

English translation of the legally binding German version.

Invitation to the Annual General Meeting of the Shareholders

Wednesday, May 11, 2016, 10.30 am, MCH Messe Schweiz (Basel) AG, 4005 Basel, Switzerland

Agenda Items (Overview)

- 1. Approval of the Annual Report, the Annual Financial Statements, the Consolidated Financial Statements for 2015; Acknowledgment of the Reports of the Auditors**
- 2. Appropriation of the Results and Re-allocation of Reserves**
- 3. Consultative Vote on the 2015 Compensation Report**
- 4. Discharge of the Members of the Board of Directors and of the Executive Management from Liability for the Financial Year 2015**
- 5. Amendments to the Articles of Incorporation with respect to Authorized and Conditional Capital**
- 6. Amendments to Art. 25 of the Articles of Incorporation (Amendment of the Compensation Periods)**
- 7. Re-elections of the Members of the Board of Directors and of Chairman of the Board**
- 8. Re-elections of the Members of the Compensation Committee**
- 9. Approval of compensation of the Members of the Board of Directors**
- 10. Approval of compensation of the Members of Executive Management**
- 11. Re-election of Auditors**
- 12. Re-election of Independent Proxy**

Agenda, Motions and Explanations

1. Approval of the Annual Report, the Annual Financial Statements, the Consolidated Financial Statements for 2015; Acknowledgment of the Reports of the Auditors

Motion

The Board of Directors (**Board**) proposes to approve the Annual Report, the Annual Financial Statements and the Consolidated Financial Statements for 2015.

2. Appropriation of the Results and Re-allocation of Reserves

Motions

(a) Allocation of Loss

The Board proposes to carry forward the loss for 2015 of CHF 2,963,843 to new account.

(b) Re-allocation of Reserves from Capital Contributions to Other Voluntary Reserves

The Board of Directors proposes to re-allocate an amount of CHF 50,000,000 from the reserves from capital contributions (*Reserven aus Kapitaleinlagen*) to other voluntary reserves (*freie Reserven*).

Explanations

(a) Allocation of Loss

The net loss for 2015 amounted to CHF 2,963,843. The loss carry forward of the previous period amounts to CHF 2,592,681. After appropriation of the loss carried forward the loss amounts to CHF 5,556,524.

In CHF	2015	2014
Result carried forward	-2,592,681	-1,502,786
Net result of the year	-2,963,843	-1,089,895
Accumulated result	-5,556,524	-2,592,681
Result to be carried forward	-5,556,524	-2,592,681

(b) Re-allocation of Reserves from Capital Contributions to Other Voluntary Reserves

The Company's reserves from capital contributions have increased as a result of the Company's equity financing activities and option exercises in 2015 from CHF 3,049,462 as of December 31, 2014, to CHF 57,082,480 as of December 31, 2015. The Board proposes to re-allocate CHF 50 million from the reserves from capital contributions to the Company's other voluntary reserves (free reserves). Insofar as the reserves from capital contributions might be used for distributions free from Swiss federal dividend withholding tax (Verrechnungssteuer) such possibility would be diminished by the allocation to the voluntary reserves.

The tables below set out the changes to the Company's reserves from capital contributions and free reserves, respectively:

In CHF	
Reserves from capital contributions as of December 31, 2014	3,049,462
Re-allocation to other capital reserves (legal reserves) following final tax assessment	-32,149
Share premium of option exercise during 2015	1,728,555
Share premium of capital increase December 2015	52,336,612
Reserves from capital contributions as of December 31, 2015	57,082,480
Proposed re-allocation from reserves from capital contributions to other voluntary reserves (free reserves)	-50,000,000
Reserves from capital contributions	7,082,480
Other voluntary reserves (free reserves) as of December 31, 2015	494,714
Proposed re-allocation from reserves from capital contributions to other voluntary reserves (free reserves)	50,000,000
Other voluntary reserves (free reserves)	50,494,714

3. Consultative Vote on the Compensation Report 2015

Motion

The Board proposes to approve the Compensation Report for 2015 in a non-binding consultative vote.

Explanations

In line with Article 25 of the Articles of Incorporation and the recommendations of the Swiss Code of Best Practice for Corporate Governance, the Board is seeking the approval of the Compensation Report 2015 on a consultative basis.

4. Discharge of the Members of the Board of Directors and of the Executive Management from Liability for the Financial Year 2015

Motions

(a) Discharge of Board Members

The Board proposes to grant discharge to the members of the Board for the financial year 2015 in a single vote.

(b) Discharge of Members of Executive Management

The Board proposes to grant discharge to the members of the Executive Management for the financial year 2015 in a single vote.

5. Amendments to the Articles of Incorporation with respect to Authorized and Conditional Capital

Motions

(a) Authorized Capital

The Board proposes to increase the amount of the authorized capital from currently CHF 910,000 by CHF 590,000 to CHF 1,500,000 and to extend the period during which this authorization is valid until May 10, 2018, by an amendment to Article 3a of the Articles of Incorporation as per the separate enclosure.

(b) Conditional Capital for Employee Participation

The Board proposes to increase the conditional capital for employee participation from CHF 401,694 by CHF 148,306 to CHF 550,000 and certain other amendments to Article 3b of the Articles of Incorporation as per the separate enclosure.

Explanations

(a) Increase and Extension of the Term of the Authorized Capital

Given that part of the authorized capital was successfully used for financing last year, the Board proposes in turn to increase it up to the previous amount and to renew it for another two-year period, which is the maximum that the Swiss Code of Obligations allows. Without an extension of its term, the authorization to increase the Company's capital would expire as of May 10, 2017.

(b) Increase of Conditional Capital for Employee Participation

From the aggregate of 401,694 outstanding shares from conditional capital, only 177,860 shares are available for options and other employee participation schemes. If Santhera is successful with its regulatory submissions to the European Medicines Agency (EMA) and the US FDA for its medical drug Raxone® for the treatment of Duchenne Muscular Dystrophy (DMD), it may be necessary to hire additional qualified and experienced employees, e.g. in the area of Marketing & Sales, General & Administrative and Development. The Company should be in a position to offer such employees adequate long term participation programs, too. Therefore, the Board proposes to increase the conditional capital for employee participation from CHF 401,694 (6.4% of the share capital) by an amount of CHF 148,306 to CHF 550,000 (8.8% of the share capital).

Additionally, the Board proposes to rescind the current limitation in Article 3b of the Articles of Incorporation pursuant to which options may only be issued at an exercise price equal to the share price at the grant date. Such limitation leads to the fact that out of employee participation schemes only options may be issued which results in a relatively high dilution. In order to provide the possibility to introduce, next to option plans, share based compensation systems with a lower dilutive effect, the Board deems the rescission of the mentioned limitation to be in the interest of the Company and its shareholders.

6. Amendments to Art. 25 of the Articles of Incorporation (Amendment of the Compensation Period).

Motion

The Board proposes to amend Article 25 paragraph 1 of the Articles of Incorporation as per the separate enclosure.

Explanations

The current Articles of Incorporation provide for a compensation period with respect to the Executive Management that starts on July 1 of a given year and ends on June 30 of the following year. The Board has decided to propose two changes with regard to a simplification of the voting procedures on executive compensation, which will be reflected in the Articles of Incorporation:

- *To align the compensation period with respect to the fixed compensation of the Executive Management to be approved for the subsequent reporting period from January 1 to December 31 of the following financial year.*
- *To change the voting procedure on the variable compensation for the Executive Management to a retrospective approval for the previous financial year.*

	Previous year	Current year	Next year
Advisory vote on the Compensation Report	Compensation Framework	●	
Total Board compensation (AGM to AGM)		● Compensation Period	
Fixed EM compensation (following year)		●	Compensation Period
Variable EM compensation (previous year)	Compensation Period	●	

● Voting at ASM

7. Re-elections of Members of the Board of Directors and the Chairman of the Board

Motions

(a) Re-election of Martin Gertsch as Member and Chairman of the Board

The Board proposes to re-elect Martin Gertsch as a member of the Board and to elect him as the Chairman thereof until the end of the 2017 Annual Shareholders' Meeting (**ASM**) in a single vote.

(b) Re-election of Jürg Ambühl as Member of the Board

The Board proposes to re-elect Jürg Ambühl as a member of the Board until the end of the 2017 ASM.

Explanations

The Board has decided to currently leave the number of Board members at two. In case that Santhera's submissions to obtain regulatory approval of Raxone® for the treatment of DMD with the EMA and FDA are successful, the Board will consider increasing the number of Board members.

The terms of office of Martin Gertsch and Jürg Ambühl expire at the end of this year's ASM. Both Martin Gertsch and Jürg Ambühl are standing for re-election. Martin Gertsch became a member of the Board in 2006 and is its Chairman since 2013. He has long-time experience as a financial expert and has vast experience in the Pharma industry. Jürg Ambühl, member of the Board since 2009, is a seasoned marketing specialist with a long track record in the pharmaceutical industry. Additional biographical information is available in the Corporate Governance Report 2015 and on www.santhera.com/board.

The members and the Chairman of the Board have to be elected in individual votes.

8. Re-elections of Members of the Compensation Committee

(a) Re-election of Martin Gertsch as Member of the Compensation Committee

The Board proposes to re-elect Martin Gertsch as a member of the Compensation Committee until the end of the 2017 ASM.

(b) Re-election of Jürg Ambühl as Member of the Compensation Committee

The Board proposes to re-elect Jürg Ambühl as a member of the Compensation Committee until the end of the 2017 ASM.

Explanations

The members of the Compensation Committee have to be elected in individual votes. As in the previous period, both Board members are proposed to constitute this committee.

9. Approval of compensation of the Members of the Board of Directors

Motion

The Board proposes to approve a maximum total amount of the fixed compensation of the Board until the 2017 ASM in the unchanged amount of CHF 484,000.

Explanations

The total maximum fixed compensation for the Board shall consist of:

- *Annual cash fees in the amount of CHF 242,000; and*
- *Annual grant of stock options with a fair value of CHF 242,000.*

With the above motions, the Board proposes to introduce two changes: a decrease of the value

of the options to 50% of the total compensation (64% in the previous period) and to use a value in CHF as a basis for the calculation of the number of options to be allocated rather than the allocation of a fix number of options.

To calculate the number of options to be allocated, the above mentioned amount would be divided by the fair value of the options at the date of their grant, July 1, 2016. The fair value is calculated based on the share price on the first trading day of the month immediately following the ASM, then applying the Hull-White model (excluding employers' social security contribution)

The Board compensation amounts to CHF 225,000 for the Chairman and CHF 215,000 for the other Board member.

The table below sets out the approved maximum compensation for the Board for the period from the 2015 ASM to the 2016 ASM compared to the actual compensation and the proposed maximum compensation amounts for the period from the 2016 ASM to the 2017 ASM.

	Approved May 12, 2015 – May 11, 2016	Remunerated May 12, 2015 – May 11, 2016	Proposal for May 12, 2016 – May 11, 2017
Board fees* (CHF)	154,000	149,523	242,000
Stock options* (CHF)	330,000	261,080	242,000
Total (CHF)	484,000	410,603	484,000
Stock options (number)	6,000	6,000	to be determined as of the first trading day in June, 2016

*) Including employer's effective and estimated social security contributions.

10. Approval of compensation of the Members of the Executive Management

The following motions are being made by the Board assuming approval of the motions of the Board to adjust the voting procedure on compensation in agenda item 6. Should the Board's motions to agenda item 6 be rejected, the Board would make motions based on the current compensation approval procedure.

Motions

(a) Fixed compensation of the Members of Executive Management for 2016

The Board proposes to approve a maximum total amount of the fixed compensation of the members of Executive Management for the period from January 1, 2016, to December 31, 2016, of CHF 2,450,000.

(b) Fixed compensation of the Members of Executive Management for 2017

The Board proposes to approve a maximum fixed compensation of the members of Executive Management for the period from January 1, 2017, to December 31, 2017, of CHF 2,600,000.

Explanations (a) and (b)

At the 2015 ASM, the shareholders already approved the fixed and variable compensation of the Executive Management from July 1, 2015, to June 30, 2016. In order to reflect the amended

Articles of Association as per the proposed agenda item 6 and to operate with comparable full-year numbers, the Board proposes to vote for the fixed compensation of the Executive Management for the business year 2016. The Board will submit the variable compensation of the Executive Management for the business year 2016 to the 2017 ASM for approval.

In accordance with the amended Articles of Incorporation as proposed under agenda item 6, the fixed compensation for the Executive Management is to be approved for the business year 2017. In addition, the Board will submit the variable compensation of the Executive Management for the period from January 1 to December 31, 2017, to the 2018 ASM for approval.

The table below provides a comparison of the fixed compensation for 2015 with the proposed maximum fixed compensation for the Executive Management for 2016 and 2017. The difference between the 2015 and 2016 compensation is due to the fact that in 2015, the salaries of two Executives have only been paid for 11 months (Giovanni Stropoli joined on February 1, 2015) and for 6 months, respectively (Christoph Rentsch joined on July 1, 2015).

In CHF	Remunerated January 1 – December 31, 2015	Proposed January 1 – December 31, 2016	Proposed January 1 – December 31, 2017
Base salary (gross)	2,022,125	2,450,000	2,600,000
Variable compensation	Consultative vote ASM 2016	ASM 2017	ASM 2018

11. Re-election of Auditors

Motion

The Board proposes to re-elect Ernst & Young AG, Basel, as Auditors for a period of one year until the end of the 2017 ASM.

Explanations

According to Article 22 para. 2 of the Articles of Incorporation, the ASM elects the Auditors for a period until the next ASM.

12. Re-election of Independent Proxy

Motion

The Board proposes to re-elect Dr. Balthasar Settelen, Basel, as independent proxy until the end of the 2017 ASM.

Explanations

According to Article 13a of the Articles of Incorporation, the independent proxy is elected annually for a term until the end of the next ASM.

Invitation to the Annual Shareholders' Meeting
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Liestal, April 15, 2016
For the Board of Directors

Martin Gertsch
Chairman

Organizational Remarks

Documents

The Company's 2015 Annual Report is available for inspection at the Company's registered domicile at Hammerstrasse 49, 4410 Liestal, Switzerland. It can also be downloaded from Santhera's website (www.santhera.com/reports). Shareholders who wish to receive a printed copy of the Annual Report are kindly requested to tick the corresponding box on the reply form.

Admission cards/voting materials

Shareholders entered into the share register with the right to vote as of May 3, 2016, at 5:00 p.m. CEST, will receive the invitation and – upon request – the admission card and the voting materials. A shareholder selling her/his shares before the Annual Shareholders' Meeting is not entitled to participate in the Annual Shareholders' Meeting.

Book closure period

The Company's share register will close on May 3, 2016, at 5:00 p.m. CET, and will reopen on May 12, 2016, at 7:00 a.m. CEST.

Powers of attorney

Shareholders may give proxy to the independent proxy (*unabhängiger Stimmrechtsvertreter*), Dr. Balthasar Settelen, attorney at law, Centralbahnstrasse 7, Postfach 206, 4010 Basel, Switzerland, or another shareholder entitled to vote. Proxy may be given by completing and returning the registration form or by filling in the respective form on the admission card. In the absence of specific instructions, the proxy form will foresee that the independent proxy will be deemed to be instructed to cast the votes in favor of the proposals of the Board.

Electronic remote votes by proxy and voting instructions to the independent proxy

Shareholders may vote and elect electronically and give instructions to the independent proxy under www.netvote.ch/santhera. The required login information will be sent to shareholders together with the documents for the Annual Shareholders' Meeting. Any changes to the electronically transferred votes and elections are possible until May 8, 2016, 11:59 pm (CEST).

If for the future, you would like to receive the invitation to shareholders' meetings of Santhera by email, on www.netvote.ch, you can select the option "select dispatch method". The login data are on the enclosed reply form. You may change the dispatch method on www.netvote.ch at any time.

Venue

MCH Messe Schweiz (Basel) AG, Congress Center Basel, Messeplatz 21, 4005 Basel, room Delhi, ground floor, is about 10 minutes from SBB railway station and about half an hour from Basel Airport Flughafen (EuroAirport) by public transport.

Admission

At the day of the meeting, the admission desk will be open from 10:00 a.m.

Language

The language of the meeting will be German.

Proposed amendments to the Articles of Incorporation

Article 3a para 1 (current)	Article 3a para 1 (proposed changes)
<p>Authorized share capital</p> <p><i>The Board of Directors shall be authorized, at any time until May 10, 2017 to increase the share capital in an amount not to exceed CHF 910,000 through the issuance of up to 910,000 fully paid registered shares with a nominal value of CHF 1 each. An increase in partial amounts shall be permitted. The Board of Directors shall determine the issue price, the type of payment, the date of issue of new shares, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party with a subsequent offer of these shares to the current shareholders (unless the pre-emptive rights of current shareholders are excluded). The Board of Directors is then entitled to restrict or deny any trade with pre-emptive rights. The Board of Directors may permit preferential subscription rights that have not been exercised to expire or it may place these rights and/or shares as to which preferential subscription rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.</i></p>	<p>Authorized share capital</p> <p><i>The Board of Directors shall be authorized, at any time until May 10, 2018 to increase the share capital in an amount not to exceed CHF 1,500,000 through the issuance of up to 1,500,000 fully paid registered shares with a nominal value of CHF 1 each. An increase in partial amounts shall be permitted. The Board of Directors shall determine the issue price, the type of payment, the date of issue of new shares, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party with a subsequent offer of these shares to the current shareholders (unless the pre-emptive rights of current shareholders are excluded). The Board of Directors is then entitled to restrict or deny any trade with pre-emptive rights. The Board of Directors may permit preferential subscription rights that have not been exercised to expire or it may place these rights and/or shares as to which preferential subscription rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.</i></p>

Article 3b (current)	Article 3b (proposed changes)
<p><i>The share capital of the Company may be increased in an amount not to exceed CHF 401,694 through the issuance of up to 401,694 fully paid up registered shares with a par value of CHF 1.00 per share through the direct or indirect issuance of shares, options or preemptive rights thereof granted to employees and/or members of the board of directors of the Company or its group companies in accordance with one or more policies issued by the board of directors.</i></p> <p><i>Thereby, the strike price of the future options has to correspond, at the board of director's sole discretion, to either a) the weighted average share price during the three months before the grant of such options or b) the closing price of the shares on the day of the grant.</i></p> <p><i>In connection with the issuance of shares, options or preemptive rights thereof, the preemptive rights and advance subscription rights of the shareholders shall be excluded.</i></p> <p><i>The acquisition of the registered shares and any subsequent transfer of the registered shares are subject to the restrictions pursuant to art. 5 of the Articles of Incorporation.</i></p>	<p><i>The share capital may be increased in an amount not to exceed CHF 550,000 through the issuance of up to CHF 550,000 fully paid up shares with a par value of CHF 1.00 per share through the direct or indirect issuance of shares, options or preemptive rights thereof granted to employees and/or members of the board of directors of the Company or its subsidiaries.</i></p> <p><i>The preemptive rights and advance subscription rights of the shareholders of the Company shall be excluded in connection with the issuance of any shares, options or preemptive rights thereof. Shares, options or preemptive rights thereof shall be issued in accordance with one or more participation plans and/or policies to be issued by the board of directors and in accordance with Section IV of these Articles of Incorporation.</i></p> <p><i>The new shares directly or indirectly acquired by employees and/or members of the board of directors of the Company or its subsidiaries in connection with an employee participation program and any subsequent transfer of such shares shall be restricted by Article 5 of these Articles of Incorporation.</i></p>

Article 25 para. 1 (current)	Article 25 para. 1 (proposed changes)
<p>Approval of Compensation</p> <p><i>The Annual Shareholders' Meeting shall approve the proposals of the Board of Directors with respect to the maximum total amounts of:</i></p> <p>a) <i>the fixed and variable compensation of the Board of Directors until the next Annual Shareholders' Meeting; and</i></p> <p>b) <i>the fixed and variable compensation of the Executive Management for the period from 1 July to 30 June of the following year.</i></p>	<p>Approval of Compensation</p> <p><i>The Annual Shareholders' Meeting shall approve the proposals of the Board of Directors with respect to the total amounts of:</i></p> <p>a) <i>the maximum fixed and variable compensation of the Board of Directors until the next Annual Shareholders' Meeting; and</i></p> <p>b) <i>the maximum fixed compensation of the Executive Management for the period from January 1 to December 31 of the following year; and</i></p> <p>c) <i>the maximum variable compensation of the Executive Management for the period from January 1 to December 31 of the previous year.</i></p>