Santarus 2011 annual report

In 2011, we continued to execute on our strategic initiatives to position Santarus for future growth.

To Our Stockholders:

Our goal is to become a premier specialty biopharmaceutical company focused on acquiring, developing and commercializing proprietary products that address the unmet needs of patients treated by physician specialists.

Our accomplishments in 2011 included significant revenue growth for GLUMETZA®, commercial launch activities to build product awareness for CYCLOSET® and in December 2011, the addition of FENOGLIDE® to our marketed products portfolio.

We also advanced our product development pipeline that we believe will provide Santarus with diversification and a strong engine for future growth in revenues and profits. We reached two major milestones with the completion of our long term safety study for UCERIS™ (budesonide) tablets (formerly called budesonide MMX®) and the submission of a New Drug Application (NDA) for UCERIS to the U.S. Food and Drug Administration (FDA) in December 2011 for the induction of remission of mild to moderate active ulcerative colitis.

Our 2011 revenues exceeded $118 million and net income was $4.7 million, marking a return to profitability in our first full year following the introduction of generic competition for ZEGERID® in 2010. We ended the year well capitalized, with more than $58 million in cash, cash equivalents and short-term investments.

COMMERCIAL PORTFOLIO

GLUMETZA®

GLUMETZA® (metformin hydrochloride extended release tablets) – used as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes

CYCLOSET®

CYCLOSET® (bromocriptine mesylate) tablets – a first in class medication indicated for use with diet and exercise to improve glycemic control in adults with type 2 diabetes

FENOGLIDE®

FENOGLIDE® (fenofibrate) tablets – a prescription medicine to reduce high cholesterol

ZEGERID®

ZEGERID® (omeprazole/sodium bicarbonate) products – an immediate-release oral proton pump inhibitor (PPI) used in adult patients to treat heartburn and other symptoms of gastroesophageal reflux disease (GERD)

Santarus, Inc. is a specialty biopharmaceutical company focused on acquiring, developing and commercializing proprietary products that address the unmet needs of patients treated by physician specialists.

Our accomplishments in 2011 included significant revenue growth for GLUMETZA, commercial launch activities to build product awareness for CYCLOSET and the addition of FENOGLIDE to our marketed products portfolio.

COMMERCIAL PORTFOLIO

We promote three prescription products in the U.S., GLUMETZA and CYCLOSET for patients with type 2 diabetes, and FENOGLIDE, a product to reduce high cholesterol.

GLUMETZA

GLUMETZA, an extended-release formulation of metformin, was a primary revenue source for Santarus in 2011. We find that physicians are receptive to GLUMETZA's key differentiating feature, namely that controlled delivery of metformin may improve gastrointestinal tolerability and therefore allow more patients to reach their treatment goals.

In August 2011, we replaced our promotion agreement for GLUMETZA with one granting us broad commercial, manufacturing and regulatory oversight responsibilities – an important strategic move given our focus on this brand and the resources we have allocated to its success.

In February 2012, we announced an agreement that settled pending patent litigation by granting the first generic filer the right to begin selling a generic version of GLUMETZA in February 2016, or earlier under certain circumstances. While additional generic GLUMETZA litigation is pending, we believe this settlement is an important first step towards allowing us to continue focusing on GLUMETZA prescription and revenue growth over the next several years, while advancing our development pipeline.

CYCLOSET

CYCLOSET is an innovative oral medication that is the first and only centrally acting dopamine agonist for the treatment of type 2 diabetes. CYCLOSET has been shown to improve glycemic control without increasing cardiovascular event risk. Due to the lack of pre-launch awareness for CYCLOSET, our initial focus in 2011 was on educating physicians about the unique features of CYCLOSET through our sales calls and speaker programs.

COMMERCIAL PORTFOLIO (continued)

GLUMETZA®

GLUMETZA is a once-daily, extended-release oral tablet formulation of metformin that offers controlled delivery, which may improve GI tolerability.

*Please see **www.Glumetzaxr.com** for full prescribing and safety information, including a Black Box warning.*

In August 2011, we assumed broad commercial, manufacturing and regulatory oversight responsibilities in the U.S. for GLUMETZA under a new commercialization agreement.

CYCLOSET®

CYCLOSET is a novel, quick-release formulation of bromocriptine that offers consistent glycemic control and a demonstrated cardiovascular safety profile.

*Please see **www.Cycloset.com** for full prescribing and safety information.*

We launched CYCLOSET in the U.S. in late 2010. CYCLOSET represents a new approach to treating type 2 diabetes in adults. It can be used alone or in combination with other antidiabetic drugs.

FENOGLIDE®

FENOGLIDE, which uses MeltDose® drug delivery technology, offers effective lipid control with the lowest dose of fenofibrate.

*Please see **www.Fenoglide.com** for full prescribing and safety information.*

We began promotion of FENOGLIDE in February 2012. High cholesterol is a co-morbid condition associated with type 2 diabetes and there is a strong overlap with the company's current called-on physicians.

ZEGERID®

ZEGERID, an immediate-release formulation of omeprazole, is available in capsule form and as a powder for oral suspension, at 20 mg or 40 mg dosage strengths.

*Please see **www.Zegerid.com** for full prescribing and safety information.*

ZEGERID is a non-promoted product that continues to generate revenues. In addition, ZEGERID OTC® is offered by MSD Consumer Products, a subsidiary of Merck & Co., Inc.

In 2012 we expanded our sales force, which allowed us to reduce the size of our largest sales territories and increase call frequency. Our research and experience indicate a strong correlation between sales call frequency and physician-prescribing behavior for our products.

Our sales organization currently calls on endocrinologists and other selected physicians in major metropolitan areas across the U.S.

We were pleased that CYCLOSET was recently added to the American Diabetes Association guidelines for the treatment of type 2 diabetes, which we believe builds credibility and awareness for the product. We believe our educational and promotional efforts are beginning to pay off and we expect continued growth in prescriptions and net sales for CYCLOSET in 2012.

ADDITIONAL ACTIVITIES

In late 2011, we added FENOGLIDE to our commercial portfolio and began actively promoting this product in early 2012. FENOGLIDE is a fenofibrate drug used as an adjunct to diet to reduce high cholesterol, a condition that frequently occurs in patients with type 2 diabetes. We estimate that about 80% of our called-on physicians have high potential for prescribing FENOGLIDE, allowing us to leverage our sales force.

We also reported revenues in 2011 from sales of ZEGERID products and the authorized generic capsule, although we are not promoting these products. We are currently awaiting an appellate court decision on our appeal of the district court ruling in the ZEGERID patent litigation.

In January 2012, we added 40 sales representatives to our commercial organization, bringing the total to 150 sales representatives. This expansion allowed us to reduce the size of our largest sales territories and increase call frequency with physicians who have the highest potential to prescribe our products. Our research and experience indicate a strong correlation between sales call frequency and physician-prescribing behavior for our products, so we believe the expansion should deliver incremental prescription growth across our product portfolio.

DEVELOPMENT PIPELINE

UCERIS™

PHASE 1 — PHASE 2 — PHASE 3 — NDA FILED — LAUNCH

UCERIS (budesonide) tablets is a once-daily non-systemic corticosteroid that utilizes proprietary MMX® colonic delivery technology. An NDA for UCERIS for the induction of remission of mild to moderate active ulcerative colitis was submitted to the FDA in December 2011.

RHUCIN®

PHASE 1 — PHASE 2 — PHASE 3 — NDA FILED — LAUNCH

RHUCIN, a recombinant version of the human protein C1 inhibitor, is being evaluated in a Phase III clinical study for the treatment of acute attacks of hereditary angioedema (HAE). RHUCIN is produced using proprietary transgenic technology.

Rifamycin SV MMX®

PHASE 1 — PHASE 2 — PHASE 3 — NDA FILED — LAUNCH

Rifamycin SV MMX is a broad spectrum, non-systemic antibiotic that utilizes MMX colonic delivery technology. It is currently being evaluated in a Phase III clinical study for the treatment of travelers' diarrhea.

SAN-300

PHASE 1 — PHASE 2 — PHASE 3 — NDA FILED — LAUNCH

SAN-300 is a humanized anti-VLA-1 monoclonal antibody that may offer a novel approach to the treatment of inflammatory and autoimmune diseases. It is currently being evaluated in a Phase I clinical study.

Our development pipeline addresses multiple specialty markets, providing us with diversification and a strong engine for future growth in revenues and profits. UCERIS is our lead development program with an FDA action date in October 2012.

We are also conducting a Phase IIIb clinical study with UCERIS as an add-on therapy to 5-ASA drugs in patients who are not adequately controlled on background 5-ASA therapy.

DEVELOPMENT PROGRAMS

UCERIS

We believe that UCERIS has the potential to be an important new therapeutic option in the treatment of patients with ulcerative colitis, a chronic disease that afflicts an estimated 700,000 Americans. Our NDA filing includes data from two statistically significant Phase III clinical studies with UCERIS and a 12-month extended use clinical study completed in 2011 to evaluate the long-term safety of UCERIS. The NDA we submitted for UCERIS 9 mg seeking marketing approval for the induction of remission of mild to moderate active ulcerative colitis has an initial FDA action date of October 16, 2012.

We also initiated a Phase IIIb clinical study evaluating UCERIS 9 mg as an add-on therapy to current 5-aminosalicylate (5-ASA) drugs in patients who are not adequately controlled on background 5-ASA therapy. Currently, first line therapy for ulcerative colitis typically starts with 5-ASA therapy, but reports in the clinical literature indicate that approximately 80% of patients experience at least one flare of active disease per year. We believe this is an important study to explore a new indication for UCERIS and to provide additional data to physicians on the performance of UCERIS as add-on therapy.

We are optimistic about our prospects and are highly focused on advancing our development pipeline.

DEVELOPMENT PIPELINE (continued)

UCERIS™

UCERIS (budesonide) tablets were evaluated in two Phase III clinical studies in patients with mild to moderate active ulcerative colitis. Based on our statistical analysis plan, in each study UCERIS 9 mg met the primary endpoint of superiority to placebo in achieving clinical remission after eight weeks of treatment.

Ulcerative colitis is a chronic form of inflammatory bowel disease characterized by inflammation and ulcers in the lining of the colon. We believe there are approximately 700,000 patients with ulcerative colitis in the U.S.

RHUCIN®

To date, two placebo-controlled clinical studies showed statistically significant results with RHUCIN for the treatment of acute HAE and a third, larger Phase III study is ongoing. RHUCIN was granted orphan drug designation by the FDA for the treatment of acute attacks of HAE.

HAE is a genetic disorder in which the patient is deficient in or lacks a functional plasma protein (C1 inhibitor). Patients with HAE suffer unpredictable and debilitating episodes of intense swelling of various parts of their bodies. Epidemiology estimates for HAE range from 1:10,000 to 1:50,000 individuals.

Rifamycin SV MMX®

Rifamycin SV MMX is being developed for the treatment of patients with travelers' diarrhea and potentially for other diseases that have a bacterial component in the intestine. Due to the negligible systemic absorption of rifamycin SV MMX, we believe that the drug may offer an opportunity for limited side effects.

Rifamycin SV has a 20 year history of use in Europe in non-oral forms, but is considered a new chemical entity in the U.S. and is entitled to five years of data exclusivity upon FDA approval.

SAN-300

SAN-300 is an inhibitor of VLA-1 ($\alpha_1\beta_1$ integrin), and has shown activity in preclinical models of inflammatory and autoimmune diseases. We believe SAN-300 may have potential in multiple diseases, including rheumatoid arthritis, inflammatory bowel disease, psoriasis and organ transplantation.

We own worldwide rights to SAN-300 and expect to seek development partners for certain indications and in territories outside of the U.S.

We are focused on maintaining a balanced portfolio of clinical development candidates for indications managed by specialist physicians in gastro-enterology, allergy/immunology and rheumatology.

We believe Santarus' development pipeline will provide product diversification and a strong engine for future growth.

OTHER PRODUCT DEVELOPMENT PROGRAMS

In 2012 we are on track to report a number of significant milestones with our clinical development programs, including:

- Topline data from a Phase III study with RHUCIN for the treatment of acute attacks of HAE. RHUCIN has been granted orphan drug designation by the FDA for the treatment of acute attacks of HAE.
- Completion of enrollment in our Phase III clinical study with rifamycin SV MMX. This investigational drug is a broad-spectrum, non-systemic antibiotic in an oral tablet formulation that utilizes proprietary MMX colonic delivery technology. The first indication we are pursuing is the treatment of travelers' diarrhea.
- The completion of a Phase I clinical study with SAN-300, our anti-VLA-1 antibody program. We plan initially to evaluate SAN-300 for the treatment of rheumatoid arthritis, and believe SAN-300 may have potential for the treatment of inflammatory bowel disease, psoriasis and organ transplantation.

LOOKING FORWARD

We plan to execute on the key elements of our business strategy in 2012 and beyond. Our focus is on:

- Increasing sales of our promoted commercial products
- Adding additional marketed products through licensing or acquisition to promote to our called-on specialist physicians
- Pursuing regulatory approval and preparing for commercialization of UCERIS and RHUCIN
- Advancing rifamycin SV MMX and SAN-300 through clinical development
- Pursuing new indications or formulations of our products to maximize the value of our existing product portfolio

2011 LEADERSHIP AWARD RECIPIENTS

We believe our success begins with our employees.

Recipients of the Santarus Leadership Award are employees who consistently demonstrate outstanding leadership while obtaining exceptional results. These individuals exemplify the company's culture and core values.

Top Row (from left to right):
Donna Bonarrigo-Davies, Director, Sales and Marketing Operations
Ricardo Camacho, District Sales Manager
Sandy Craven, Director, Electronic Submissions and Document Management
Luis Franco, Director, Project Management
Michael Huang, M.D., Medical Director, Clinical Research

Bottom Row (from left to right):
Joseph Mack, Senior Medical Science Liaison
John Ridge, Director Sales and Marketing Information and Analysis
Drew Romito, Senior District Sales Manager
Carmen Stefano, National Account Manager
Laura Weston, Senior Director, Pharmaceutical Technology

WE MANAGE OUR BUSINESS THROUGH OUR CORE VALUES: Teamwork, Ownership, Productivity, Integrity, and Quality

In closing, we believe we are well positioned for future growth with an attractive portfolio of commercial products and a robust pipeline of investigational drugs focused on specialty markets.

Sincerely,

Gerald T. Proehl
President and Chief Executive Officer

David F. Hale
Chairman of the Board

April 10, 2012

EXECUTIVE MANAGEMENT

From left to right: Warren Hall; Michael Step; Wendell Wierenga, Ph.D.; Carey Fox; William Denby; Maria Bedoya-Toro, Ph.D.; Gerald Proehl; Debra Crawford; Mark Totoritis, M.D.; Julie DeMeules; and David Ballard, M.D.

SELECTED FINANCIAL DATA

Statement of Operations Data

	Years Ended December 31,				
	2011	2010	2009	2008	2007
(in thousands, except per share amounts)					
Revenues:					
Product sales, net	$ 88,153	$ 90,170	$ 119,242	$ 101,220	$ 79,403
Promotion revenue	27,339	31,365	23,631	9,837	1,803
Royalty revenue	3,295	3,571	—	—	—
Other license revenue	—	245	29,620	19,144	13,222
Total revenues	118,787	125,351	172,493	130,201	94,428
Costs and expenses:					
Cost of product sales	8,852	7,715	8,294	7,345	7,301
License fees and royalties	17,898	28,576	7,976	22,257	11,117
Research and development	18,383	17,431	16,244	11,760	6,849
Selling, general and administrative	68,229	82,581	105,838	108,012	116,503
Restructuring charges	—	7,082	—	—	—
Total costs and expenses	113,362	143,385	138,352	149,374	141,770
Income (loss) from operations	5,425	(18,034)	34,141	(19,173)	(47,342)
Other income (expense):					
Interest income	15	80	194	1,285	3,088
Interest expense	(459)	(461)	(460)	(95)	(11)
Total other income (expense)	(444)	(381)	(266)	1,190	3,077
Income (loss) before income taxes	4,981	(18,415)	33,875	(17,983)	(44,265)
Income tax expense	312	59	1,760	534	—
Net income (loss)	$ 4,669	$ (18,474)	$ 32,115	$ (18,517)	$ (44,265)
Net income (loss) per share:					
Basic	$ 0.08	$ (0.31)	$ 0.55	$ (0.36)	$ (0.87)
Diluted	$ 0.07	$ (0.31)	$ 0.54	$ (0.36)	$ (0.87)
Weighted average shares outstanding used to calculate net income (loss) per share:					
Basic	60,531	58,734	57,995	51,835	51,061
Diluted	62,815	58,734	59,674	51,835	51,061

Balance Sheet Data

	As of December 31,				
	2011	2010	2009	2008	2007
(in thousands)					
Cash, cash equivalents and short-term investments	$ 58,608	$ 60,797	$ 93,944	$ 52,037	$ 64,678
Working capital	38,417	34,310	47,563	3,734	25,582
Total assets	114,053	96,037	131,361	92,484	85,344
Deferred revenue, less current portion	2,163	2,635	2,678	2,436	12,722
Long-term debt	10,000	10,000	10,000	10,000	—
Other long-term liabilities	2,494	2,659	—	—	—
Total stockholders' equity	50,088	37,983	46,916	9,323	15,348

The selected statement of operations data for the years ended December 31, 2008 and 2007, and the selected balance sheet data as of December 31, 2009, 2008 and 2007, are derived from our audited financial statements not included in our Form 10-K for the year ended December 31, 2011. The selected statement of operations data for the years ended December 31, 2011, 2010 and 2009 and the selected balance sheet data as of December 31, 2011 and 2010, are derived from the audited consolidated financial statements for such years and as of such dates, which are included in our Form 10-K for the year ended December 31, 2011. You should read these selected financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included in our Form 10-K for the year ended December 31, 2011, which is available upon request from Santarus or at www.sec.gov.

VIEW OUR ONLINE INTERACTIVE REPORT AT WWW.SANTARUS.COM/AR2011

CORPORATE INFORMATION

Board of Directors

David F. Hale
Chairman of the Board

Gerald T. Proehl
President and Chief Executive Officer
Santarus, Inc.

Daniel D. Burgess
President and Chief Executive Officer
Rempex Pharmaceuticals, Inc.

Michael G. Carter,
M.B., Ch.B., F.R.C.P. (U.K.)
Former International Medical
and Marketing Director
Zeneca, PLC

Alessandro E. Della Chà
Senior Partner
Studio Legale Edoardo Ricci e Associati

Michael E. Herman
President, Herman Family
Trading Company
Former President, Kansas City Royals
Baseball Club and the Ewing Marion
Kauffman Foundation

Ted W. Love, M.D.
Executive Vice President and
Head of Research & Development
Onyx Pharmaceuticals, Inc.

Kent Snyder
Chief Executive Officer and
Chairman of the Board
Senomyx, Inc.

Matthew W. Strobeck, Ph.D.
Director

Corporate Officers

Gerald T. Proehl
President and Chief Executive Officer

Wendell Wierenga, Ph.D.
Executive Vice President,
Research and Development

E. David Ballard II, M.D.
Senior Vice President, Medical Affairs
and Pharmacovigilance

Maria Bedoya-Toro, Ph.D.
Senior Vice President, Regulatory Affairs
and Quality Assurance

Debra P. Crawford
Senior Vice President,
Chief Financial Officer,
Treasurer and Secretary

Julie A. DeMeules
Senior Vice President,
Human Resources

William C. Denby III
Senior Vice President,
Commercial Operations

Carey J. Fox, J.D.
Senior Vice President,
General Counsel

Warren E. Hall
Senior Vice President, Manufacturing
and Product Development

Michael D. Step
Senior Vice President,
Corporate Development

Mark C. Totoritis, M.D.
Senior Vice President, Clinical Research

General Information

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Santarus, Inc.
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Suite 400
San Diego, CA 92130

Independent Registered Public Accounting Firm
Ernst & Young LLP

Transfer Agent
American Stock Transfer
and Trust Company

SEC Form 10-K
A copy of our annual report
on Form 10-K is available,
without charge, upon
written request to:

Investor Relations
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3721 Valley Centre Drive, Suite 400
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Phone: (858) 314-5700
Fax: (858) 314-5701
E-mail: contact@santarus.com

Annual Meeting
The annual meeting of stockholders
of Santarus, Inc. will be held at
1:00 p.m. on June 13, 2012 at the
Doubletree Del Mar Hotel
11915 El Camino Real
San Diego, CA 92130.
All stockholders are cordially
invited to attend.

Market Information
Our common stock trades on
the Nasdaq Global Select Market
under the symbol "SNTS."

Designed and produced by Meritus Annual Reports, San Diego, California. www.meritusannualreports.com

Safe Harbor Statement

Any statements in this report and the information incorporated herein by reference about our expectations, beliefs, plans, objectives, assumptions or future events or performance that are not historical facts are forward-looking statements. You can identify these forward-looking statements by the use of words or phrases such as "believe," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," or "would." Among the factors that could cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties inherent in our business including, without limitation: our ability to generate revenues from our currently promoted commercial products; our ability to successfully advance the development of, obtain regulatory approval for and ultimately commercialize, our development-stage products; our ability to ensure continued supply of our commercial products; our ability to maintain patent protection for our products, including the difficulty in predicting the timing and outcome of ongoing patent litigation; our ability to achieve continued progress under our strategic alliances, and the potential for early termination of, or reduced payments under, these agreements; our ability to continue to generate revenues from our branded and authorized generic Zegerid® prescription products and the impact on our business and financial condition of the ongoing generic competition for our Zegerid products; adverse side effects, inadequate therapeutic efficacy or other issues related to our products or products we promote that could result in product recalls, market withdrawals or product liability claims; competition from other pharmaceutical or biotechnology companies and evolving market dynamics; our ability to further diversify our sources of revenue and product portfolio; other difficulties or delays relating to the development, testing, manufacturing and marketing of, and obtaining and maintaining regulatory approvals for, our and our strategic partners' products; fluctuations in quarterly and annual results; our ability to obtain additional financing as needed to support our operations or future product acquisitions; the impact of healthcare reform legislation and the recent turmoil in the financial markets; and other risks detailed in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the fiscal year ended December 31, 2011. This report is being delivered together with our Form 10-K, which represents our complete 2011 annual report. You should read this report together with the Form 10-K, which includes additional information on our business and financial condition.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Scan QR code with your mobile device to view the Santarus, Inc. website.

SANTARUS, INC.®

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