



Interim Report January to June 2007

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Highlights for 2007 to Date

- First ever product filing: In August, the European Medicines Agency accepted Santhera's filing of the Marketing Authorization Application for its lead product SNT-MC17 (INN: idebenone) in Friedreich's Ataxia;
- Further expansion of the clinical pipeline: In June, Santhera concluded an inlicensing agreement with Novartis for omigapil to develop the compound for Congenital Muscular Dystrophy and other neuromuscular indications;
- Extension of marketing partnership: In August, Santhera granted Takeda exclusive European marketing rights for SNT-MC17 in its second indication, Duchenne Muscular Dystrophy.

Management Discussion and Analysis

Solid balance sheet with cash reserves of CHF 110 million

As of June 30, 2007, Santhera had cash and cash equivalents of CHF 110.3 million, reflecting a net cash burn in the first six months of CHF 15.3 million.

Total equity at June 30, 2007, amounted to CHF 139.6 million compared to CHF 152.0 million as of December 31, 2006.

During the period, Santhera has continued to repay loans from tbG Technologiebeteiligungsgesellschaft mbH. In the first half of 2007, a further CHF 0.5 million was repaid thus reducing the Company's interest expenses. The remaining loan to tbG amounts to a total of CHF 1.0 million.

Based on its planned expenses in foreign currencies and in line with its treasury policy, the Company decided to conclude hedging contracts for CHF against EUR and USD, its primary foreign currencies for research and development (R&D) activities. The fair value of such hedging contracts amounted to CHF 0.3 million as per June 30, 2007 (CHF 0 as per June 30, 2006), and is accounted for as a financial asset in the balance sheet.

Controlled increased expenses, focused on research and development

Santhera generated no revenues in the first half of 2007. In the six-month period ending June 30, 2006, Santhera recognized pro rata revenues of CHF 0.8 million from the outlicensing of its DPP-IV program to Biovitrum.

Operating expenses in the first six months of 2007 amounted to CHF 20.7 million, a 67% increase from the CHF 12.3 million spent in the same period in 2006. This increase was in line with expectations and is mainly due to CHF 5.6 million noncash-relevant expenses resulting from unvested stock options (CHF 0.7 million in first half of 2006). Taking these noncash-relevant effects into consideration, the increase in operating expenses amounted to CHF 3.5 million or 30%.

R&D expenses amounted to CHF 10.7 million, including CHF 0.4 million noncash-relevant expenses for share-based payments, in the first six months of 2007. In the same period in 2006, R&D expenses amounted to CHF 7.6 million, including CHF 0.3 million for share-based payments. The 40% increase was mainly driven by higher costs for clinical and preclinical studies which were conducted to advance the Company's development pipeline. Other costs which contributed to this increase related to technical development and personnel expenses.

Expenses for marketing and sales amounted to CHF 0.5 million (CHF 0 in the first half of 2006) while general and administrative (G&A) expenses rose to CHF 9.4 million (CHF 5.0 million in same period in 2006). Taking into consideration that CHF 5.1 million of this amount were due to noncash-relevant expenses for share-based payments (CHF 0.4 million in the first half of 2006), actual G&A expenses were in fact CHF 0.2 million lower in the first half of 2007 when compared to the corresponding period in 2006.

Santhera reported an operating result (EBIT) of CHF -20.7 million for the first six months of 2007 (CHF -11.6 million for the first half of 2006).

The financial result during the period increased to CHF 1.6 million due to interest income from the Company's higher cash reserves and unrealized gains from currency hedging activities. Income taxes reflect changes in deferred taxes on the investment in the German subsidiary. The net loss that Santhera reported for the first half of 2007 increased to CHF 19.0 million compared to the net loss of CHF 11.7 million for same period in 2006.

Tightly managed cash flow

The cash-relevant operational key figure, the gross operating and investing cash flow, amounted to CHF -15.0 million in the first six months of 2007 compared to CHF -12.4 million in the same period in 2006. This 21% increase in operational cash burn for the first six months of 2007 is largely due to expenses for R&D activities as outlined above. This figure is based on the operating result, excluding noncash charges such as expenses for stock options, amortization and depreciation, also excluding cash flows from financing activities and net of gross profit.

Outlook for the second half of 2007

Since the beginning of the second half-year 2007, Santhera generated revenues of EUR 5.0 million from Takeda, EUR 2.0 million of these was an upfront payment for the marketing rights for SNT-MC17 in Duchenne Muscular Dystrophy (DMD) in Europe and EUR 3.0 million were triggered by the acceptance of the filing of the Marketing Authorization Approval (MAA) by the European Medicines Agency (EMA) for SNT-MC17 in Friedreich's Ataxia (FRDA).

In the coming months, Santhera intends to start two major clinical studies in the US, a Phase III trial with SNT-MC17 in FRDA and a Phase IIb trial with JP-1730 (INN: fipamezole) in Dyskinesia in Parkinson's Disease (DPD). Preparations for the new clinical program in CMD with SNT-317, a compound in-licensed from Novartis, are ongoing. As a result, the Company expects a further increase of its cash burn.

Update on Santhera's Clinical Development Portfolio

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

On August 15, 2007, the EMA accepted Santhera's MAA filing of SNT-MC17 for FRDA. In anticipation of the expected market launch in the second half of 2008, the Company is currently preparing prelaunch activities together with its marketing partner Takeda, who will sell the product in the European Union (EU) and Switzerland.

Although the MAA filing is accepted, Santhera continues its ongoing Phase III trial in Europe under an amended protocol to collect additional safety and efficacy data in a wider population of FRDA patients particularly at higher doses of SNT-MC17.

In the United States, Santhera is in advanced stages with the Food and Drug Administration (FDA) under a Special Protocol Assessment (SPA) procedure regarding the planned Phase III clinical trial. Based on the positive outcome of the collaborative study with the US National Institutes of Health, Santhera submitted a new protocol at the end of June reflecting its discussions with the FDA. The Company is expecting an agreement on the protocol under SPA in due course.

SNT-MC17 (INN: idebenone) in Duchenne Muscular Dystrophy (DMD)

On August 1, 2007, Santhera and Takeda signed an extension of their existing marketing partnership in the EU and Switzerland to cover the compound's second potential indication DMD. Santhera received an upfront payment of EUR 2.0 million and is entitled to milestone payments of up to EUR 18.0 million prior to the product's market launch for this indication. Under the

agreement, Santhera will deliver finished goods to its partner and is entitled to ongoing royalties on product sales by Takeda on terms which are identical to those of the earlier agreement covering SNT-MC17 in FRDA.

Results of a Phase II clinical trial, that is currently ongoing at the University of Leuven, Belgium, are expected later in 2007.

SNT-MC17 (INN: idebenone) in Leber's Hereditary Optic Neuropathy (LHON)

The Phase IIa trial is ongoing at two centers in the UK and in Germany. In order to facilitate recruitment, Santhera recently amended the study protocol to not only allow the enrollment of acute patients but also of patients with progressive disease. Under the revised protocol, patients experiencing vision loss for up to 5 years are now eligible. The study revision will allow for the assessment of the efficacy of SNT-MC17 in the treatment as well as the prevention of vision loss in such LHON patients. The study duration is reduced to 6 months of treatment and 84 patients are planned to be enrolled. Originally, the study was designed to recruit up to 60 acute patients for a treatment period of 9 months.

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

Preparatory work for the Phase IIb trial in the US is well advanced and almost complete. The start of recruitment for this one-month, multicenter study is planned for fall 2007. The protocol under the open US IND (Investigational New Drug) is designed to confirm the positive results of a previous Phase IIa proof-of-concept trial in a larger cohort of patients. Meanwhile, Juvantia, the compound's owner and Santhera's collaboration partner, has been granted EU patent protection for the intended formulation of JP-1730 until 2023.

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

On June 30, 2007, Santhera signed an inlicensing agreement with Novartis under which Santhera will develop SNT-317 as a potential treatment for CMD and possibly other neuromuscular indications. A Phase II trial is expected to start by the end of 2008. Santhera paid Novartis an upfront fee of USD 500,000. Further milestone payments are due upon the start of a pivotal clinical trial and market approval. In return, Santhera has the right to use all preclinical and clinical data generated with omigapil and receives the remaining drug substance on stock at Novartis. Novartis retained a one-time buyback right for the program which is exercisable once the data from the pivotal clinical trial is available.

Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets (Unaudited)

	in CHF thousands	Notes	June 30, 2007	December 31, 2006
Assets				
Tangible assets		6	1,367	1,931
Intangible assets			33,020	32,242
Other noncurrent assets			108	87
Noncurrent assets			34,495	34,260
Prepaid expenses and accrued income			1,130	758
Inventories			462	462
Trade and other receivables			970	1,252
Financial assets		7	294	0
Cash and cash equivalents			110,338	125,662
Current assets			113,194	128,134
Total assets			147,689	162,394
Equity and liabilities				
Share capital			3,099	3,099
Capital reserves and share premium			233,608	233,608
Retained earnings			-109,597	-90,561
Share options			10,187	4,623
Warrants			874	874
Exchange differences			1,422	405
Total equity			139,593	152,048
Long-term debt		8	479	931
Pension liabilities			144	144
Deferred tax liabilities			629	683
Total noncurrent liabilities			1,252	1,758
Trade accounts payable			1,680	3,401
Short-term debt		8	519	485
Other liabilities			0	80
Accrued expenses and deferred income			4,051	3,942
Short-term provisions			594	680
Total current liabilities			6,844	8,588
Total liabilities			8,096	10,346
Total equity and liabilities			147,689	162,394

Consolidated Income Statements (Unaudited)

	for the half-year ended June 30, in CHF thousands	Notes	2007	2006
Group income			0	781
Gross profit			0	781
Research and development expenses			-10,685	-7,644
Marketing and sales expenses			-505	0
General and administrative expenses			-9,432	-4,971
Other operating result			-40	275
Operating expenses		9, 10	-20,662	-12,340
Operating result (EBIT)			-20,662	-11,559
Financial income			2,101	104
Financial expenses			-529	-155
Result before taxes			-19,090	-11,610
Income taxes			54	-97
Net loss			-19,036	-11,707
Basic and diluted loss per share (in CHF)			-6.14	-6.71

Consolidated Cash Flow Statements (Unaudited)

	for the half-year ended June 30, in CHF thousands	Notes	2007	2006
Operating result			-20,662	-11,559
Depreciation and amortization of tangible assets			288	361
Depreciation and amortization of intangible assets			39	51
Issuance of share options			5,564	696
Change in net working capital			-1,462	-794
Interest income			1,242	104
Interest expenses			-26	-105
Net cash flow from operating activities			-15,017	-11,246
Investments in tangible assets			-107	-380
Disposal of tangible assets			138	5
Investments in intangible assets			-20	0
Cash flow from investing activities			11	-375
Capital increases			0	12,297
Repayment of debt		8	-472	-677
Cash flow from financing activities			-472	11,620
Effects of exchange rate changes on cash and cash equivalents			154	-18
Net increase in cash and cash equivalents			-15,324	-19
Cash and cash equivalents at January 1			125,662	31,268
Cash and cash equivalents at June 30			110,338	31,249

Consolidated Statement of Changes in Equity (Unaudited)

in CHF thousands	Share capital	Share premium	Retained earnings	Treasury shares	Translation differences	Total equity
Balance at January 1, 2006	1,744	127,550	-62,302	-91	-754	66,147
Currency translation differences	0	0	0	0	138	138
Net loss	0	0	-11,707	0	0	-11,707
Total recognized income and expenses for the period	0	0	-11,707	0	138	-11,569
Issuance of share options	0	696	0	0	0	696
Cost of issuance of share capital	0	-128	0	0	0	-128
Balance at June 30, 2006	1,744	128,118	-74,009	-91	-616	55,146
Balance at January 1, 2007	3,099	239,105	-90,561	0	405	152,048
Currency translation differences	0	0	0	0	1,017	1,017
Net loss	0	0	-19,036	0	0	-19,036
Total recognized income and expenses for the period	0	0	-19,036	0	1,017	-18,019
Issuance of share options	0	5,564	0	0	0	5,564
Balance at June 30, 2007	3,099	244,669	-109,597	0	1,422	139,593

Notes to the Unaudited Consolidated Financial Statements

1 General Information

Santhera Pharmaceuticals Holding AG (the **Company** together with its subsidiaries **Santhera** or **Group**) is a specialty pharmaceutical company focused on the discovery, development and commercialization of small-molecule pharmaceutical products for the treatment of severe neuro-muscular diseases.

The Company, having its primary listing of its registered shares (**Shares**) on the SWX Swiss Exchange (SWX: SANN), is a Swiss stock corporation and the parent company of the Group. Its purpose is to acquire, dispose and manage investments. The Company has its registered offices at Hammerstrasse 47 in 4410 Liestal, Switzerland.

The consolidated interim financial statements were approved for publication by the Board of Directors (**Board**) on August 16, 2007.

2 Basis of Preparation

These consolidated interim financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting." The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2006.

These consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

For better readability, the amounts included in the Group's financial statements and notes to the consolidated financial statements are presented in Swiss Francs (**CHF**) thousands, unless stated otherwise.

3 Segment Information

Primary reporting format – business segment

Santhera operates in one business segment, namely the discovery, development and commercialization of small-molecule pharmaceutical products for the treatment of severe neuro-muscular diseases. The Group's Executive Management reviews the profit or loss of Santhera on an aggregated basis and manages the operations of Santhera as a single operating segment.

Secondary reporting format – geographical segment

The Group has three geographical areas, EU and Switzerland, Asia and other. Income in 2006 resulted from the license agreement with Biovitrum AB, Stockholm, Sweden (**Biovitrum**). Assets are held in Switzerland and Germany and capital expenditure is undertaken in these two countries.

The information by geographical areas is as follows:

Income

	in CHF thousands	six months ended June 30, 2007	six months ended June 30, 2006
EU and Switzerland		0	781
Asia		0	0
Other		0	0
Total income		0	781

Assets

	in CHF thousands	June 30, 2007	June 30, 2006
EU and Switzerland		147,689	162,394
Asia		0	0
Other		0	0
Total income		147,689	162,394

Capital expenditure

	in CHF thousands	six months ended June 30, 2007	six months ended June 30, 2006
EU and Switzerland		127	380
Asia		0	0
Other		0	0
Total income		127	380

4 Seasonality

The operating result is not subject to significant seasonal variations during the financial year.

5 Exchange Rates of Principal Currencies

	Income statements in CHF (average rates)		Balance sheets in CHF (rates as of)	
	six months ended June 30, 2007	six months ended June 30, 2006	June 30, 2007	December 31, 2006
EUR 1	1.6322	1.5616	1.6557	1.6096
USD 1	1.2281	1.2712	1.2288	1.2197

6 Tangible Assets

The decrease in tangible assets results primarily from the disposal of assets of the German entity due to its relocation from Heidelberg, Germany, to Lörrach, Germany, and from ordinary depreciation.

7 Financial Instruments

Based on its planned expenses in foreign currencies and in line with its treasury policy, the Company decided to conclude hedging contracts for CHF against EUR and USD, its primary foreign currencies for research and development activities. The fair value of such hedging contracts amounted to CHF 293,593 as per June 30, 2007 (June 30, 2006: CHF 0). The Group does not apply hedge accounting, therefore variances of valuations of the contracts are accounted for directly through the profit and loss statements and are reflected in the financial result.

8 Short- and Long-term Debt

The short- and long-term debt relates to loans from Technologiebeteiligungsgesellschaft, Bonn, Germany, with the maturities below. There was an additional payback in April 2007 over CHF 472,108.

	in CHF thousands	June 30, 2007	December 31, 2006
Within 1 year		519	485
1 year through 5 years		479	931
After 5 years		0	0
Total at the end of the period		998	1,416

The difference of the loan amount as of December 31, 2006, compared to the loan amount as of June 30, 2007, results from interest payments and currency differences in the amounts of CHF 20,138 and CHF 34,041, respectively.

9 Operating Expenses by Function

	in CHF thousands	six months ended June 30, 2007	six months ended June 30, 2006
Research (preclinical)		-3,923	-3,819
Development		-6,762	-3,825
Total research and development expenses		-10,685	-7,644
of which noncash-relevant expenses for share-based payments		-366	-273
Marketing and sales		-505	0
of which noncash-relevant expenses for share-based payments		-83	0
Business development and licensing		-383	-973
Finance and administration		-9,049	-3,998
Total general and administrative expenses		-9,432	-4,971
of which noncash-relevant expenses for share-based payments		-5,115	-423
Other operating income/expenses		-40	275
Total operating expenses		-20,662	-12,340

10 Operating Expenses by Nature

	in CHF thousands	six months ended June 30, 2007	six months ended June 30, 2006
Other operating income/expenses		25	275
External research and development expenses		-6,834	-4,362
Patent and license expenses		-288	-115
Marketing expenses		-248	0
Employee expenses		-10,974	-5,476
of which noncash-relevant expenses for share-based payments		-5,564	-696
General and administrative expenses		-1,951	-2,250
Depreciation		-327	-412
Other operating expenses		-65	0
Total operating expenses		-20,662	-12,340

11 Stock Option Plans

Santhera has established stock option plans, the Employee Stock Option Plan 2004 (**ESOP 2004**) and the Executive Incentive Plan (**EIP**), to align the long-term interests of the Executive Management, members of the Board (**Directors**), employees and consultants. Independent Directors, employees and certain consultants are eligible to participate in the stock option plans. Options granted under the ESOP 2004 and the EIP are equity settled. The fair value of the options is recognized as personnel expenses and is accounted for over the relevant vesting period of each grant. Stock options under the ESOP 2004 can be granted on a quarterly basis and currently their exercise price is defined to be equal to the weighted average share price in the preceding

calendar quarter. Terms and conditions of the employee stock options granted are governed by the ESOP 2004 and are stipulated in the annual report 2006 together with the relevant parameters applied for the fair value calculations of such options.

In the reporting period ended June 30, 2007, a total of 40,939 options with exercise prices of CHF 1.00, CHF 59.44, CHF 89.80 and CHF 106.80 were granted, some of which with earlier predefined conditions but delayed grants as disclosed in the financial statements as of December 31, 2006. This compares to 27,600 options granted in the period ending June 30, 2006, at an exercise price of CHF 59.44, whereof a total of 8,000 stock options were granted under the ESOP 2004 to related parties in accordance with IAS 24, being two members of the Board. No options were granted to any related parties in the reporting period 2007.

The fair value of stock options is determined at each grant date by using the Hull-White option pricing model. For the calculation of the fair value of stock options granted during the reporting period in 2007, the same valuation parameters as disclosed in the financial statements as of December 31, 2006, were applied. The noncash-relevant expenses for all unvested stock options in the reporting period 2007 amounts to CHF 5.6 million compared to CHF 0.7 million in the same period in 2006.

Options granted, forfeited, exercised, expired, bought back and outstanding under the ESOP 2004

	June 30, 2007	June 30, 2006
Options outstanding at the beginning of the year	274,737	128,768
Options granted	40,939	27,600
Options forfeited	-1,182	-503
Options exercised	0	0
Options expired	0	0
Options bought back	0	-637
Options outstanding at the end of the period	314,494	155,228

No options were granted under the EIP in the reporting periods, no further options are eligible under the EIP. The number of stock options granted under the EIP as of November 3, 2006, amount to a total of 101,065.

Regarding information about conditional capital for the stock option plans we refer to the respective note in the annual financial statements as of December 31, 2006.

12 Contingent Assets

Information in this note contains new, complimentary information to the respective note in the consolidated annual financial statements as of December 31, 2006.

Collaboration and licensing agreement with Takeda regarding SNT-MC17 in Friedreich's Ataxia in Europe

In 2005, Takeda Pharmaceutical Company Ltd, Osaka, Japan (**Takeda**), and Santhera concluded a license agreement under which Santhera will conduct all clinical development work necessary for regulatory approval of SNT-MC17 (INN: idebenone) in the indication Friedreich's Ataxia (**FRDA**) and licensed the exclusive marketing rights for the EU and Switzerland to Takeda. Santhera has received an upfront payment of EUR 5.0 million in 2005 and is entitled to further milestone payments over EUR 7.0 million in case of a) acceptance of the Market Authorization Application (**MAA**) by the European Medicines Agency (**EMA**) and b) the transfer of the granted MAA approval to Takeda. In case of commercialization, Santhera will supply the drug product to Takeda and receive royalty payments calculated on the net sales of Takeda. On August 15, 2007, the EMA informed Santhera about the acceptance of its MAA filing for SNT-MC17 in FRDA which triggers a milestone payment of EUR 3.0 million by Takeda (see also *15 Subsequent Events*).

13 Contingent Liabilities

Information in this note contains new, complimentary information to the respective note in the consolidated annual financial statements as of December 31, 2006.

License agreement with Institut National de la Santé et de la Recherche Médicale

Based on a license agreement between the Santhera Pharmaceuticals (Switzerland) Ltd and the Institut National de la Santé et de la Recherche Médicale, Paris, France (**INSERM**), Santhera has to make a milestone payment after the first NDA (EUR 150,000) for SNT-MC17 in FRDA by the Food and Drug Administration (**FDA**). In further consideration of the rights and licenses granted, Santhera has the obligation to pay INSERM a running royalty equal to 3% of net sales, not to exceed EUR 500,000 per year and Santhera has to pay 25% of nonroyalty sublicense income received in the US and Canada.

Collaboration and license agreement with Takeda regarding SNT-MC17 in FRDA in Europe

The collaboration and license agreement with Takeda for SNT-MC17 in FRDA foresees a partial repayment in the amount of EUR 1.0 million of the upfront payment received by Santhera in 2005 in the amount of EUR 5.0 million, in case Santhera does not obtain marketing approval for SNT-MC17 in FRDA.

License agreement with Novartis regarding TCH346 (INN: omigapil) in Congenital Muscular Dystrophy

On June 30, 2007, Santhera entered into an agreement with Novartis Pharma AG, Basel, Switzerland (**Novartis**), regarding the inlicensing of the compound TCH346 (INN: omigapil) from Novartis. Santhera intends to develop TCH346, now SNT-317, respectively, for the treatment of Congenital Muscular Dystrophy (**CMD**). Additional payments will be due to Novartis a) upon start of a pivotal clinical trial, b) upon regulatory approval in major markets and c) after reaching certain

commercialization milestones. Santhera will also have to pay royalties to Novartis, calculated on Santhera net sales (see also *14 Related-Party Transactions*)

Agreement with the University of Leuven

In March 2005, Santhera entered into an agreement with Katholieke Universiteit Leuven, Leuven, Belgium (**K.U.Leuven**), whereby K.U.Leuven assigned to Santhera worldwide rights to inventions relating to the use of SNT-MC17 to treat various forms of muscular-dystrophy-related disorders, including Duchenne Muscular Dystrophy (**DMD**). Based on this agreement, Santhera has filed one PCT (Patent Cooperation Treaty) application covering the use of SNT-MC17 for the treatment of cardiomyopathy and muscle weakness in DMD.

In return, Santhera has granted K.U.Leuven a fully paid-up licence to use the patents once obtained for research purposes. K.U.Leuven is entitled to a success fee of up to EUR 400,000 if Santhera commercializes any product whose manufacture, use or sale is covered by an assigned patent and approval in a major market, such as Europe, US and Japan, has been obtained. In addition, K.U.Leuven is entitled to 5% royalties on net sales as well as 15% of the consideration received by Santhera upon transfer or sublicense of the patent rights to a third party with the exclusion of payments made to fund the work conducted by K.U.Leuven. The agreement shall terminate the later of ten years after the date of the first commercial sale of a product based on an assigned patent and the date on which the last-to-expire patent expires (see also *15 Subsequent Events*).

Contracts for clinical development

Santhera has entered into contracts for clinical development with clinical research organizations (**CRO**). Santhera compensates CRO for their services on a monthly basis. It has the right to terminate such agreements at any time at its sole discretion. In case of early termination, Santhera has to pay for all cost which is incurred by the respective counterparty. The payments for these contracts have not been provided for and are as follows:

in CHF thousands	June 30, 2007	December 31, 2006
Within 1 year	3,653	3,545
1 year through 5 years	1,441	779
After 5 years	0	0
Total minimum commitment obligations	5,094	4,324
Interest	-249	-195
Present value of minimum commitment obligations	4,845	4,129

14 Related-Party Transactions

In June 2007, Santhera entered into a license agreement with Novartis covering the compound TCH346 (SNT-317, INN: omigapil) which Santhera intends to develop for the treatment of CMD. Novartis Pharma AG is an affiliate of the Novartis Group of companies, Basel, Switzerland. Rudolf Gyax, a member of the Company's Board, is an employee of the Novartis Group. In addition, Novartis Forschungsstiftung which holds 2.7% of the Company's share capital is a part of the Novartis Group.

Under the terms of this license agreement, Santhera paid Novartis a nonrefundable upfront fee of USD 500,000. Additional payments will be due to Novartis upon reaching certain development and commercialization milestones (see also *13 Contingent Liabilities*). Santhera has the right to use all preclinical and clinical data generated on omigapil and receives the remaining drug substance on stock at Novartis.

15 Subsequent Events

Collaboration and license agreement with Takeda regarding SNT-MC17 in DMD in Europe

On August 1, 2007, Santhera and Takeda entered into an agreement granting Takeda the European marketing rights to SNT-MC17 in the indication DMD. Under the terms of the licensing agreement, Santhera remains responsible for the clinical development for regulatory approval in the EU and Switzerland. Takeda obtained an exclusive license to market SNT-MC17 in the EU and Switzerland in DMD. Santhera in return received an upfront payment of EUR 2.0 million from Takeda and is entitled to further milestone payments, each upon the initiation of a pivotal trial, acceptance of the filing by the EMEA and granting of marketing approval for SNT-MC17 in DMD, totaling up to EUR 18.0 million. Takeda will pay a total of 30% of their net sales in the European Union and Switzerland, including finished goods supply from Santhera to Takeda (see also *13 Contingent Liabilities*).

Collaboration and license agreement with Takeda regarding SNT-MC17 in FRDA in Europe

On August 15, 2007, the EMEA accepted the application for European marketing authorization for the compound SNT-MC17 in the indication FRDA. In accordance with the provisions of the 2005 collaboration and licensing agreement with Takeda covering the European marketing rights for SNT-MC17 in FRDA, Santhera is therefore entitled to a milestone payment in the amount of EUR 3.0 million (see also *12 Contingent Assets*).

Review Report of the Group Auditors

To the Board of Directors

Santhera Pharmaceuticals Holding AG, Liestal

Basel, August 16, 2007

Review report on the interim condensed consolidated financial statements

We have reviewed the accompanying interim condensed consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and explanatory notes) of Santhera Pharmaceuticals Holding AG for the six-month period ending June 30, 2007.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Ltd

Jürg Zürcher

Daniel Geiger

Swiss Certified Accountant
(in charge of the review)

Swiss Certified Accountant

Forward-looking statements

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This Interim Report expressly or implicitly contains certain forward-looking statements concerning Santhera Pharmaceuticals Holding AG and its business. 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. Such statements involve certain known and unknown risks, uncertainties and other factors, which could cause the actual results, financial condition, performance or achievements of Santhera Pharmaceuticals Holding AG to be materially different from any expected results, performance or achievements expressed or implied by such forward-looking statements. There can be no guarantee that any of the research and/or development projects described will succeed or that any new products or indications will be brought to market. Similarly, there can be no guarantee that Santhera Pharmaceuticals Holding AG or any future product or indication will achieve any particular level of revenue. In particular, management's expectations could be affected by, among other things, uncertainties involved in the development of new pharmaceutical products, including unexpected preclinical and clinical trial results; unexpected regulatory actions or delays or government regulation generally; the Company's ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing and other political pressures. Santhera Pharmaceuticals Holding AG is providing the information in this Interim Report as of the date of the publication, and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

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