costs in connection with the acquisition or maintenance of IT software are expensed when incurred if they do not meet the accounting criteria for capitalisation.

Items costing less than DKK 25,000 are expensed in the relevant financial year. Depreciation as well as income and loss in connection with the current replacement of property, plant, and equipment is expensed as research, development, general, and administrative costs, respectively.

Inventories

Inventories are measured at cost using the first-in, first-out (FIFO) formula. Where net realisable value is lower than cost, inventories are written down to the lower value. Cost of goods for resale as well as raw materials and consumables comprises the acquisition price plus landed costs.

Receivables

Receivables are measured at amortised cost and are written down for anticipated losses on the basis of an individual evaluation of the risk.

Financial Liabilities

Debt to mortgage and credit institutions is recognised at the time the loans are obtained in the amount of the proceeds after deduction of transaction costs. In the subsequent periods, financial liabilities are recognised at amortised cost price, equivalent to the capitalised value applying the effective rate of interest, to the effect that the difference of the proceeds and nominal value are recognised in the income statement over the terms of the loan. In addition, the capitalised residual lease liability under finance leases is recognised under financial liabilities.

Other liabilities, which comprise trade creditors and amounts owing to subsidiaries, are measured at amortised cost price.

Share-based Payments

Santaris Pharma A/S operates equity-settled, share-based payments of employees, consultants, Board of Executives and Board of Directors. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the warrants awarded.

Their fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in profit and loss with a corresponding credit to retained earnings (equity), net of deferred tax where applicable. If fixed vesting periods or other vesting condition applies, the expense is allocated over the vesting period, based on the best available estimate of the number of warrants expected to vest.

STATEMENT OF CASH FLOW

The cash flow statement is presented using the indirect method with basis in operating loss and shows cash flow from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of each financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, as share-based payment, depreciation, amortization, working capital changes and financial income and expenses received or paid.

Cash flows from investing activities comprise cash flows from purchase and sale of intangible assets and property, plant and equipment. Cash flows from financial activities comprise cash flows from issuance of shares net of costs, raising and instalments of non-current loans including instalments on finance lease contracts. Cash and cash equivalents comprise cash at hand and deposit at banks.

Note 2

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Revenue comprises product sales and license payments, milestone payments, royalty and other income from research and commercialization agreements. The income is recognized in accordance with the terms of the agreements when it is considered realized or realizable and earned.

Intangible assets

As per IAS 38 "Intangible assets", intangible assets arising from development projects must be recognized in the balance sheet if the criteria for capitalization are met. That means (1) that the development project is clearly defined and identifiable, (2) that technical exploitation potential has been demonstrated and that sufficient resources can be documented for completing the development work and marketing the final product or for use of the product in-house; and (3) that the company's management has indicated its intention to produce and market the product or use it in-house. Finally, it must be documented with sufficient certainty that future revenue from the development project will exceed the costs of production and development and for the costs of sale and administration of the product.

Development costs relating to individual projects are recognized as assets only if there is sufficient certainty that future earnings from the individual projects will exceed not only production, sales and administrative costs, but also the actual development costs of the product. Management believes that there is generally great risk involved in the development of pharmaceutical products, and there is consequently not, at present, sufficient certainty of future earnings. The future economic benefits related to product development cannot be determined with sufficient certainty until the development activities have been completed and the necessary approvals have been obtained. As a result, management has decided to expense the development costs incurred during the year.

Note 3

Staff costs

	2009 (DKK '000)	2008 (DKK '000)
Wages and salaries	53.182	80.914
Warrants	11.162	10.842
Other social security costs	657	760
	<u>65.001</u>	<u>92.516</u>

which has been recognised as follows:

	2009 (DKK '000)	2008 (DKK '000)
Research and development costs	56.493	83.698
Administrative costs	8.508	8.818
	<u>65.001</u>	<u>92.516</u>

The average number of full-time employees was 77 in 2009 against 100 in 2008.

Note 4

Remuneration of Board of Directors and Executive Management

2009	Board of Directors (DKK '000)	Executive Management (DKK '000)	Total (DKK '000)
Wages, fees and salaries	1.186	5.220	6.406
Share-based payments	675	4.500	5.175
	<u>1.861</u>	<u>9.720</u>	<u>11.580</u>

	Board of Directors No.	Executive Management No.	Total No.
Warrants as of 31 December	1.080.000	3.383.766	4.463.766
Shareholdings in the Company as of 31 December	204.886	42.834	247.720
	<u>1.284.886</u>	<u>3.426.600</u>	<u>4.711.486</u>

2008	Board of Directors (DKK '000)	Executive Management (DKK '000)	Total (DKK '000)
Wages, fees and salaries	858	6.151	7.008
Share-based payments	732	3.118	3.850
	<u>1.590</u>	<u>9.269</u>	<u>10.859</u>

	Board of Directors No.	Executive Management No.	Total No.
Warrants as of 31 December	4.815.065	3.063.766	7.878.831
Shareholdings in the Company as of 31 December	293.750	42.834	336.584
	<u>5.108.815</u>	<u>3.106.600</u>	<u>8.215.415</u>

The Company has issued the following warrants to employees, Management, Board of Directors, etc.

2009	Number	Strike price (DKK)	Exercise date
Class A-shares á DKK 1,00	174.000	31,1	01/01-04 - 01/01-14
Class A-shares á DKK 1,00	1.375.000	5,8	24/04-06 - 21/12-14
Class B-shares á DKK 1,00	7.024.785	5,8	24/02-06 - 21/12-14
Class A-shares á DKK 1,00	574.000	5,8	30/01-07 - 21/12-14
Class A-shares á DKK 1,01	1.076.111	5,8	24/05-07 - 21/12-14
Class A-shares á DKK 1,02	400.000	8,7	25/10-07 - 21/12-14
Class A-shares á DKK 1,03	1.384.277	10,4	02/04-08 - 21/12-14
Class A-shares á DKK 1,04	2.070.000	10,4	03/09-08 - 21/12-14
Class A-shares á DKK 1,05	750.000	10,4	10/12-08 - 21/12-14
Class A-shares á DKK 1,06	940.000	11,5	22/04-09 - 21/12-14
Class A-shares á DKK 1,07	600.000	11,5	29/06-09 - 21/12-14
Class A-shares á DKK 1,08	100.000	11,5	09/09-09 - 21/12-14
Total warrants	16.468.173	7,9	
The Executive Managements share of Total Warrants	3.383.766	9,2	

	2009 Number	2009 Weighted average exercise price (DKK)	2008 Number	2008 Weighted average exercise price (DKK)
Outstanding on 1 January	14.995.118	7,5	11.108.985	6,8
Granted	1.640.000	11,5	4.380.000	10,4
Lapsed	(164.945)	8,9	(452.778)	6,6
Exercised	(2.000)	5,8	(8.889)	5,8
Expired during the reporting period	-	-	(32.200)	168,0
Outstanding on 31 December	16.468.173	7,9	14.995.118	7,5
thereof exercisable	12.768.756	7,1	10.223.949	6,6

Warrants are granted to management, employees, consultants and directors. The exercise price of the warrants is equal to the fair value of the shares on the date of grant. Warrants vest over a 3 year service period in monthly installments (the vesting period).

The fair value of warrants granted is determined using the Black-Scholes valuation model. Significant inputs to the calculation include the following:

	Estimated share price (DKK)	Volatility	Risk-free interest rate
Warrants granted 20 April 2004	15,000	50,0%	3,01%
Warrants granted 24 February 2006	5,803	35,0%	3,68%
Warrants granted 24 April 2006	5,803	35,0%	3,68%
Warrants granted 30 January 2007	5,803	39,7%	4,21%
Warrants granted 24 May 2007	5,803	39,7%	4,21%
Warrants granted 25 October 2007	8,705	39,7%	4,21%
Warrants granted 2 April 2008	10,446	50,3%	3,91%
Warrants granted 3 September 2008	10,446	50,3%	3,91%
Warrants granted 10 December 2008	10,446	61,3%	3,39%
Warrants granted 22 April 2009	11,500	64,6%	2,45%
Warrants granted 29 June 2009	11,500	65,1%	2,51%
Warrants granted 9 September 2009	11,500	65,1%	2,51%

For all grants the volatility is determined by reference to data for comparable listed biotech companies on the Copenhagen Stock exchange. Furthermore, the calculation takes into account future dividends of DKK 0 and an expected term for issued warrants of 48 months).

Note 6	Financial income
---------------	-------------------------

	2009 (DKK '000)	2008 (DKK '000)
Interest	4.541	10.040
Exchange rate adjustments	6.594	766
Non-realized exchange rate adjustments	-	106
	<u>11.135</u>	<u>10.912</u>

Note 7	Financial costs
---------------	------------------------

	2009 (DKK '000)	2008 (DKK '000)
Interest	-131	-268
	<u>-131</u>	<u>-268</u>

Note 8	Tax on results for the year
---------------	------------------------------------

No tax has been paid during the financial year. Except for the income tax in the subsidiary Santaris Pharma A/S Corp. no current tax liabilities rest on the Company.

The relationship between the expected tax expense based on the effective tax rate of Santaris Pharma A/S at 25% (2008: 25%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2009 (DKK '000)	2008 (DKK '000)
Result for the year before tax	-87.941	-171.938
Tax rate	-25%	25%
Expected tax expense/ Income	22.092	42.984
Adjustments:		
Non-deductible expenses	-11	-35
Expenses held under equity	-257	27
Share-based payments	-2.791	-2.710
Non-recognised retained loss	-18.952	-40.266
Actual tax expense, net	<u>81</u>	<u>-</u>

The Company has a tax asset of approx. tDKK 183,894 as of 31 December 2008 (2008: tDKK 164,938) calculated by using the tax percentage which applies (25%). The tax asset has not been incorporated in the accounts, as there is a risk, that the loss - in the foreseeable future - can not be utilized to offset future payable taxes. The net carried forward losses will not expire.

Deferred tax (assets)	1 January (DKK '000)	31 December (DKK '000)	Difference (DKK '000)
Intangible assets	6.900	7.515	615
Tangible assets	5.610	7.265	1.655
Liabilities	3.383	345	-3.038
Tax loss to be carried forward	149.045	168.769	19.724
	<u>164.938</u>	<u>183.894</u>	<u>18.956</u>

Note 9	Earnings per share
---------------	---------------------------

	2009 (DKK '000)	2008 (DKK '000)
Loss for the year (Loss)	-88.022	-171.938
Average number of outstanding shares ('000 shares)	89.936	85.770
Average number of treasury shares ('000 shares)	-27	-27
Average number of shares excluding treasury shares ('000 shares)	89.909	85.743
Average number of warrants ('000 warrants)	16.018	12.941
Average number of shares, fully diluted ('000 shares)	105.928	98.684
Earnings per share (EPS) (DKK)	-0,98	-2,01
Diluted earnings per share (DEPS) (DKK)	-0,98	-2,01

The warrants have an anti-dilutive effect as a result of the loss for the year, and they have consequently not been taken into account in connection with the calculation of diluted earnings per share. The diluted earnings per share are therefore the same as the basic earnings per share.

Note 10

Intangible assets

	2009 Licensing rights (DKK '000)	2008 Licensing rights (DKK '000)
Cost price 1 January	64.582	64.382
Acquisitions during the year	342	200
Cost price 31 December	64.924	64.582
Accumulated amortisation 1 January	45.380	42.968
Amortisation of the year	2.458	2.412
Accumulated amortisation 31 December	47.838	45.380
Carrying amount 31 December	17.085	19.202

The depreciation of the year is included in the profit and loss account in the item Research and development costs by tDKK 2,140 and in the item Administrative costs by tDKK 318.

Note 11

Tangible assets

	Leasehold improvements (DKK '000)	Other equipment etc. (DKK '000)	Total tangible assets (DKK '000)
2009			
Cost price 1 January	2.181	50.747	52.928
Acquisition during til year	0	1.184	1.185
Disposals during the year	9	9.448	9.457
Cost price 31 December	2.173	42.483	44.656
Accumulated depreciation 1 January	311	37.443	37.755
Depreciation of the year	671	3.695	4.365
Recovered depreciation on disposals during the year	9	6.369	6.378
Accumulated depreciation 31 December	972	34.770	35.742
Carrying amount 31 December	1.201	7.713	8.914

The depreciation of the year is included in the profit and loss account in the item Research and development costs by tDKK 3,801 and in the item Administrative costs by tDKK 565.

	Leasehold improvements (DKK '000)	Other equipment etc. (DKK '000)	Total tangible assets (DKK '000)
2008			
Cost price 1 January	901	45.861	46.762
Acquisition during til year	2.181	4.886	7.067
Disposals during the year	-901	-	-901
Cost price 31 December	2.181	50.747	52.928
Accumulated depreciation 1 January	321	34.140	34.461
Depreciation of the year	437	3.304	3.741
Recovered depreciation on disposals during the year	-447	-	-447
Disposals during the year	-	-	-
Accumulated depreciation 31 December	311	37.443	37.755
Carrying amount 31 December	1.870	13.303	15.173

The depreciation of the year is included in the profit and loss account in the item Research and development costs by tDKK 3,384 and in the item Administrative costs by tDKK 357.

Note 12

Share Capital

2009	Number	Nominal-value (DKK)	% of the share capital
Class A-shares	14.146.128	14.146.128	15,7%
Class B-shares	51.400.865	51.400.865	57,2%
Class C-shares	24.390.601	24.390.601	27,1%
Funds 31 December	89.937.594	89.937.594	100%

B-shares have certain liquidation and sales preferences over A-shares and C-shares have certain liquidation- and sales preferences over A-shares and B-shares.

Own shares	Number	Nominal-value (DKK)	% of the share capital
Class A-shares	27.067	27.067	0,03%
Acquisition during til year	-	-	-
Disposals during the year	-	-	-
Funds 31 December	27.067	27.067	0,03%

2008	Number	Nominal-value (DKK)	% of the share capital
Class A-shares	14.144.128	14.144.128	15,7%
Class B-shares	51.400.865	51.400.865	57,2%
Class C-shares	24.390.601	24.390.601	27,1%
Funds 31 December	89.935.594	89.935.594	100%

B-shares have certain liquidation and sales preferences over A-shares and C-shares have certain liquidation- and sales preferences over A-shares and B-shares.

Own shares	Number	Nominal-value (DKK)	% of the share capital
Class A-shares	27.067	27.067	0,03%
Acquisition during til year	-	-	-
Disposals during the year	-	-	-
Funds 31 December	27.067	27.067	0,03%

Note 13

Subsidiaries

Name	Registered office	Ownership share
Stella ApS	Rudersdal, Denmark	100%
Santaris Pharma A/S Corp.	San Diego, USA	100%

Note 14

Contingent liabilities

The Company has obligations in the form of a property rental agreement and leasing of operating equipment. The future rental and lease payments can be analysed as follows:

	2009 (DKK '000)	2008 (DKK '000)
Within 1 year	10.054	11.657
Between 1-5 years	896	9.324
	10.950	20.981

Note 15

Public grants

The Company has received public grants in 2008 and 2009 as follows:

	2009 (DKK '000)	2008 (DKK '000)
Danish Public Grants	7.069	4.832
International Public Grants	626	345

Note 16**Related parties**

Related parties are considered to be the Board of Directors and Executive Management of Santaris Pharma A/S, together with their immediate families. Related parties also include companies in which the above persons have significant interests.

There have been no transactions or balances with related parties in 2008 and 2009.

Note 17**Financial instruments****Credit risk**

Credit risk arises from deposits with banks, as well as credit exposures from receivables from alliance partners. The maximum credit risk is equal to the carrying value. Only banks with a prudent, independent rating are accepted.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow.

Foreign currency risk

The Company incurs income and expenses in a minor number of different currencies and is subject to a currency risk.

Interest-rate risk

Santaris Pharma A/S's exposure to interest rate risk is primarily related to deposits with banks, as we do not have significant interest bearing debt. The redemption yield is calculated as interest income for the year divided by the average cash and cash equivalents. The interest sensitiveness is calculated as a change in the interest of 1 percent point multiplied by the cash and cash equivalents at the balance date.

	Market price (DKK '000)	Redemption yield	Interest sensitiveness (DKK '000)
2009			
Cash and cash equivalents	154.110	2,49%	1.541
2008			
Cash and cash equivalents	195.030	4,14%	1.950

Note 18**Adjustments**

	2009 (DKK '000)	2008 (DKK '000)
Depreciation and amortisation	8.287	6.608
Warrants	11.162	10.842
Income taxes	81	-
Other non-cash items	186	108
	19.716	17.557