

English convenience translation of the authoritative German version.

Invitation to the Extraordinary General Meeting (EGM)

March 18, 2021, 10.00 a.m. Swiss time

Hohenrainstrasse 24

4133 Pratteln, Switzerland

Coronavirus

Pursuant to Art. 27 para. 1 of the COVID-19 Ordinance 3, companies may provide that their shareholders exercise their rights solely by way of giving voting instructions to the independent proxy (*unabhängiger Stimmrechtsvertreter*).

On this basis, the Company hereby mandates that all shareholders exercise their rights at the extraordinary general meeting of shareholders solely via the independent proxy. There is no possibility to attend the EGM in person.

Information on how to issue power of attorney and instructions to the independent proxy, electronically or in writing, can be found on page 10 of this invitation.

The Board of Directors (the **Board**) further reserves the possibility to postpone the EGM. The communication of a postponement date would be made via publication in the SOGC and on the website of Santhera.

Agenda (Overview)

Background

- 1. Ordinary Capital Increase**
- 2. Increases of Authorized Capital and Amendments to the Articles of Incorporation**
- 3. Increases of the Conditional Capital for Financings, Mergers and Acquisitions and Amendments to the Articles of Incorporation**
- 4. Increase of the Conditional Capital for Employee Participations and Amendment to the Articles of Incorporation**
- 5. Approval of Compensation for the Members of Executive Management**

Agenda, Motions and Explanations

Background

On February 16, 2021, Santhera announced among other things that, as of the previous day and taking into account the interest payment on the CHF 60 million 2017-2022 Convertible Bonds (ISIN CH0353955195; the **Bonds**) scheduled for February 17, 2021, freely available cash and cash equivalents were projected to amount to CHF 6.9 million (unaudited). Management forecasts Santhera's operational cash burn rate to be around CHF 2.5 million per month over the coming few months. Santhera's previous funding initiatives would provide Santhera with adequate liquidity runway to reach its next value-inflection point, i.e., the topline 6-month data readout for vamorolone in Duchenne muscular dystrophy (VISION-DMD) expected for Q2-2021, and increase the likelihood of obtaining additional financing in the future.

As part of its restructuring activities, Santhera has called a bondholders' meeting in accordance with articles 1164 et seq. of the Swiss Code of Obligations, to be held on March 8, 2021, and proposed to the holders of the Bonds to (i) convert 32.5% of the principal amount of each Bond (CHF 19.5 million in aggregate) into shares of Santhera at the current conversion price of CHF 64.80 per Share and (ii) modify the terms of the remaining 67.5% of the principal amount of each Bond (CHF 40.5 million in aggregate) as summarized below (the binding terms of the amendments are set out in the invitation to the bondholders' meeting):

- 1) reset of the conversion price at 115% of the lower of (i) the VWAP of one share on February 15, 2021, and (ii) the average of the daily VWAP of one share during the five consecutive trading days immediately preceding the closing of the Bond restructuring, but in all events not less than CHF 2.50, with a corresponding amendment of the formula applicable in a change of control.
- 2) Extension of the maturity date to 17 August 2024.
- 3) Increase of the interest rate to 7.50% per annum (currently: 5.00%) as from 17 February 2021.
- 4) Possibility of Santhera to pay interest in shares, in which case a 10% discount to the then-prevailing market price of the shares is applied.
- 5) Interest make-whole: if a bondholder converts a Bond, Santhera will pay the interest for the three years following the conversion date (or up to the maturity date, if shorter) in addition to the accrued interest up to the conversion date. The possibility of Santhera to pay interest in Shares also applies to the interest make-whole.
- 6) Lowering of the threshold for Santhera's right to redeem the Bonds early to 150% of the conversion price (currently: 160%).
- 7) Increase of the bondholders' rights under the events of default.

Santhera has determined that the proposed restructuring of the Bonds is required to enable Santhera to raise additional financing, if the pivotal VISION-DMD readout expected for Q2-2021 is positive, and is therefore also crucial to preserve Santhera as a going concern until after such subsequent financing.

As announced on February 16, 2021, Highbridge Tactical Credit Master Fund, L.P. (**Highbridge**), the largest Bondholder holding, as of February 15, 2021, Bonds in the aggregate nominal amount of CHF 19,205,000, or 32% of all Bonds in circulation, has informed Santhera that it will approve the restructuring of the Bonds. Further, Highbridge has committed to increasing its existing financing arrangement with Santhera to provide up to CHF 18 million in senior secured notes exchangeable by Highbridge (CHF 6 million of which had been previously committed), which will be available in tranches and subject to certain drawdown conditions. The maturity of such exchangeable notes was extended to July 2022 and in consideration for this commitment

and amendment, Highbridge will receive a fee in the form of five-year warrants (options) for Shares priced at a small premium to the reference share price of the Bonds.

Santhera is calling this EGM mainly to propose to the shareholders the authorization and issuance of the Shares required to implement the above transactions.

If the EGM does not approve the required capital increases, the restructuring of the Bonds cannot be completed and the Company will have insufficient available capital to fully utilize the recently agreed additional Highbridge finance facility. As a result, the Company will be significantly limited in its ability to raise sufficient funding in the short term to continue operations.

1. Ordinary Capital Increase

Motions

The Board proposes an ordinary capital increase as follows:

- (1) The share capital of the Company shall be increased by CHF 312,000 by issuing 312,000 fully paid-up registered shares with a nominal value of CHF 1.00 each.
- (2) The Board shall be authorized to determine the issue price. The issue price shall be paid via set-off or in cash, as determined by the Board.
- (3) The subscription rights of existing shareholders are excluded and allocated to or for the benefit of the holders of the Company's CHF 60 million 2017-2022 Convertible Bonds (ISIN CH0353955195; the **Bonds**). The Board shall determine the modalities for the exercise of the subscription rights. To the extent that subscription rights are not exercised by or for the benefit of the holders of the Bonds, the Board may allocate them in the interest of the Company, including to the Company and any of the Company's subsidiaries for financing purposes.
- (4) The new shares shall be entitled to dividends as from the date of their issuance and shall be subject to the restrictions on transferability in accordance with Article 5 of the Articles of Incorporation.

Explanations

The Board proposes to create the 312,000 shares needed for the conversion of 32.5% of the principal amount of the Bonds (see above, "Background") into shares in an ordinary capital increase. The subscription rights of existing shareholders shall be excluded in connection with the ordinary capital increase. Any subscription rights that will not be exercised by or on behalf of the holders of the Bonds will be available to the Company and its subsidiaries in order to create additional treasury shares for future use by the Company or its subsidiaries.

If the ordinary capital increase is not consummated within three months after the date of the EGM, the respective resolutions of the EGM will lapse by operation of law.

2. Increases of Authorized Capital and Amendments to the Articles of Incorporation

Motions

- (1) The Board proposes to increase the authorized capital by CHF 10,034,139 and an extension thereof until March 17, 2023, and to amend Article 3a of the Articles of Incorporation as per the annex.
- (2) Further, the Board proposes to increase the authorized capital existing on the date on which the completed ordinary capital increase proposed under agenda item no. 1 (the **Ordinary Capital Increase**) is registered in the commercial register (the **Registration Date**) by an additional amount of CHF 396,354*, and to further amend Article 3a of the Articles of Incorporation correspondingly. This resolution shall be conditional upon, and only be registered in the commercial register together with, the registration in the commercial register of the completed Ordinary Capital Increase.

* The Board plans to issue 480,709 shares out of the Company's existing authorized capital before the date of the EGM. The proposed amount of increase of the authorized capital set out in motion (2) is set such that, upon such issuance of these 480,709 shares and upon completion of the Ordinary Capital Increase, the authorized capital (if approved by the EGM) would correspond to the statutory maximum of 50% of the Company's then-issued share capital. If the proposed increase amount has to be lowered in order to comply with the statutory maximum of 50% of the issued share capital, the Board will announce the exact amount and the exact number of new shares before the EGM. The individual instructions given by shareholders to the independent proxy regarding the exercise of voting rights will apply to the Board's motion as may be specified in accordance with the foregoing.

Explanations

Currently, the authorized capital amounts to CHF 480,709. The Board plans to issue 480,709 shares out of the Company's existing authorized capital, at the exclusion of shareholders' subscription rights in accordance with Article 3a of the Articles of Incorporation, before the date of the EGM, in order to create shares for purposes of the upsized financing arrangement with Highbridge and potentially other financing purposes.

In this agenda item no. 2, the Board proposes to increase the authorized capital (i) as underlying for the restructured Bonds (if approved by the bondholders' meeting), to the extent the conditional capital for financing, mergers and acquisitions (see agenda item no. 3) will not be sufficient to cover all conversion rights and other share deliveries under the restructured Bonds, (ii) as underlying for the upsized financing arrangement with Highbridge and (iii) to raise additional financing if the pivotal VISION-DMD readout expected for Q2-2021 is positive. For an overview of the planned restructuring of the Bonds and the upsized financing arrangement with Highbridge see above, "Background".

To accommodate the statutory maximum size of the authorized capital of 50% of the issued share capital at any given point in time, the Board proposes to increase the authorized capital in two steps. In a first step, the Board proposes to increase the authorized capital to CHF 10,514,848 with immediate effect as per the date of the EGM (motion no. 1). In a second step, the Board proposes to further increase the authorized capital by an additional amount of CHF 396,354 with effect as per completion of the Ordinary Capital Increase (motion no. 2).

The Board of Directors reserves to amend its proposals under this agenda item, including as to the number of shares to be issued. If the Ordinary Capital Increase is not consummated within three months after this EGM, the shareholder resolution as per motion no. 2 under this agenda item will not become effective and will lapse automatically.

3. Increases of the Conditional Capital for Financings, Mergers and Acquisitions and Amendments to the Articles of Incorporation

Motions

- (1) The Board proposes to increase the conditional capital for financings, mergers and acquisitions by CHF 6,873,138 and to amend Article 3c of the Articles of Incorporation as per the annex.
- (2) Further, the Board proposes to increase the conditional capital for financing, mergers and acquisitions existing on the Registration Date by an additional amount of CHF 396,354*, and to further amend Article 3c of the Articles of Incorporation correspondingly. This resolution shall be conditional upon, and only be registered in the commercial register together with, the registration in the commercial register of the completed Ordinary Capital Increase.

* The Board plans to issue 480,709 shares out of the Company's existing authorized capital before the date of the EGM. The proposed amount of increase of the authorized capital set out in motion (2) is set such that, upon the planned issuance of 480,709 shares out of the Company's existing authorized capital before the date of the EGM and upon completion of the Ordinary Capital Increase, the conditional capital set forth in Article 3c of the Articles of Incorporation would, together with the conditional capital set forth in Article 3b of the Articles of Incorporation (all if approved by the EGM), correspond to the statutory maximum of 50% of the Company's then-issued share capital. If the proposed increase amount has to be lowered in order to comply with the statutory maximum of 50% of the issued share capital, the Board will announce the exact amount and the exact number of new shares before the EGM. The individual instructions given by shareholders to the independent proxy regarding the exercise of voting rights will apply to the Board's motion as may be specified in accordance with the foregoing.

Explanations

Currently, the conditional capital for financing, mergers and acquisitions amounts to CHF 1,104,658.

The Board proposes to increase such conditional capital primarily as underlying for bondholders' conversion rights under the restructured Bonds (if approved by the bondholders' meeting) and, to the extent possible, to cover other share deliveries under the restructured Bonds, as underlying for the upsized financing arrangement with Highbridge and/or for other purposes as set forth in Article 3c of the Articles of Incorporation. For an overview of the planned restructuring of the Bonds and the upsized financing arrangement with Highbridge see above, "Background".

To accommodate the statutory maximum size of the aggregate conditional capital of 50% of the issued share capital at any given point in time, the Board proposes to increase the conditional capital for financing, mergers and acquisitions in two steps. In a first step, the Board proposes to increase such conditional capital to CHF 7,977,796 with immediate effect as per the date of the EGM (motion no. 1). In a second step, the Board proposes to further increase such conditional capital by an additional amount of CHF 396,354 with effect as per completion of the Ordinary Capital Increase (motion no. 2).

The Board of Directors reserves to amend its proposals under this agenda item, including as to the number of shares to be issued. If the Ordinary Capital Increase is not consummated within three months after this EGM, the shareholder resolution as per motion no. 2 under this agenda item will not become effective and will lapse automatically.

4. Increase of the Conditional Capital for Employee Participations and Amendment to the Articles of Incorporation

Motion

The Board proposes to increase the conditional share capital for employee participations from CHF 687,052 by CHF 1,850,000 to CHF 2,537,052 and to amend Article 3b of the Articles of Incorporation as per the annex.

Explanations

Currently, the conditional share capital for employee participations amounts to CHF 687,052, allowing for the issuance of up to 687,052 shares for such purposes.

The Board plans to make an extraordinary, both time and performance based equity instrument available to employees (including key personnel and Executive Management) shortly after the EGM in the form of a special grant. The Board intends to issue performance share units (PSU) which shall only vest based upon time and the achievement of pre-defined performance targets. The objective of this special one-time grant is to retain employees to execute the Company's new strategy, strengthen their loyalty and identification with the Company and align the interests of the employees with those of its shareholders. Please refer to agenda item no. 5 where the proposed grant to members of Executive Management is concerned. Existing equity linked instruments do not reflect the current competitive market conditions and do therefore not provide for the above objectives. For Santhera to be able to execute on its strategy, it is of utmost importance to retain its key employees. The Board therefore strongly recommends to shareholders to approve this motion.

As per January 13, 2021, 257,148 stock options were outstanding. Of these, 232,756 have an exercise price of CHF69.30 or more. As at the same date, 2,699,306 share appreciation rights (SAR) were outstanding under the Company's incentive plans. Of these, 1,590,261 SAR have an exercise price of CHF 12.24 or more and another 1,045,887 SAR have an exercise price of CHF 7.22 or more.

For the purposes outlined above and in order to be able to offer competitive employee participations to employees, members of the Executive Management and of the Board, the Board proposes to increase the conditional share capital for employee participations by CHF 1,850,000.

At the Annual Shareholders' Meeting later this year, the Board intends to make additional proposals for purposes of issuing additional equity based instruments related to the annual grant 2021 of the Long Term Incentive scheme for approval.

5. Approval of Compensation for the Members of Executive Management

Motion

The Board proposes to approve an additional maximum amount of compensation for the members of the Executive Management for the current financial year of CHF 2,300,000 for purposes of granting the members of the Executive Management share based instruments for which a maximum of 850,000 shares may be used at the Board's discretion.

Explanations

The objective of this special one-time grant is to retain members of the Executive Management to execute the Company's new strategy, strengthen their loyalty and identification with the Company and align the interests of the members of the Executive Management with those of its shareholders. Existing equity linked instruments do not provide for the above objectives. Based on existing issued instruments, the maximum value potential for all members of the Executive Management Team amounts to maximum of CHF 450,000, which represents less than 4 months of base salary of all 4 current members of the Executive Management. The value potential of CHF 450,000 is based on an assumed future share price of CHF 9.

The said special grant would be in the form of performance share units (PSU). One of the criteria for the vesting of such PSU would be the achievement of this price target of CHF 9 – in addition to the achievement of another two strategic goals.

Executive Management – under the leadership of new CEO and CFO - has restructured the Company, secured financing through a pandemic in a difficult situation, secured a global license for a new product candidate (vamorolone) with an attractive potential, discontinued an unsuccessful PULDYSA program early (which results in cost savings to shareholders) and has now initiated a balance sheet restructuring and strengthening. We are very close to a pivotal readout, potentially subsequent funding initiatives and US build up (launch preparations for vamorolone).

If we lose key employees or members of the Executive team now, due to lack of retention plans, this would critically endanger the future of Santhera.

To maximize the chances for the Company to achieve the next value inflection points and the execution of the strategy over the next few years, the Board believes that it is very important that besides other employees, also the current Executive Team members have an adequate incentive to stay with Santhera. This is necessary to ensure their continued efforts and full dedication.

Terms of options outstanding at December 31, 2020

Exercise price range for options (in CHF)	Number outstanding	Thereof EM members ¹
up to and including 6.61	20,751	16,001
greater 6.61 and including 9	0	0
greater 9 to 112.60	236,397	14,360
Total	257,148	30,361

¹ Excluding Kristina Sjöblom Nygren, who has resigned effective April 30, 2021

Terms of SAR outstanding at December 31, 2020

Exercise price range for SAR (in CHF)	Number outstanding	Thereof EM members ¹
up to and including 6.61	33,158	0
greater 6.61 and including 9	1,045,887	238,740
greater 9 to 77.80	1,590,261	298,526
Total	2,669,306	537,266

¹ Excluding Kristina Sjöblom Nygren, who has resigned effective April 30, 2021

Therefore, the Board plans to make an extraordinary, both time and performance based equity instrument available to the members of the Executive Management, shortly after the EGM in the form of a special grant, for which a maximum of 850,000 shares may be used at the Board's discretion. The Board plans to issue performance share units (PSU) which shall only vest based upon time and the achievement of pre-defined performance targets. The Board intends to source the requisite shares from the Company's conditional capital for employee participations (article 3b of the Articles of Incorporation).

The Board seeks approval by the EGM for this proposal based on article 25 of the Articles of Incorporation, according to which the Board may submit compensation-related proposals to the general meeting for approval in addition to the regular compensation-related resolutions taken or to be taken at the annual shareholders' meeting.

Pratteln, February 24, 2021

For the Board

Elmar Schnee

Chairman

Organizational Remarks

Voting right and share register closure

Shareholders registered in the share register with the right to vote as of March 10, 2021 at 5:00 p.m. Swiss time will receive the proxy form and will be able to vote by these means. The Company's share register will close on March 10, 2021 at 5:00 p.m. Swiss time 2021, and will reopen on March 19, 2021.

Granting of power of attorney to the independent proxy

All shareholders can exercise their rights at the EGM solely via the independent proxy (*unabhängiger Stimmrechtsvertreter*), **Dr. Balthasar Settelen**, attorney-at-law, Centralbahnstrasse 7, P.O. Box 206, 4010 Basel, Switzerland. There is no possibility to attend the EGM in person or to grant a power of attorney to another shareholder with voting rights.

Shareholders may grant power of attorney and give instructions to the independent proxy as follows:

- by filling out and sending back the proxy form; or
- electronically via www.netvote.ch/santhera. The required login information will be sent to shareholders together with the written documents for the Extraordinary General Meeting. Changes to the electronically transferred instructions can be made until March 16, 2021 at 11:59 a.m. Swiss time 2021.

Unless other instructions are given to the independent proxy, the independent proxy, in accordance with the proxy form or the electronic instruction form, is appointed to vote for the proposals made by the Board.

Invitation to the AGM via Email

If you would like to receive the invitation to the general meeting of shareholders by e-mail in the future, you can select the option "select dispatch method" on www.netvote.ch/santhera. The login details are printed on the enclosed reply form. You may change the dispatch method on www.netvote.ch/santhera at any time.

Venue

The EGM takes place at the headquarters of Santhera. There is no possibility to attend the EGM in person.

Proposed Amendments to the Articles of Incorporation (convenience translation)

Article 3a (current)	Article 3a (proposed)
<p>The Board of Directors shall be authorized, including in connection with an intended takeover, at any time until April 21, 2022, to increase the share capital in an amount not to exceed 480,709 through the issuance of up to 480,709 fully paid registered shares with a nominal value of CHF 1 each. ...</p>	<p>The Board of Directors shall be authorized, including in connection with an intended takeover, at any time until March 17, 2023, to increase the share capital in an amount not to exceed CHF 10,514,848 through the issuance of up to 10,514,848 fully paid registered shares with a nominal value of CHF 1 each. ...</p>

Article 3b (current)	Article 3b (proposed)
<p>Conditional Share Capital for Employee Participations</p> <p>The share capital may be increased through the issuance of up to 687,052 registered shares, to be fully paid up with a nominal value of CHF 1 each, by up to CHF 687,052 through the direct or indirect issuance of shares, options or respective subscription rights to employees and/or members of the Board of Directors of the Company and its affiliates.</p> <p>...</p>	<p>Conditional Share Capital for Employee Participations</p> <p>The share capital may be increased through the issuance of up to 2,537,052 registered shares, to be fully paid up with a nominal value of CHF 1 each, by up to CHF 2,537,052 through the direct or indirect issuance of shares, options or respective subscription rights to employees and/or members of the Board of Directors of the Company and its affiliates.</p> <p>...</p>

Article 3c (current)	Article 3c (proposed)
<p>Conditional Share Capital for financing and mergers & acquisitions</p> <p>The share capital of the Company shall be increased by a maximum aggregate amount of CHF 1,104,658 through the issuance of a maximum of 1,104,658 registered shares, which shall be fully paid-in, with a par value of CHF 1 per share by the exercise or mandatory exercise of option and/or conversion rights which are granted in connection with the existing and future issue of bonds, loans, similar obligations or other financial instruments by or contractual obligations of the Company or another group company, and/or by the exercise of existing and future options which are granted by the Company or another group company (hereinafter, collectively, the Financial Instruments)</p> <p>...</p>	<p>Conditional Share Capital for financing and mergers & acquisitions</p> <p>The share capital of the Company shall be increased by a maximum aggregate amount of CHF 7,977,796 through the issuance of a maximum of 7,977,796 registered shares, which shall be fully paid-in, with a par value of CHF 1 per share by the exercise or mandatory exercise of option and/or conversion rights which are granted in connection with the existing and future issue of bonds, loans, similar obligations or other financial instruments by or contractual obligations of the Company or another group company, and/or by the exercise of existing and future options which are granted by the Company or another group company (hereinafter, collectively, the Financial Instruments)</p> <p>...</p>