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Santhera Reports Financial Results and Significant Operational Progress for 2007

Liestal, Switzerland, February 29, 2008 – Santhera Pharmaceuticals (SWX: SANN), a Swiss specialty pharmaceutical company focused on neuromuscular diseases, today announced its financial and operational results for the year 2007. The results reflect the significant progress that the Company has made across all areas of its business. During the period, research and development (R&D) amounted to CHF 23.3 million, an increase of 29.7% over 2006 reflecting advances in the clinical pipeline. Revenue from licensing agreements and other operating income reached CHF 11.7 million. Net cash burn in 2007 was CHF 19.1 million compared to CHF 27.5 million in 2006, excluding proceeds from capital increases. At the 2007 year-end Santhera had cash and cash equivalents of CHF 106.6 million.

Operational highlights of 2007 include:

- First product filings:** In July, Santhera submitted SNT-MC17 (INN: idebenone) in Friedreich's Ataxia (FRDA) for Marketing Authorization Approval (MAA) in the EU, followed by similar submissions in Switzerland and Canada.
- Extension of marketing partnership:** In August, Santhera granted Takeda exclusive marketing rights for SNT-MC17 in Duchenne Muscular Dystrophy (DMD) in Europe.
- Positive study results:** In October, Santhera reported positive data from a Phase II trial with SNT-MC17 in DMD showing clinically relevant efficacy on cardiac and respiratory functions.
- Further expansion of clinical portfolio:** In June, Santhera signed an in-licensing agreement with Novartis for the development of omigapil (SNT-317) in Congenital Muscular Dystrophy (CMD) and other neuromuscular indications.
- Start of two clinical trials in the US:** In late fall, Santhera initiated a pivotal 6-month study with SNT-MC17 in FRDA as well as a confirmatory Phase IIb trial with JP-1730 (INN: fipamezole) in Dyskinesia in Parkinson's Disease (DPD).

Key financial figures

(IFRS, consolidated, in CHF thousands)	2007	2006	Changes
Cash and cash equivalents	106,618	125,662	-15.2%
Net cash burn	19,100	27,501	-30.5%
Revenue and other operating income	11,665	1,418	nm
Gross operating and investing cash flow	29,646	26,534	+11.7%
Total operating expenses	42,792	30,057	+42.4%
whereof R&D	23,335	17,985	+29.7%
whereof noncash-relevant share-based payments	10,154	2,566	nm
Net loss	27,871	28,258	-1.4%

Webcast

Today's presentation to analysts (11:00 CET) will be webcasted on www.santhera.com.

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Commenting on the year-end results, Klaus Schollmeier, Chief Executive Officer of Santhera, said: "2007 was again a very busy and successful year for Santhera. We advanced and simultaneously broadened our clinical development pipeline. The highlight of the year was without doubt the acceptance of our first filing for a marketing authorization approval by the European Medicines Agency (EMA), followed by Swissmedic and Health Canada. Our first product of SNT-MC17 to treat FRDA could potentially reach the market before the end of 2008. The second important highlight for the Company was the evidence of clinically relevant efficacy obtained with SNT-MC17 for the treatment of DMD. We continue to move ahead at fast pace towards realizing our goal of becoming a leading specialty pharmaceutical company within the field of orphan neuromuscular diseases."

"In 2007, we have delivered on a good number of milestones. The financial and operational results announced today are in line with our expectations. Our efficient cash management kept expenses focused on clinical development and under control, despite the strong growth of the Company. As a result of this and also due to income from partners, at year-end our cash position still exceeded the proceeds from our Initial Public Offering (IPO) in November 2006," added Barbara Heller, Chief Financial Officer of Santhera. "2008 will be another busy year for Santhera with expenses focused on the advancement of the clinical and preclinical pipeline as well as the initiated buildup of our marketing organization in North America."

Solid balance sheet with cash reserves of CHF 106.6 million at year-end 2007

As of December 31, 2007, Santhera had cash and cash equivalents of CHF 106.6 million, indicating that the proceeds from the Company's IPO in November 2006 remain untapped. Net cash burn in 2007 was CHF 19.1 million compared to CHF 27.5 million in the preceding year. Total equity at year-end 2007 amounted to CHF 135.5 million compared to CHF 152.0 million as of December 31, 2006. The Company is targeting the spending of its funds primarily at the expansion of the pipeline and the building of the specialty sales organization in the US and Canada.

During 2007, Santhera through its subsidiary Santhera Pharmaceuticals (Deutschland) GmbH fully repaid outstanding loans in the amount of CHF 1.4 million to tbG Technologiebeteiligungsgesellschaft mbH. As a result, the Company's balance sheet is free of debt at year-end 2007. The related guarantee provided by Santhera to its German subsidiary lapsed with this repayment.

Total income amounts to CHF 11.7 million

In 2007, Santhera generated cash income (revenue and other operating income) of CHF 11.7 million compared to CHF 1.4 million in 2006. The Company received payments totaling EUR 5.0 million (CHF 8.2 million) from Takeda, consisting of an upfront payment for the European marketing rights for SNT-MC17 in DMD of EUR 2.0 million (CHF 3.3 million) and a milestone payment of EUR 3.0 million (CHF 4.9 million) triggered by the acceptance of the MAA filing by the EMA for SNT-MC17 in FRDA.

In addition, Santhera received CHF 3.3 million from a European pharmaceutical company consisting of a milestone payment (CHF 1.0 million recognized as revenue) and a payment for the transfer of noncore intellectual property rights (CHF 2.3 million recognized as other operating income).

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Continued efficient cash management, expenses focused on clinical development

Operating expenses in 2007 amounted to CHF 42.8 million, a 42.4% increase from the CHF 30.1 million spent in 2006. This increase was in line with expectations and is mainly due to the advancement and expansion of the clinical development programs as well as extraordinary noncash-relevant share-based payments.

Research and development (R&D) amounted to CHF 23.3 million, including CHF 0.4 million noncash-relevant expenses for share-based payments, for the full-year 2007. In the preceding year, R&D amounted to CHF 18.0 million, including CHF 0.8 million for share-based payments. Excluding these noncash-relevant items, R&D shows an increase of 33.4% mainly driven by the initiation of two clinical trials in the US, namely the pivotal study with SNT-MC17 in FRDA and the Phase IIb study with JP-1730 in DPD, the Company's largest and most complex trial so far.

Also accounted for in R&D is the nonrefundable upfront fee of USD 0.5 million paid to Novartis for the in-licensing of SNT-317 (INN: omigapil). Other costs which contributed to the increase related to generally higher costs for clinical and preclinical studies, technical development and personnel expenses.

In 2007, marketing and sales (M&S) amounted to CHF 1.2 million including CHF 0.2 million for noncash-relevant share-based payments. General and administrative (G&A) increased to CHF 18.2 million (CHF 11.7 million in 2006). This is exclusively due to noncash-relevant expenses relating to share-based payments of CHF 9.6 million (CHF 1.7 million in 2006), a nonrecurring one-time effect. Actual cash-relevant G&A expenses were in fact CHF 1.4 million or 14.3% lower in 2007 when compared to 2006. The 2007 G&A expenses also include legal and other advisory services in connection with the partnering of European marketing rights of SNT-MC17 in DMD to Takeda, the licensing agreement with Novartis covering SNT-317 and other ongoing business development activities. The 2006 G&A expenses included also expenses for financing activities.

For the year 2007, Santhera reported an operating result of CHF -31.1 million (CHF -28.6 million for 2006). The financial result during the period increased to CHF 2.6 million (CHF 0.6 million), primarily due to interest income from the Company's higher cash reserves. The net loss that Santhera reported for the year 2007 decreased to CHF 27.9 million compared to CHF 28.3 million in 2006.

In 2007, the cash-relevant operational key figure, the gross operating and investing cash flow, amounted to CHF -29.6 million (CHF -26.5 million in 2006). This figure reflects the cash-relevant expenses for operations and investments excluding revenue and income. As a result, monthly gross cash burn from operating and investing activities was CHF 2.5 million compared to CHF 2.2 million in 2006. This 11.7% increase in operational gross cash burn for the full year 2007 is largely due to somewhat higher cash-relevant expenses for R&D activities which amounted to CHF 22.9 million or 70.2% of total cash-relevant operating expenses (CHF 17.2 million or 62.5% in 2006).

Outlook for 2008

The Company expects an opinion from the EMEA which could lead to a European marketing approval for SNT-MC17 in FRDA in the second half of 2008. A positive decision would be a major inflection point for Santhera's transition into a product company, and consequently, the main focus of the Company's attention for the upcoming months. The EMEA approval would trigger another milestone payment in the amount of EUR 4.0 million from Takeda, the Company's marketing partner in Europe.

Santhera believes that the compound has also the potential to be granted marketing approvals by Health Canada and Swissmedic. The Company intends to launch the product by itself in Canada, whereas in Switzerland, the product will be marketed by partner Takeda.

Recruitment speed for the US pivotal clinical trial with SNT-MC17 in FRDA will set the pace for the buildup of Santhera's commercial operations in North America.

In addition, Santhera plans to initiate several clinical trials, namely a Phase III program with SNT-MC17 to treat DMD and a Phase II/III program with SNT-317 to treat CMD. As a result of these advances in the clinical development pipeline, the Company expects a further increase of its cash burn.

Update on Santhera's current development pipeline

1. SNT-MC17 (INN: idebenone) in Friedreich's Ataxia (FRDA)

The product's filing for marketing authorization is currently under review by regulatory authorities in the EU, Switzerland, and Canada. The 12-month Phase III study (MICONOS) with an open-label follow-on extension is ongoing. The trial is designed to collect additional safety and efficacy data particularly on the high dose of SNT-MC17. In the US, the 6-month pivotal trial (IONIA) is recruiting a minimum of 51 ambulatory patients into two study centers in Philadelphia and Los Angeles. Patients completing the trial are offered to enroll in a follow-on open-label extension study for 12 months. Santhera will take advantage of the fast-track review as agreed by the US Food and Drug Administration.

2. SNT-MC17 in Duchenne Muscular Dystrophy (DMD)

Results from the 12-month Phase II trial (DELPHI) showed clinically relevant efficacy measured by cardiac and respiratory parameters. Patients treated with SNT-MC17 improved in a functional cardiac parameter, peak systolic radial strain of the LV inferolateral wall, the region of the heart that is most affected in DMD. In addition, SNT-MC17-treated patients improved on a functional respiratory parameter, peak flow, while patients on placebo deteriorated over the study period. Following the positive results from the DELPHI trial, Santhera is currently preparing for protocol advice meetings with health authorities in preparation of a Phase III clinical program. The long-term, open-label extension study for the participants of the previous DELPHI trial will collect additional efficacy data and is expected to start within the next months.

3. SNT-MC17 in Leber's Hereditary Optic Neuropathy (LHON)

A Phase II trial (RHODOS) to assess the efficacy of SNT-MC17 in the treatment and prevention of vision loss compared to placebo is ongoing at two study centers in Munich, Germany, and Newcastle, UK. The RHODOS trial plans to enroll 84 patients with LHON for treatment duration of 6 months. Acute patients as well as patients experiencing vision loss for up to 5 years are eligible to participate.

4. JP-1730 (INN: fipamezole) in Dyskinesia in Parkinson's Disease (DPD)

The Phase IIb trial (FJORD) is designed to confirm the dual efficacy of JP-1730, namely the capacity to reduce dyskinetic movements and to extend the antiparkinsonian action of levodopa observed previously in a successful proof-of-concept trial. The FJORD study will evaluate the safety and efficacy of three escalating doses of JP-1730 compared to placebo over a treatment period of 28 days. The trial is enrolling 152 patients with advanced PD. Santhera is conducting this trial together with its collaboration partner Juvantia Pharma, the compound's owner. Results from FJORD are now expected for the first half of 2009.

5. SNT-317 (INN: omigapil) in Congenital Muscular Dystrophies (CMD)

In-licensed from Novartis in June 2007, Santhera has transferred the open Investigational New Drug (IND) file from Novartis and initiated the technical and clinical development work requested for the intended pediatric use. Santhera expects to start an observational study as part of the clinical development program for SNT-317 in the second half of 2008.

Changes in Santhera's Board of Directors

Dr. Georg Nebgen, member of the Board of Directors since 2004 and serving also in the Board's Nomination & Compensation Committee, has decided not to stand for reelection at the upcoming Annual Shareholders' Meeting due to other commitments. The Board and the Executive Management of Santhera express their sincerest thanks to Dr Nebgen for his highly valued contributions and the continued funding and support from NGN Capital, the private equity investor he represents.

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Condensed Balance Sheets

(IFRS, consolidated, in CHF thousands)	December 31, 2007	December 31, 2006
Cash and equivalents	106,618	125,662
Noncurrent assets	34,588	34,260
Other current assets	2,969	2,472
Total assets	144,175	162,394
Equity	135,514	152,048
Noncurrent liabilities	272	1,758
Current liabilities	8,389	8,588
Total equity and liabilities	144,175	162,394

Condensed Income Statements

(IFRS, consolidated, in CHF thousands)	2007	2006
Revenue	9,226	781
Other operating income	2,439	637
R&D	-23,335	-17,985
whereof noncash-relevant share-based payments	-417	-808
M&S	-1,170	-323
whereof noncash-relevant share-based payments	-167	-42
G&A	-18,151	-11,729
whereof noncash-relevant share-based payments	-9,570	-1,716
Other operating expenses	-136	-20
Operating expenses	-42,792	-30,057
whereof noncash-relevant share-based payments	-10,154	-2,566
Operating result	-31,127	-28,639
Financial result	2,573	562
Result before taxes	-28,554	-28,077
Income taxes	683	-181
Net loss	-27,871	-28,258
Basic and diluted loss per share (in CHF)	-8.99	-14.44

Condensed Cash Flow Statements

(IFRS, consolidated, in CHF thousands)	2007	2006
Gross operating/investing cash flow	-29,646	-26,534
Net cash flow, excl. proceeds from capital increases	-19,100	-27,501
Cash and cash equivalents at January 1	125,662	31,268
Cash and cash equivalents at December 31	106,618	125,662
Net increase in cash and cash equivalents	-19,044	94,394

Share Capital

	December 31, 2007	December 31, 2006
Number of shares issued with a par value of CHF 1.00	3,118,861	3,099,156
Conditional Capital for stock options	351,971	371,676
Conditional Capital for convertible rights	230,000	230,000
whereof allocated to Juvantia investors	9,818	9,818
Authorized Capital	561,092	561,092
whereof for the potential acquisition of Juvantia	105,973	105,973

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2007 Financial Report

The complete financial statements of Santhera Pharmaceuticals are available on the Company's Web site www.santhera.com.

Corporate Calendar 2008

April 21 Annual Shareholders' Meeting, Basel
August 22 Interim Report

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About Santhera

Santhera Pharmaceuticals (SWX: SANN) is a Swiss specialty pharmaceutical company focused 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 need which includes many orphan indications with no current therapy.

Santhera currently has five clinical-stage development programs, three of which are investigating its lead compound, SNT-MC17 (INN: idebenone), for the treatment of Friedreich's Ataxia (FRDA), Duchenne Muscular Dystrophy (DMD) and Leber's Hereditary Optic Neuropathy (LHON). Another 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 fifth program comprises SNT-317 (INN: omigapil) in Congenital Muscular Dystrophies (CMD), a compound in-licensed from Novartis. For the most advanced program, SNT-MC17 in FRDA, the Company has applied for marketing authorization in the EU, Switzerland and Canada. The compound is also in Phase III clinical development for FRDA in the US while the other clinical programs are in Phase II. For further information, please visit www.santhera.com.

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Disclaimer/Forward-looking statements

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