



**ANADYS PHARMACEUTICALS PROVIDES PROGRESS UPDATE
ON PHASE II STUDY OF ANA598 IN HEPATITIS C PATIENTS**

ANA598 dosing completed in the 200 mg bid cohort

Enrollment completed in the 400 mg bid cohort

SAN DIEGO, January 22, 2010 -- Anadys Pharmaceuticals, Inc. (Nasdaq: ANDS) today announced that ANA598 dosing has been completed in the first dose cohort, 200 mg bid, in an ongoing Phase II study of ANA598 in combination with pegylated interferon and ribavirin (SOC) in HCV patients. Anadys expects to receive 12-week safety and antiviral response data for the 200 mg bid cohort in the first quarter of 2010. Anadys also announced that all patients have commenced dosing in the second dose cohort, 400 mg bid. With patient enrollment in this cohort completed, Anadys has accelerated the expected timing to receive 4-week safety and antiviral response at 400 mg bid to the end of the first quarter of 2010 and continues to expect 12-week safety and antiviral response data in the second quarter of 2010.

“We are very pleased with the rapid progress of this study and appreciate the commitment of everyone involved in the trial,” said Steve Worland, Ph.D., President and Chief Executive Officer of Anadys. “With continuing positive data, we hope to see ANA598 established as the leading non-nucleoside in HCV, suitable for combination with current standard of care as well as with other direct antivirals currently in development.”

Phase II Combination Study

Anadys recently 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 alone. 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. In a Phase I study in HCV patients, ANA598 demonstrated potent antiviral activity when dosed as monotherapy over three days. Anadys has also 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, and 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.

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 expected timing for receiving 12 week data from the 200 mg bid cohort and 4

and 12 week data from the 400 mg bid cohort; (ii) the hope that ANA598 will be established as an important component of future treatment options for patients with hepatitis C; (iii) the ability for patients to achieve EVR and SVR in the ANA598 Phase II study; and (iv) assessments of the safety and tolerability profile of ANA598 based on the interim 4 week analysis from the 200 mg bid cohort. 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.

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