



**ANA598 DEMONSTRATES 73% cEVR
IN COMBINATION WITH INTERFERON AND RIBAVIRIN**

*No Viral Rebound Observed During 12 Weeks of ANA598 Dosing
Positive Safety Data with AE Profile Comparable to Control Group*

Company to Review Data During Q4 Conference Call at 5:00 PM EST Today

SAN DIEGO, February 24, 2010 -- Anadys Pharmaceuticals, Inc. (Nasdaq: ANDS) today announced preliminary results from an ongoing Phase II study demonstrating that 73% of hepatitis C patients treated with 200 mg ANA598 twice daily in combination with pegylated interferon and ribavirin (SOC) achieved undetectable levels of virus (<15 IU/mL) at week 12, known as complete Early Virological Response or cEVR.

No patient experienced viral rebound on ANA598. ANA598 was well tolerated through twelve weeks, with no serious adverse events reported and a profile of adverse events in the ANA598 group comparable to the group receiving SOC alone.

“The 73% cEVR demonstrated by ANA598 is comparable to the most advanced protease inhibitors currently in development for HCV,” said Steve Worland, Ph.D., President and CEO of Anadys. “The durability of antiviral response through twelve weeks reflects ANA598’s potency and long plasma half-life and suggests that resistance is unlikely to be a challenge to the use of ANA598 in appropriate combinations. Coupled with a very favorable safety profile to date, these results position ANA598 as an attractive candidate to advance in development, especially in combination with other direct antivirals.”

Preliminary Antiviral Response Assessment

Proportion of Patients with Undetectable Levels of Virus (<15 IU/mL) by Week					
	Week 4 (RVR)	Week 6	Week 8	Week 10	Week 12* (cEVR)
ANA598 + SOC	56%	65%	69%	73%	73%
Placebo+ SOC	20%	27%	47%	54%	71%

*At week 12, N=26 for the ANA598 group and 14 for the placebo group. One patient receiving ANA598 who had undetectable levels of virus at last measurement (week 4) and one patient receiving placebo who had a viral load of 150,000 IU/mL at last measurement (week 10) became unavailable and are excluded from weeks subsequent to their last measurement. The placebo values represent approximately half the overall placebo group, with the remainder of the placebo group being dosed presently, concurrently with patients receiving ANA598 400 mg bid.

ANA598 demonstrated comparable potency against genotypes 1a and 1b at twelve weeks, with cEVR rates of 74% and 71% respectively. No patient receiving ANA598 experienced viral rebound (defined as >1 log₁₀ increase from a prior measurement) through week 12 and all patients who achieved undetectable levels of virus at any time during the 12 week period remained at undetectable levels at week 12.

Preliminary Safety Assessment

ANA598 at 200 mg given twice daily (bid) demonstrated a favorable safety and tolerability profile through 12 weeks, although conclusions regarding safety and tolerability cannot be made until additional results in more patients and potentially over longer duration are known. The incidence of all adverse events was similar between the active and placebo groups, with reported adverse events being typical for patients treated with interferon and ribavirin. There were no serious adverse events reported. The incidence of rash was comparable between groups and consistent with historical reports of rash rates due to interferon and ribavirin. In the ANA598 group 41% of patients (12/29) developed a rash while 33% (5/15) of patients in the placebo group developed a rash. Eleven of the twelve instances of rash in the ANA598 group were mild. One patient in the ANA598 group experienced a grade 3 rash which began resolving rapidly upon stopping all study medication. Per protocol, this patient resumed interferon/ribavirin alone and continued in the study. The five instances of rash in the placebo group were mild. 44 patients in the first cohort received at least one dose of study medications and are included in the safety database. Safety information for patients receiving placebo represents approximately half the overall placebo group, with the remainder of the placebo group being dosed presently, concurrently with patients receiving ANA598 400 mg bid.

Phase II Combination Study

In December 2009, Anadys reported positive initial antiviral response and safety results from the 200 mg bid dose cohort based on a planned interim analysis of data at four weeks. In the group receiving ANA598 added to SOC, there was a steady increase in the percentage of patients with undetectable levels of virus from week 1 through week 4, with 56% of patients achieving undetectable levels of virus at week 4 (defined as Rapid Virological Response or RVR), compared to 20% of patients receiving placebo plus SOC achieving an RVR. No patient receiving ANA598 experienced viral rebound (defined as $>1 \log_{10}$ increase from a prior measurement) through week 4. ANA598 also demonstrated a favorable safety profile through four weeks. There were no serious adverse events reported and the profile of adverse events reported was as expected for patients receiving SOC alone, with comparable rates observed between the ANA598 and placebo arms.

In the ongoing Phase II study, treatment-naïve genotype 1 patients are to receive ANA598 or placebo in combination with Pegasys[®] (peginterferon alfa-2a) and Copegus[®] (ribavirin, USP) for 12 weeks at dose levels of 200 mg or 400 mg both given twice daily (bid), each with a loading dose of 800 mg bid on day one. After week 12, patients are to continue receiving SOC. Patients who achieve undetectable levels of virus at weeks 4 and 12 will be randomized to stop all treatment at week 24 or 48. The primary endpoint of the study is the proportion of patients who achieve undetectable levels of virus at week 12 (defined as complete Early Virological Response, or cEVR). Additional endpoints include safety and tolerability as well as the proportion of patients with undetectable levels of virus at week 4 (defined as Rapid Virological Response, or RVR). Patients will be followed for 24 weeks after stopping therapy to determine the rate of Sustained Virological Response, or SVR. Approximately 90 patients are planned to be enrolled in

this study – with approximately 30 patients receiving ANA598 and 15 receiving placebo at each dose level. The study is being managed by the Duke Clinical Research Institute (DCRI) under the leadership of John McHutchison, M.D. and is being conducted at a number of clinical sites in the United States.

About ANA598

ANA598 is a non-nucleoside inhibitor of the HCV RNA polymerase and is wholly owned by Anadys. Anadys has completed three Phase I clinical studies of ANA598 that have demonstrated potent antiviral activity and good tolerability. In a monotherapy study in treatment-naïve genotype 1 patients, treatment with ANA598 for three days led to median end-of-treatment declines in viral load ranging from 2.4 to 2.9 log₁₀ in three separate dose groups. No patient at any dose level showed evidence of viral rebound while on ANA598, and there were no serious adverse events. Those patients from the monotherapy study who subsequently received pegylated interferon and ribavirin all exhibited further viral load decline, demonstrating that viral variants revealed by brief treatment with ANA598 remain susceptible to current SOC, consistent with prior *in vitro* results.

Anadys has completed two long-term chronic toxicology studies of ANA598 (26 weeks duration in rats and 39 weeks duration in monkeys). The No Observed Adverse Effect Level, or NOAEL, is 1000 mg/kg, the highest dose tested, in both the rat and monkey. The completed toxicology studies support the ongoing Phase II clinical study as well as future clinical studies of longer duration.

Anadys has presented *in vitro* data supporting the use of ANA598 in combination with interferon-alpha as well as with direct antivirals currently in development. In particular, data has shown that ANA598 is synergistic *in vitro* with interferon-alpha as well as representative HCV protease and polymerase inhibitors. *In vitro* combination treatment at clinically relevant concentrations of interferon-alpha and ANA598 results in clearance of HCV RNA from cells rather than selection of resistant isolates. Furthermore, ANA598 retains full activity *in vitro* against mutations conferring resistance to protease inhibitors, nucleoside polymerase inhibitors and non-nucleoside polymerase inhibitors that act at binding sites distinct from that of ANA598, while protease and nucleoside polymerase inhibitors retain full activity *in vitro* against mutations conferring resistance to ANA598.

ANA598 has received Fast Track Status from the FDA for the treatment of chronic hepatitis C.

Conference Call Webcast and Slides

Anadys will hold a conference call and webcast today, Wednesday, February 24, 2010 at 5:00 p.m. Eastern Standard Time to discuss its fourth quarter and year end 2009 financial results and to discuss the 12 week safety and antiviral response data for the 200 mg bid cohort in the ongoing Phase II combination trial. A live webcast of the call, including accompanying slides, will be available online at www.anadyspharma.com. A telephone replay with slides will also be available approximately one hour after completion of the call. To access the telephone replay, dial 888-286-8010 (domestic) or 617-801-6888

(international), passcode 92658014. The webcast and telephone replay will be available through March 10, 2010.

Safe Harbor Statement

Statements in this press release that are not strictly historical in nature constitute "forward-looking statements." Such statements include, but are not limited to, references to (i) the belief that the durability of antiviral response through twelve weeks reflects ANA598's potency and long plasma half-life and suggests that resistance is unlikely to be a challenge to the use of ANA598 in appropriate combinations; (ii) assessments of the safety and tolerability profile of ANA598 based on the 200 mg bid 12 week results; (iii) future development activities with ANA598, including combination trials with other direct antivirals; and (iv) the ability for patients to achieve a SVR in the ANA598 study. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Anadys' actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. For example, the results of preclinical and early clinical studies may not be predictive of future results, and Anadys cannot provide any assurances that ANA598 will not have unforeseen safety issues or will continue to have favorable results as the Phase II trial progresses. In addition, Anadys' results may be affected by competition from other biotechnology and pharmaceutical companies, its effectiveness at managing its financial resources, its ability to enter into transactions around its product candidates, its ability to successfully develop and market products, difficulties or delays in its preclinical studies or clinical trials, difficulties or delays in manufacturing its clinical trials materials, the scope and validity of patent protection for its products, regulatory developments and its ability to obtain additional funding to support its operations. Risk factors that may cause actual results to differ are more fully discussed in Anadys' SEC filings, including Anadys' Form 10-K for the year ended December 31, 2008 and Anadys' Form 10-Q for the quarter ended September 30, 2009. All forward-looking statements are qualified in their entirety by this cautionary statement. Anadys is providing this information as of this date and does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

Pegasys® and Copegus® are registered trademarks of Hoffman-La Roche Inc.

Investor Contact:

Amy Conrad
Anadys Pharmaceuticals, Inc.
(858) 530-3607
aconrad@anadysphgroupa.com

Media Contact:

Ian Stone or David Schull
Russo Partners, LLC
(619) 528-2220
ian.stone@russopartnersllc.com
david.schull@russopartnersllc.com