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**Santhera Pharmaceuticals Holding AG**  
Pratteln, Switzerland  
(the **Issuer** or **Santhera**, and together with its subsidiaries, the **Group**)

Notice to the holders (the **Bondholders**) of the  
**CHF 60,000,000 5.00% Convertible Bonds due 2022**

(Swiss Security number: 35395519; ISIN: CH0353955195)  
(the **Bonds**)

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## INVITATION TO BONDHOLDERS' MEETING

### BACKGROUND

On February 16, 2021, Santhera announced among other things that, as of February 15, 2021 and taking into account the interest payment on 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 is calling a bondholders' meeting in accordance with articles 1164 et seq. of the Swiss Code of Obligations (the **Bondholders' Meeting**) and proposes to the Bondholders to (i) convert 32.5% of the principal amount of each Bond (CHF 19.5 million in aggregate) into shares of the Issuer (each a **Share** and together the **Shares**) 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 below in the Resolution):

- 1) Reduction of the Conversion Price to a price closer to the current price per Share.
- 2) Extension of the Maturity Date to August 17, 2024.
- 3) Increase of the interest rate to 7.50% *per annum* (currently: 5.00%) as from February 17, 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.

Highbridge Tactical Credit Master Fund, L.P., 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 the Issuer that it will approve the proposals set out in this notice.

**As a bondholder resolution requires a majority that represents 2/3 of the aggregate principal amount of all Bonds outstanding, we strongly urge all Bondholders to vote.**

Santhera plans to call an extraordinary general meeting of shareholders (the **EGM**), expected to be held in March 2021, where the Board will propose to the shareholders, among other items, the authorization and issuance of the Shares required to implement the Resolution of the Bondholders.

#### **NOTICE OF MEETING**

In accordance with Section 10 of the Terms of the Bonds, notice is hereby given to the Bondholders of the Bondholders' Meeting to be held on:

**March 8, 2021 at 5:30 p.m. CET,  
at the offices of Homburger AG,  
Prime Tower, Hardstrasse 201, 8005 Zurich, Switzerland**

with the following Agenda:

1. Constitution of the Bondholders' Meeting
2. Vote on the Resolution
3. Closing of the Bondholders' Meeting

#### **TERMS OF THE RESOLUTION**

It is proposed that the Bondholders' Meeting resolves to amend the Terms of the Bonds as follows (the **Resolution**), subject to the condition set out hereinafter below the Resolution:

#### **Interest**

Condition 2 of the Terms of the Bonds shall be replaced with the following:

The Bonds bear interest from (but excluding) the Payment Date at the rate of 5.00 per cent per annum of their Principal Amount up to (and including) the Interest Amount Payment Date of 17 February 2021, and at the rate of 7.50 per cent per annum of their Principal Amount from (but excluding) the Interest Amount Payment Date of 17 February 2021. The interest is payable semi-annually in arrears on each Interest Amount Payment Date (the CHF amount in respect of each Bond so calculated being the "**Interest Amount**"). Interest on the Bonds is computed on a 30E/360 basis, i.e., on the basis of a year consisting of twelve (12) months of thirty (30) days each.

The Issuer may elect to pay all or part of any Interest Amount in the form of Shares. Notice of such election (the "**Election Notice**") shall be given (i) to the Bondholders in accordance with Condition 10 at least 5 Business Days before the date on which the respective Interest Amounts shall be paid, if interest payments to all Bondholders are concerned or (ii) directly to the Bondholder(s) concerned at least on the date on which the respective Interest Amounts shall be paid, if interest payments are concerned that are not made to all Bondholders (such as upon a conversion). In case of such election, each Bondholder is deemed to have exercised the right to convert the respective Interest Amounts into Shares in accordance with this Condition 2.

The Shares in respect to such an interest payment shall be delivered in ten (10) installments. On each of the ten (10) Trading Days following (but excluding) the date of the Election Notice, one tenth of the Interest Amount shall be divided by 90% of the VWAP of one Share on that day to determine the number of Shares deliverable in

respect to that installment, with the resulting number of Shares being rounded down to the nearest whole number of Shares. Each of the ten (10) installments of Shares shall be delivered to the relevant Bondholders within two (2) Business Days after the date on which the number of Shares to be delivered in respect of the relevant installment was determined. The Cash Payment for Fractions, if any, shall be paid in respect to all ten (10) installments at the same time as the delivery of the last installment of Shares for the respective Interest Amount.

Each Bond will cease to bear interest from the due date for redemption or repayment of such Bond, provided that if, upon due presentation, delivery of the Shares or payment of any amount due is improperly withheld or refused, such Bond shall continue to bear interest as provided in these Terms of the Bonds. In such case, interest will accumulate until the day on which all Shares and/or all sums due in respect of such Bonds are received by the Paying and Conversion Agent on behalf of the relevant Bondholder.

### **Conversion**

Condition 3 (a) (iv) shall be replaced with the following:

A Conversion Right may not be exercised following the giving of a default notice pursuant to Condition 9 nor in respect of a Bond which has been redeemed pursuant to Conditions 5, 7 (d) or 9.

A new Condition 3 (a) (vi) of the Terms of the Bonds shall be inserted:

In the case of a conversion by a Bondholder in accordance with this Condition 3 (a), the Issuer shall at the same time as and in addition to the delivery of the Shares, pay the converting Bondholder (i) the accrued interest on the relevant Bond up to the Conversion Date as well as (ii) an amount equal to the interest amount that would be payable on the relevant Bond for a period of the shorter of (a) three years from the relevant Conversion Date and (b) the time from the relevant Conversion Date to the Maturity Date (the "**Make-whole Amount**"). The right of the Issuer to elect to pay Interest Amounts in Shares in accordance with Condition 2 also applies to Make-whole Amounts, provided that the conversion price calculated under Condition 2 paragraph 3, i.e. by 90% of the VWAP of one Share on relevant day, shall in any event not be less than CHF 2.50.

Condition 3 (b) (ii) of the Terms of the Bonds shall be replaced with the following:

The Shares to be delivered upon conversion of Bonds in accordance with this Condition 3, if any, will be Shares issued in an ordinary capital increase, from the conditional capital or authorised capital or existing Shares of the Issuer, in each case with the same entitlements as the other outstanding Shares, except that the Shares so delivered will not be entitled to any dividend or other distribution declared, paid or made by reference to a Record Date prior to the relevant Conversion Date and except that the voting rights may not be exercised unless the person designated in the Conversion Notice as recipient of the Shares is registered as the holder of the Shares with voting rights in the Issuer's share register.

The Issuer will (x) effect delivery of the Shares and (y) make Cash Payments for Fractions, if any, within two (2) Business Days after the Conversion Date through the Intermediary in accordance with directions given by the relevant Bondholder in the relevant Conversion Notice. At the time of such delivery of the Shares, the then valid share registration rules of the Issuer will apply; the Issuer does not offer any assurance or guarantee that the exercising Bondholder will be accepted as a shareholder with voting rights in its share register.

A new Condition 3 (d) of the Terms of the Bonds shall be inserted:

(d) Mandatory Conversion

Notwithstanding any other provision in these Terms of the Bond, a Principal Amount of CHF 1,625 per Bond will be mandatorily converted into Shares at the Mandatory Conversion Ratio on the "**Mandatory Conversion Date**", being the (i) the date which is the fifth Business Day after (i) the day on which the 30 day period for an appeal to the Swiss Federal Supreme Court against the court approval of the amendments to the Terms of the Bonds resolved by the bondholders' meeting on 8 March 2021 ends, in case no appeal is filed, or (ii), if an appeal is filed, the date when the decision becomes final and enforceable.

The "**Mandatory Conversion Ratio**" is defined as CHF 1,625 divided by CHF 64.80, with the resulting number of Shares for each Bond being rounded up to the nearest whole number of Shares.

The Issuer will effect delivery of the Shares within two (2) Business Days after the Mandatory Conversion Date. At the time of such delivery of the Shares, the then valid share registration rules of the Issuer will apply; the Issuer does not offer any assurance or guarantee that the Bondholder will be accepted as a shareholder with voting rights in its share register.

With the delivery of the Shares in accordance with this Condition 3 (d), the obligations of the Issuer in respect to the CHF 1,625 Principal Amount of each Bond converted, including all interest accrued since the Interest Payment Date of 17 February 2021 are satisfied and the Bondholders shall have no rights against the Issuer under the Bonds other than the delivery of the Shares. The Principal Amount of each Bond is thereby reduced to CHF 3,375 and the references to the "Principal Amount" shall be construed accordingly.

### **Redemption and Purchase**

Condition 5 (b) of the Terms of the Bonds shall be replaced with the following:

Subject to not less than thirty (30) nor more than sixty (60) calendar days' prior notice, the Issuer may redeem all but not only some of the Bonds outstanding at the Principal Amount (together with unpaid accrued interest, if any):

- (i) at any time after the Payment Date and prior to the Maturity Date, if less than fifteen (15) per cent of the aggregate Principal Amount of the Bonds issued pursuant to the Terms of the Bonds are outstanding at the time of the notice; or
- (ii) at any time, if the VWAP of a Share on the Relevant Exchange on each of a least twenty (20) out of thirty (30) consecutive Trading Days ending not earlier than five (5) Trading Days prior to the date the relevant notice of Redemption is given has been at least 150 per cent of the Conversion Price in effect on each such Trading Day, respectively.

A redemption notice according to this Condition 5 (b) does not prevent the Bondholders from converting Bonds in accordance with Condition 3.

### **Change of Control**

The definition of "CP" in Condition 7(c) shall be replaced with the following:

CP Conversion premium of 15.0 per cent (expressed as a fraction);

### **Events of Default**

Condition 9 shall be replaced with the following:

Each of (a) the Paying and Conversion Agent (in its capacity as initial bondholder representative) or any other Swiss bank appointed by the general meeting of Bondholders as bondholder representative in its place (the "**Bondholder Representative**") or (b) the general meeting of Bondholders by majority decision on the basis of the votes represented at the meeting (the "**Majority Bondholders**") has/have the right but not the obligation, on behalf of the Bondholders, to declare all Bonds to be immediately due and repayable at the Principal Amount (together with unpaid accrued interest to such date and any other amounts payable under the Bonds), by serving a written notice of default (the "**Default Notice**") upon the Issuer which shall have that effect, but only in case of the occurrence of any of the following events (each an "**Event of Default**"):

- (a) there is a failure by the Issuer (i) to pay the Interest Amount or the Principal Amount or any other amount payable under the Bonds when due, or (ii) to deliver Shares and/or to make Cash Payments for Fractions, if and when due, upon conversion of a Bond; and such failure continues for a period of ten (10) Business Days in case of any payment of cash or ten (10) Trading Days in case of delivery of Shares; or
- (b) a default is made by the Issuer in the performance or observance of any material covenant, condition or provision contained in the Terms of the Bonds which is to be performed or observed on its part, the Bondholder Representative or the Majority Bondholders consider(s) such default to be materially prejudicial to the interests of the Bondholders, and such default continues for a period of thirty (30) calendar days following the service by the Bondholder Representative or the Majority Bondholders on the Issuer of a notice requiring such default to be remedied; or
- (c) any other present or future indebtedness of the Issuer, of Santhera Pharmaceuticals (Schweiz) AG or of any Material Subsidiary for or in respect of Moneys Borrowed from third parties (i.e., excluding any transactions between the Issuer and one or several of its Subsidiaries or among Subsidiaries) is not paid when due or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of, any such indebtedness given by the Issuer or any Material Subsidiary is not honoured when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this paragraph c) unless such indebtedness, either alone or when aggregated with other indebtedness subject to an event set out in this paragraph c) which has occurred and is continuing is equal to or exceeds an amount of CHF 3,000,000 (or its equivalent in another currency); or
- (d) the Issuer or any Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, or proposes or applies for a stay of execution; or
- (e) a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Material Subsidiary; or
- (f) the Issuer or one or more Material Subsidiaries alters its or their legal or commercial structure through bankruptcy, liquidation, or disposal of its or their assets, the Issuer changes the objects of the company or its commercial activities or merges with a third party (other than the Issuer or any of its Subsidiaries) and such merger does not constitute a Change of Control, in so far as the relevant action in each of the above scenarios has or may have a material adverse effect on the capacity of the Issuer to meet its obligations in connection with the Bonds then or in the future, unless in the sole opinion of the Bondholder Representative the situation of the Bondholders as a consequence of the security provided or other steps taken by the Issuer provide adequate protection to the Bondholders; or
- (g) a dissolution or merger involving the Issuer as a result of which the Issuer is not the surviving company, unless the successor company assumes all the Issuer's liabilities.

The Issuer shall inform the Bondholder Representative without delay that any event mentioned under paragraphs a) through g) has occurred and provide the Bondholder Representative with all necessary documents. The Issuer accepts responsibility for the information contained in those documents.

Upon the occurrence or the potential occurrence of an Event of Default, the Bondholder Representative may (and if requested by Bondholders holding at least 25% of the aggregate Principal Amount of all outstanding Bonds, the Bondholder Representative shall without delay) invite the Bondholders in accordance with art. 1157 et seq. of the Swiss Code of Obligations to a Bondholders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Bondholder Representative has not served such Default Notice itself. The legally valid resolution of the Bondholders' meeting to serve a Default Notice, shall replace the right reserved by the Bondholder Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Bondholders. If the Bondholders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Bondholder Representative whereby the Bondholder Representative shall not be bound by the resolution of the Bondholders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

For the purpose of this Condition 9, "**Moneys Borrowed**" means indebtedness, either alone or in aggregate, evidenced by bonds, notes, debentures or other securities, tradable on exchanges or over the counter, or bank loans or other interest bearing indebtedness of any type whatsoever.

## **Definitions**

Condition 18 (21) shall be replaced with the following:

"**Conversion Price**" means an amount in CHF corresponding to 115% of the Equity Reference Price, subject to adjustments in accordance with Condition 6 or 7(c).

"**Equity Reference Price**" means the lower of (a) the closing price of the Shares on the SIX Swiss Exchange on 15 February 2021 and (b) the average (mean) of the daily VWAP of one Share for the five (5) Trading Days immediately preceding (but excluding) the Mandatory Conversion Date, but in the case of (a) or (b) not less CHF 2.50.

Condition 18 (42) shall be replaced with the following:

"**Maturity Date**" means 17 August 2024.

## **CONDITION TO THE RESOLUTION**

The amendment to the Terms of the Bonds according to the Resolution shall be conditional upon and shall only become effective, if the EGM has approved the resolutions that are proposed to it for the purposes of the implementation of the Resolution.

## **VOTING RIGHTS**

Each Bond with a principal amount of CHF 5,000 will give the holder thereof the right to one vote.

## **REQUIRED MAJORITY**

A majority of at least two-thirds of the aggregate principal amount of all Bonds outstanding is required to validly pass the Resolution. Bonds owned by the Issuer confer no voting rights and are disregarded when determining the aggregate principal amount of the Bonds outstanding. The Issuer does not hold any Bonds. Accordingly, the required

majority to validly pass the Resolution is approval by holders of Bonds with an aggregate principal amount of at least CHF 40,000,000.

#### **AMENDMENTS, CANCELATION AND POSTPONEMENTS**

The Issuer reserves the right to amend or withdraw its proposal for a Resolution and to cancel or postpone the Bondholders' Meeting in accordance with applicable rules.

#### **PARTICIPATION AT THE MEETING**

**In order to submit a vote for the meeting without taking part in person, a Bondholder can:**

- a) instruct its depository bank to submit its votes through SIX SIS Ltd, as further detailed below; or
- b) deliver an original signed Blocking Certificate and Proxy Form (as defined below) to Dr. Balthasar Settelen, who will be acting as voting representative, at SwissLegal Duerr + Partner, Postfach 206, 4010 Basel, by no later than 12.00 CET on March 5, 2021.

If a Bondholder submits a vote for the meeting via its depository bank, the depository bank submits the votes to SIX SIS Ltd in accordance with the standard procedures of SIX SIS Ltd. SIX SIS Ltd then in writing appoints a representative to attend and vote at the Bondholders' Meeting and vote in respect to the Resolution in accordance with the instructions received from the depository banks. By instructing its depository bank to submit its votes, the Bondholder agrees that the Bonds shall be blocked in its account until the conclusion of the Bondholders' Meeting.

#### **CORONAVIRUS RESTRICTIONS**

In order to help prevent the spread of the coronavirus, Bondholders are emphatically requested not to take part in the Bondholders' Meeting in person, but to vote at the Bondholders' Meeting by (a) submitting their vote through their depository bank or (b) submitting the Proxy Form and Blocking Certificate, both as described above.

All persons nonetheless attending the Bondholders' Meeting in person are required to strictly comply with the applicable regulations and precautionary measures published by the Swiss Federal Office of Public Health (FOPH), available on the website of the FOPH: [www.bag.admin.ch/bag/en/home/krankheiten/ausbrueche-epidemien-pandemien/aktuelle-ausbrueche-epidemien/novel-cov.html](http://www.bag.admin.ch/bag/en/home/krankheiten/ausbrueche-epidemien-pandemien/aktuelle-ausbrueche-epidemien/novel-cov.html)) as well as with applicable regulations and instructions of the host, Homburger AG.

Only the Bondholders or their representatives, deposit banks or mandatories are authorized to participate at the Bondholders' Meeting. Bondholders can be represented at the Bondholders' Meeting by their bank or by a duly authorized third person evidenced by the signed proxy form (the **Proxy Form**). Bondholders or their representatives who wish to participate at the Bondholders' Meeting must provide a certificate by their depository bank or a central clearing agency confirming that the Bonds are blocked for the account of the Bondholder on the day of the Bondholders' Meeting (the **Blocking Certificate**). Each Bondholder or its representative wishing to take part in the Bondholders' Meeting in person must show a valid legal identification document (passport or identification card) for identification purposes. Blocking Certificates and Proxy Forms are available at Santhera Pharmaceuticals Holding AG, Hohenrainstrasse 24, 4133 Pratteln (email: [daniela.glatz@santhera.com](mailto:daniela.glatz@santhera.com); phone: +41 61 906 8950).

#### **COURT APPROVAL**

The Resolution approved by the Bondholders' Meeting will only be valid and binding upon final, approval by the higher cantonal composition authority (*obere kantonale Nachlassbehörde*).

**FURTHER INFORMATION**

Further information on the restructuring of the Issuer, including a status report of the financial situation of the Issuer pursuant to article 1175 of the Swiss Code of Obligations, is available at [www.santhera.com/investors-and-media/investor-toolbox/share-bondholder-meetings](http://www.santhera.com/investors-and-media/investor-toolbox/share-bondholder-meetings) or from Santhera Pharmaceuticals Holding AG, Hohenrainstrasse 24, 4133 Pratteln (email: [daniela.glatz@santhera.com](mailto:daniela.glatz@santhera.com) ; phone: +41 61 906 8950).

In case of any questions in connection with the Bondholders' Meeting please contact the Issuer at:

Santhera Pharmaceuticals Holding AG  
Attn. Ms. Daniela Glatz  
Hohenrainstrasse 24  
4133 Pratteln  
email: [daniela.glatz@santhera.com](mailto:daniela.glatz@santhera.com)  
phone: +41 61 906 8950

Pratteln, February 17, 2021

**Santhera Pharmaceuticals Holding AG**

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