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Santhera Reports Successful 2006

Liestal, Switzerland, March 2, 2007 – Santhera Pharmaceuticals (SWX:SANN), a Swiss specialty pharmaceutical company with a focus on neuromuscular diseases, announces today its financial results for 2006. The results reflect the significant progress that the Company has made across all areas of its business including:

- **Product development, where the Company is preparing to file the Marketing Authorization Approval (MAA) for its lead compound SNT-MC17 (INN: idebenone) for Friedreich’s Ataxia (FRDA) in Europe. In addition, the Company is preparing a Phase III trial with SNT-MC17 for FRDA in the US and has two Phase II trials on-going with SNT-MC17 for Duchenne Muscular Dystrophy (DMD) and Leber’s Hereditary Optic Neuropathy (LHON);**
- **Partnering, where a collaboration agreement with Oy Juvantia Pharma Ltd, Turku, Finland (Juvantia), has given Santhera access to JP-1730 (INN: fipamezole), a potential treatment for Dyskinesia in Parkinson’s Disease (DPD). JP-1730 is expected to enter a Phase IIb trial later in 2007 and;**
- **Financing, where its successful initial public offering (IPO) and subsequent listing on the SWX Swiss Exchange (SWX) has provided Santhera with the funds to support its planned clinical development and marketing activities. At the end of 2006, the Company’s cash reserves amounted to CHF 125.7 million.**

Dr Klaus Schollmeier, Chief Executive Officer, commented: “2006 was a very busy and successful year for Santhera. All our development projects made significant progress, most notably our lead compound SNT-MC17 in Friedreich’s Ataxia. Based on positive results from our collaborative study with the US National Institutes of Health, we are now preparing for an early filing for market approval in Europe and for accelerated development timelines in the US.” He continued: “Last year, we successfully completed the patient recruitment for a proof-of-concept study of our lead compound in Duchenne Muscular Dystrophy and initiated a further clinical program in a third indication, Leber’s Hereditary Optic Neuropathy. On the partnering side, we entered a collaboration with Juvantia for a Phase IIb clinical program for its lead compound JP-1730 in Dyskinesia in Parkinson’s Disease.”

“Through our initial public offering and a preceding private financing round we secured additional funding for the future development of our research and development pipeline,” stated Barbara Heller, Chief Financial Officer. “The Company’s operating financial performance is in line with our expectations. We also successfully executed our strategy to leverage the potential of SNT-MC17 and to enrich our development pipeline by in-licensing promising drug candidates in neuromuscular

diseases. Proceeds from our successful IPO in early November 2006 have provided us with a solid financial basis from which to advance our lead compound to the market.”

Excellent track record in private and public financing

On November 3, 2006, Santhera completed its IPO and subsequent listing on the SWX, raising gross proceeds of CHF 101.8 million including the fully exercised greenshoe. The IPO consisted of a public offering in Switzerland and an international private placement in the EU and the US to QIBs under Rule 144A of 1,131,438 newly issued shares including the greenshoe. The offering, which was priced at CHF 90 per share, was over-subscribed with strong demand from high quality institutional investors in Switzerland, Germany, the US, UK and the Benelux.

As far as can be ascertained from the information available, the following shareholders own 5% or more of the Company's capital: NGN Capital (US, Germany) 12.2%, Merlin (UK) 7.7%, Oxford Bioscience (US) 7.1%, 3i (UK) 6.9%, Cominvest (Germany) 6.0%, Schrodgers (UK) 5.1% and GIMV (Belgium) 5.0%. Santhera's current free float is 38.32%, unchanged since the IPO due to lock-up provisions.

Prior to the IPO, in October 2006, Santhera raised CHF 15.8 million in its last private financing round, bringing the total gross proceeds of its private financing in three rounds to CHF 87 million. Additionally, warrants issued in connection with the preceding financing round in December 2005 were converted in conjunction with the IPO.

Strong balance sheet with solid cash reserves of CHF 125.7 million at the end of 2006

With CHF 125.7 million cash and cash equivalents on hand at December 31, 2006, Santhera is well positioned to fund its current operations and strategic goals. The Company is investing these funds primarily in its expanding pipeline and the planned set-up of its own specialized marketing and sales organization in the US.

Operating result (EBIT) of CHF –28.6 million, expenses focused on research and development

Santhera achieved revenues of CHF 0.8 million in 2006 primarily from research funding through a licensing agreement with Biovitrum AB, Stockholm, Sweden (Biovitrum). In 2005, Santhera received up front payments from the two major partnerships with Takeda Pharmaceutical Company Ltd, Osaka, Japan (Takeda), and Biovitrum which together amounted to CHF 13.2 million.

The Company's operating expenses amounted to CHF 29.4 million in 2006, up CHF 4.1 million compared to 2005. These additional expenses were predominantly dedicated to research and development activities, which in 2006 accounted for CHF 18.0 million, or 61% of operating expenses. The increase in research and development expenses of CHF 3.5 million over the previous year reflects a shift from pre-clinical research to development, triggered by the clinical trial

costs for SNT-MC17. These costs were for preparing and entering two Phase III trials in FRDA and two Phase II clinical trials in two further indications, DMD and LHON.

General and administrative expenses of CHF 12.1 million in 2006 were significantly higher than in 2005 (CHF 6.0 million). This was mainly due to the costs of legal and other advisory services in connection with the private financing round, the process of going public, and the negotiation of the agreements with Juvantia, and other business development activities. For the first time, Santhera also incurred marketing and sales expenses which amounted to of CHF 0.3 million. This expenditure is currently reported as part of general and administrative expenses. Other operating income amounted to CHF 0.6 million compared to other operating expenses of CHF 4.7 million in 2005.

The total operating expenses in 2006 also include non-cash relevant expenses for share-based payments (non-vested stock options) of CHF 2.6 million and for warrants issued to investors of Juvantia, which accounted for CHF 0.9 million.

The cash-relevant operational key figure, the gross operating and investing cash flow, amounted to CHF –25.9 million in 2006 compared to CHF –22.5 million in 2005. This figure is based on the operating result, excluding non-cash charges such as expenses for stock options, amortization and depreciation, issuance of warrants and net of gross profit.

Santhera is focusing on keeping its recurring general and administrative expenses to a minimum in order to support its investments in research and development and planned investments in its sales and marketing organization in the US. However, the Company has been investing in and is further committed to its corporate governance and risk management activities to ensure that they meet international standards. The Company's risk management activities are focused on the careful management of its cash-burn and minimizing its financial risks. The net financial result amounted to CHF 0.6 million in 2006, substantially higher than in 2005 (CHF –0.9 million), mainly due to higher interest income and the issuance of warrants in connection with the financing round in 2005.

Over the course of 2006, Santhera repaid loans from tbg Technologiebeteiligungsgesellschaft mbH, Bonn, Germany (tbg), totalling CHF 2.6 million, substantially reducing the Company's interest rate burden. The remaining outstanding amount under a second loan agreement with tbg amounts to CHF 1.4 million.

Cash-relevant incremental expenses directly attributable to equity financings are expensed through the equity statement and amounted to CHF 10.1 million in 2006 and to CHF 0.3 million in 2005. The expenses in 2006 covered both the private financing round and the IPO.

Proven success in partnering

Santhera has a strong track record in executing its strategy by selectively partnering its marketing activities in certain markets, in adding development programs within its key fields of expertise and in out-licensing non-core businesses.

In July 2006, Santhera entered into a co-operation agreement with Juvantia for the development of Juvantia's product candidate JP-1730 in DPD. This agreement is designed to generate the additional clinical data required prior to starting pivotal clinical trials. In connection with this co-operation agreement, the Company and Juvantia's investors signed an option agreement that grants Santhera the right to purchase Juvantia if certain conditions are met. The Company has not made any upfront payment in cash but as an option premium, issuing 9,818 warrants to Juvantia's investors to acquire Santhera shares.

Outlook and financial management

Santhera's cash-burn in 2007 is expected to increase compared to 2006 reflecting the successful development of the Company's pipeline with SNT-MC17 in two Phase III and two Phase IIa trials and JP-1730 in a Phase IIb trial. Cash will also be invested in ongoing pre-clinical research activities as well as in business development with the goal of further growing the pipeline externally. In addition, by the end of 2007, the Company plans to start building its marketing organization in the US.

As part of its business strategy, Santhera intends to focus its commercial activities on the North American markets while out-licensing marketing rights in Europe and other regions. As a result, milestone and upfront payments from such partnering agreements represent an important part of the Company's financing activities. First revenues from products are expected to be achieved following the planned launch of SNT-MC17 for FRDA in Europe by Takeda, expected in the second half of 2008.

Key financial figures

Balance Sheets	Dec 31,	Dec 31,
(IFRS, consolidated, in CHF thousands)	2006	2005
Cash and equivalents	125,662	31,268
Noncurrent assets	34,260	32,993
Other current assets	2,472	14,451
Total assets	162,394	78,712
Equity	152,048	66,147
Noncurrent liabilities	1,758	4,773
Current liabilities	8,588	7,792
Total equity & liabilities	162,394	78,712

Changes of 2005 figures are mainly due to changes in reporting currency from EUR to CHF.

Income Statements

(IFRS, consolidated, in CHF thousands)	2006	2005
Gross profit	781	13,756
R&D expenses	-17,985	-14,542
G&A expenses	-12,052	-6,012
Other expenses	617	-4,719
Operating result (EBIT)	-28,639	-11,517
Financial result	562	-867
Result before taxes	-28,077	-12,384
Income taxes	-181	748
Net loss	-28,259	-11,636

Changes of 2005 figures are mainly due to changes in reporting currency from EUR to CHF.

Cash Flow summary

(IFRS, consolidated, in CHF thousands)	2006	2005
Gross operating/investing cash flow	-25,897	-22,512
Cash and cash equivalents at January 1	31,268	16,302
Cash and cash equivalents at December 31	125,662	31,268

Changes of 2005 figures are mainly due to changes in reporting currency from EUR to CHF.

(The 2006 consolidated financial statements of Santhera Pharmaceuticals Holding AG can be found on the Company's website at www.santhera.com)

Update on Santhera's current development pipeline

- **SNT-MC17 in FRDA:** A recent clinical trial conducted in collaboration with the US National Institutes of Health (NIH) has shown improvement of both neurological parameters and activities of daily living scores. These positive results were achieved after six months treatment with SNT-MC17 at daily doses of 900 mg or 2,250 mg for adult patients.

Based on these positive data and under a new guideline of the European Medicines Agency (EMA) on clinical trials in small populations, Santhera is preparing to file a Marketing Authorization Approval (MAA) in Europe in summer 2007. If everything goes according to plan, it is hoped that the product could be launched in Europe in the second half of 2008 by Santhera's marketing partner Takeda. The ongoing Phase III trial in Europe will be continued to collect additional safety and efficacy data in a wider population of FRDA patients.

In the US, Santhera has filed a new protocol for a pivotal Phase III trial under its open IND (Investigational New Drug) and is awaiting a Special Protocol Assessment (SPA) meeting with the US Food and Drug Administration (FDA). The new protocol for this Phase III trial reflects the

major findings from the collaborative NIH trial regarding neurological endpoints and the effective doses. Santhera expects that this Phase III trial will require significantly fewer patients and will be considerably shorter in terms of treatment times than originally planned. Patient recruitment is expected to start in summer 2007.

- **SNT-MC17 in DMD:** Patient recruitment of a Phase IIa proof-of-concept study has been completed. Results from this study are expected in the second half of 2007. Subject to a positive outcome, Santhera intends to seek protocol advice from the EMEA and the FDA in order to prepare for a pivotal Phase III program. Meanwhile, orphan drug designation for SNT-MC17 in DMD has been granted in both the EU and the US.
- **SNT-MC17 in LHON:** The study centers in Germany and the UK have been opened recently and are ready to recruit patients for this Phase IIa proof-of-concept trial. The study, designed to assess the efficacy of SNT-MC17 on the progression of vision loss in symptomatic people with LHON, features a special statistical protocol allowing for interim analyses. Meanwhile, Santhera has received orphan drug designation in both the US and the EU.
- **JP-1730 in DPD:** Currently, final toxicity studies and formulation work are being performed in order to prepare a Phase IIb trial which is due to start in the US in the second half of 2007 under Juvantia's open IND. This one-month efficacy trial is designed to confirm prior positive Phase IIa clinical data obtained from a larger cohort of patients.

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Presentation of the 2006 results

Santhera invites the media and analysts to attend presentations given by the Company's management on Friday March 2, 2007, at 09:00 CET (for media) and 11:00 CET (for analysts) at the Park Hyatt Zurich, Beethoven-Strasse 21, in Zurich, Switzerland.

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About Santhera

Santhera Pharmaceuticals (SWX:SANN) is a Swiss specialty pharmaceutical company focusing on the discovery, development and marketing of small molecule pharmaceutical products for the treatment of severe neuromuscular diseases. Santhera's vision is to become a leading specialty pharmaceutical company offering therapies for a number of indications in this area of high unmet medical needs which includes many orphan indications with no current therapy.

Santhera currently has four clinical-stage development programs, three of which are investigating its lead compound, SNT-MC17 (INN: idebenone), in the treatment of Friedreich's Ataxia (FRDA), Duchenne Muscular Dystrophy (DMD) and Leber's Hereditary Optic Neuropathy (LHON). The fourth clinical program is investigating JP-1730 (INN: fipamezole) for the treatment of Dyskinesia in Parkinson's Disease (DPD) in cooperation with Juvantia, the compound's owner. The most advanced program, SNT-MC17 in FRDA, is in preparation for filing in Europe and in Phase III clinical development in the US while the other clinical programs are in Phase II. For further information, please visit www.santhera.com.

Disclaimer/Forward-looking Statements

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Forward-looking statements and other information contained in this release involve risks and uncertainties. Such statements reflect the current views, intentions and estimates of the Company. They are based on assumptions that may be inaccurate. Results could differ materially from those anticipated. Certain of these forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "expect", "may", "are expected to", "will", "will continue", "should", "would be", "seek" or "anticipate" or by discussions of strategy, plans or intentions. Furthermore, the Company does not assume any obligation to update these forward-looking statements.