



Press Release

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Santhera Announces Management Buy-Out of the Graffinity Drug Discovery Technology Business

Heidelberg, Germany and Liestal, Switzerland – January 3, 2006 -- Santhera Pharmaceuticals AG, a Swiss-based specialty pharmaceutical company with a focus on neuromuscular diseases, announced today the completion of the management buyout of its Graffinity technology business unit which was part of Santhera's German subsidiary, Santhera Pharmaceuticals (Germany) AG. As of January 1st 2006, Graffinity will operate as an independent company which offers drug discovery services and collaborations based on its proprietary small molecule fragment-based screening technology – *RAISE™* (Rapid Affinity Instructed Structural Evolution).

As part of the agreement, Santhera will retain access to Graffinity's technology to broaden and develop its pre-clinical pipeline. Santhera also retains a profit interest in the new business whereby it will receive certain revenues from Graffinity. No further financial terms were disclosed.

Graffinity will be led by Dr. Kristina Schmidt, who most recently held the position of General Manager and Executive Board Member of Santhera's German subsidiary. Dr. Schmidt co-invented the *RAISE™* technology and co-founded the original Graffinity Pharmaceuticals AG in 1997 which merged with MyoContract Ltd. of Liestal, Switzerland in 2004 to form Santhera Pharmaceuticals AG, headquartered in Liestal, Switzerland.

Since 2002 the *RAISE™* technology has been successfully applied to more than 40 drug targets provided by leading pharmaceutical, biotechnology and agrochemical companies. The first small molecule drugs that were discovered by Graffinity have already advanced into pre-clinical development. Graffinity's partners include among others Amgen, BASF, Genentech, Lilly, Novartis, Pfizer, and Serono. Graffinity will be based in Heidelberg, Germany.

"Santhera is focused on the discovery, development and marketing of innovative therapeutics for neuromuscular diseases, and is increasingly directing its efforts towards the advancement of its clinical and pre-clinical pipeline," said Dr. Klaus Schollmeier, Santhera's CEO. "The Graffinity technology is capable of operating at a scale that Santhera cannot fully exploit on its own for in-house development and has already proven capable of attracting high profile partners. Dr Schmidt's management buyout team and Santhera both feel that the time is right to launch a new Graffinity as a standalone drug discovery business and are confident the business will be a success."

Dr. Kristina Schmidt, General Manager of Graffinity, stated: “Today Graffinity’s unique fragment-based drug discovery approach is well recognized throughout the drug discovery industry. In addition to our growing group of clients from the pharmaceutical and biotechnology industries, Graffinity closely collaborates with x-ray crystallography and chemistry providers to jointly market cutting-edge, combined discovery services that are highly cost-efficient and synergistic.”

“In recent months, the buyout team has been ensuring the organizational and revenue requirements for a standalone business are in place and Graffinity will start as a business that is profitable from day one. We have good reasons to believe that the comprehensive services that we can offer and the added flexibility and independence resulting from this management buyout will generate strong revenue and profit growth. Last, but not least, our new business is driven by a highly experienced team that has developed the Graffinity technology over the past eight years,” Dr Schmidt added.

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About Santhera

Santhera Pharmaceuticals AG is a Swiss biopharmaceutical company focused on the discovery, development and marketing of small molecule pharmaceutical products for the treatment of neuromuscular diseases. The Company’s lead product, SNT-MC17 (idebenone) is in a European Phase III for the treatment of Friedreich’s Ataxia, a rare but devastating disease which is ultimately fatal. Santhera has orphan drug designations for this indication in both the US and EU. The Company intends to market the product in the US, and has exclusively licensed the rights to market the product for FRDA in Europe to Takeda. Santhera is also conducting a Phase II trial in Duchenne Muscular Dystrophy with SNT-MC17. Santhera has developed a pipeline of preclinical drug candidates which it will progress in neuromuscular diseases and out-license in areas outside its core therapeutic focus. Santhera’s program on novel DPP IV inhibitors for the treatment of metabolic diseases, including Type II diabetes, is licensed to Biovitrum (Sweden).

Santhera was formed in 2004 through the merger of MyoContract AG and Graffinity Pharmaceuticals AG. The Company is based in Liestal, Switzerland. Santhera has attracted investment from leading global industry investors including Oxford Bioscience Partners, NGN Capital, Merlin Biosciences Limited, 3i Group plc, Carnegie Asset Management, The Novartis Venture Fund, Varuma AG, GIMV, Heidelberg Innovation, Altana Innovationsfonds, Clariden Bank, The Dow Chemical Company, TechnoStart, tbg, the Swiss Foundation for Research on Muscle Diseases, and private investors.

For further information on Santhera, please visit www.santhera.com.

About Graffinity

Graffinity is the premier partner for fragment-based drug discovery of small molecule pharmaceuticals. The company has built a unique technology platform that combines chemical fragment microarrays, label-free imaging of protein-ligand interactions, computational chemistry and lead discovery. The technology platform offers a new drug discovery paradigm for the rapid conversion of genomic information into novel, high quality hits and leads while covering the greatest possible molecular diversity space. Graffinity already applies this technology in existing high-profile collaborations with leading Pharma and Biotech companies. The Company employs a flexible business model which allows it to tailor programs to the specific needs of each partner and offers numerous benefits to its customers on a straightforward fee-for-service basis with no additional downstream/royalty

obligations. Graffinity's scientists have invented and perfected this unique drug fragment based discovery platform which has been in routine industrial use since 2002.

For more information about Graffinity, please visit our website at www.graffinity.com.

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