KEY RISK FACTORS

Any investment in securities of Santhera Pharmaceuticals Holding AG (the "**Company**", together with its subsidiaries, the "**Group**", "**Santhera**", "**we**" or "**us**"), including our registered shares ("**Shares**") and our CHF 60 million Senior Unsecured Convertible Bonds (the "**Bonds**"), involves a high degree of risk. Prospective investors should carefully consider the risks related to any investment in the Shares before making a decision to invest in our securities.

The risks and uncertainties described in this document are summaries of those risks and uncertainties that we consider to be material as of the date of this document. However, these risks and uncertainties are not the only ones we are facing. Additional risks and uncertainties not presently known to us, or that we currently consider not to be significant, could also materially and adversely affect our business, results of operations, financial condition or prospects. If any or a combination of these risks actually occurs, our business, results of operations, financial condition and/or prospects could be materially and adversely affected. In such case or cases, prospective investors may lose all or part of their investment.

This document contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks we face that are described in this document. The selected sequence of the key risk factors mentioned below represents neither a statement about the probability of the risks' realization nor an assessment of the extent of the economic effects or the importance of the risks.

By issuing these key risk factors, we do not promote or solicit any investment in our securities. The information in this document and the statements made herein, is given and are made as of the date of this document. We do not assume any obligation to update any of the information and statements after the date of this document.

Date: February 16, 2021

1. Risks related to our financial position and capital needs

We will require additional capital to continue to fund our operations and to finance the further advancement of our product candidates, which might not be available to us on acceptable terms, or at all. Failure to obtain necessary capital will force us to delay, limit or terminate development efforts or cease our operations.

As a research & development and commercialization company, our operations have consumed substantial amounts of cash since inception. We currently have one late-stage product candidate, vamorolone in DMD in development. Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that can take years to complete. If development is successful we expect costs to further as candidates proceed through regulatory approval and commercialization. We may need to raise additional funds or otherwise obtain funding through collaborations if we choose to initiate additional clinical trials for existing or new product candidates. Circumstances may cause us to consume capital more rapidly than we currently estimate.

Additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates, or we may default our existing financial obligations. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we do not raise additional capital we may need to;

- Significantly descale, scale back or discontinue development activities or cease operations altogether
- Seek strategic alliances for research and development programs at an earlier stage than we would otherwise desire or on less favorable terms than might otherwise be available

- Relinquish, or license on unfavorable terms, our rights to technologies or any future product candidates that we otherwise would seek to develop or commercials ourselves
- Our future funding requirements, both short and long term will depend on many factors including:
    - The initiation, progress, timing, costs and results of preclinical and clinical studies for our product candidates and future product candidates we may develop;
    - The outcome, timing and cost of obtaining regulatory approvals, including the potential for such authorities to require that we perform more studies than we currently expect to perform;
    - The cost to establish, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing any patents or other intellectual property rights;
    - The effect of competing technological or market developments
    - Market acceptance of any approved product candidates
    - The costs of acquiring, licensing or investing in additional businesses, products, product candidates or technologies
    - The cost and timing of selecting, auditing and validating manufacturing processes or sites for commercial scale manufacturing
    - The costs of developing our sales, marketing and distribution capabilities to accommodate any of our product candidates for which we receive marketing approval and that we determine to commercialize ourselves or in collaboration with others.

We may be unable to receive additional funds under our existing financing arrangements. In the event of our bankruptcy or insolvency, we would expect to lose the benefit of our rights to vamorolone

2. Risks related to the development of our product candidates

Our product candidates must prove their efficacy and safety in rigorous clinical testing. Drug development involves a lengthy and expensive process, with an uncertain outcome. Failure may occur at any stage of clinical development.

The conduct of clinical trials may be prevented, delayed, or even futile, and delays in the commencement, enrollment or completion of clinical trials for any of our product candidates could result in increased costs or prevent us from commercializing our product candidates on a timely basis, or at all.

If we or our partners experience delays or difficulties in the enrollment of patients in clinical trials, the conduct and completion of clinical trials may be delayed or prevented.

We may not be successful in our efforts to build up our development pipeline or to spend our limited resources on the most promising product candidates.

We rely and will in the future rely on third parties to conduct clinical trials for our product candidates, and if these third parties do not properly and successfully perform their obligations, we may not be able to successfully complete the respective development of our product candidates.

We may not realize the benefits of our in-licensing of vamorolone from our licensor, ReveraGen, of lonodelestat from Polyphor, of any other product candidates or compounds that we may in-license or acquire, of any strategic alliances that we may form, joint ventures that we may create, or strategic transactions that we may enter into in the future.

We may not be successful in maintaining existing or establishing and maintaining additional collaborations, and we may not fulfil our obligations vis-à-vis our collaboration partners.

If serious adverse events or undesirable or unacceptable side effects are identified during the development of any of our product candidates or after commercialization of any product or any future products, we may need to abandon the development of the product candidates or withdraw the product from the market.

3. Risks related to marketing approval of our product candidates and legal compliance matters

Following clinical development, our product candidates will require marketing authorization. If we are not able to obtain marketing authorization for a particular product candidate in a timely manner, on terms acceptable to us or at all, we will not be able to commercialize it, and our ability to generate sales will be materially impaired.

Fast track, breakthrough therapy and similar designations for some of our product candidates may not lead to a faster development or regulatory review or approval process, will not increase the likelihood of receiving marketing authorization and may be revoked.

Raxone® is, and any product candidate for which we may obtain marketing authorization will be, subject to extensive post-marketing regulatory requirements and could be subject to post-marketing restrictions, post-marketing studies or withdrawal from the market, and we may be subject to penalties if we or the third parties with which we collaborate fail to comply with regulatory requirements or experience unanticipated problems with that product.

Our relationships with customers and third-party payers and our general business operations are and will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm or diminished earnings, among other penalties.

If we or our third-party contractors or employees fail to comply with environmental, health and safety laws, we could become subject to civil or criminal penalties, other remedial measures or incur costs that could harm our business.

4. Risks related to the commercialization of our product candidates and marketing and sale of our products

We have outlicensed our only commercial product, Raxone®, to Chiesi Group in August 2019 and we no longer generate significant revenue from the sale of Raxone® by ourselves. We may not receive any of the milestone payments of up to EUR 49 million agreed with Chiesi Group, which would have a negative impact on our financial situation and timeline towards profitability.

Our product, Raxone®, which is outlicensed to Chiesi Group, and any of our product candidates (to the extent we receive marketing authorization for them) may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success despite having received marketing authorization.

We may be required to refund to the French Social Security part of our revenue generated from the sale of Raxone® in France since January 1, 2016. If we are required to make such a refund in cash, our financial situation, results of operations and prospects may be materially adversely affected.

Off-label and unlicensed uses of currently available forms of idebenone may adversely affect the sales of Raxone®.

We have limited experience in marketing products and do not expect to have significant marketing synergies between our current product candidates, if and when approved. If we are unable to establish and expand marketing and sales capabilities or enter into distribution agreements with third parties, we may not be able to generate product sales.

We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do, as well as reducing the price at which we are able to sell our products.

Should we or our distributors be found to have improperly promoted off-label uses, we may become subject to significant liability.

The insurance coverage and reimbursement status of newly-approved products is uncertain. Failure to obtain or maintain coverage and adequate reimbursement for our marketed product (which is outlicensed to Chiesi Group) or any product for which we receive marketing authorization in the future and price controls could limit our ability to market those products and decrease our ability to generate sales.

Recently enacted and future healthcare reform legislation involves a high degree of uncertainty and may adversely affect our business.

Pharmacies have been compounding idebenone. Future compounding may adversely affect sales by Chiesi Group of Raxone®.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of our marketed product (which is outlicensed to Chiesi Group) or any product candidates for which we receive marketing authorization in the future.

Our future profitability may be adversely affected if our estimates regarding the size of the market for our product candidates are inaccurate.

5. Risks related to market exclusivity rights and intellectual property

Our business model relies on orphan drug exclusivity for our current or future product candidates. Orphan drug designation can be difficult to obtain and maintain, and it provides only limited protection from competition.

Neither our lead product candidate, vamorolone, nor our marketed product, Raxone® (which is outlicensed to Chiesi Group), is patent protected. Even granted patents may not be enforceable, and we may be subject to ownership disputes over patents or other intellectual property.

We have in-licensed all of our product candidates and other intellectual property from third parties. We could lose our rights to use the licensed intellectual property in the event of termination of or dispute relating to the relevant agreement or if such intellectual property is unenforceable for any reason. In addition, enforcement of in-licensed intellectual property and defending against third-party claims in relation thereto are more complex than in the case of our owned intellectual property.

Third-party claims of intellectual property infringement or misappropriation may prevent or delay our product development and commercialization efforts.

We enjoy only limited geographical protection with respect to patents and may face difficulties in certain jurisdictions, which may diminish the value of intellectual property rights in those jurisdictions.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

We may become involved in lawsuits to protect or enforce our patents and other exclusivity rights, which could be expensive, time-consuming, and unsuccessful.

6. Risks related to manufacturing, employment matters, operations, managing growth, corporate structure and financial reporting

We have no manufacturing capabilities or capacity of our own and rely on third parties for production of our compounds and finished drug products.

The compounds we use are complex and difficult to manufacture. Only a handful of manufacturers are able to manufacture these compounds, and our manufacturers may experience production problems.

If we fail to attract and keep management or other key staff, as well as our board members, we may be unable to successfully develop and commercialize our product candidates or any future products for which we obtain marketing authorization.

Cash-preserving measures taken may have adversely impacted our operations and prospects.

If we receive a Positive Interim Readout, we will need to grow the size and capabilities of our organization, and we may experience difficulties in managing this growth.

Our and our partners' computer systems may fail or suffer security breaches, which could result in a material disruption of our product development programs and our business operations.

7. Risks related to general economic and financial market conditions

Our business could be adversely affected by the effects of health epidemics, including the COVID-19 pandemic, in regions where we or third parties on which we rely have significant manufacturing facilities, concentrations of clinical trial sites or other business operations.

Changes in the macro-economic environment and political developments in Europe, the United States and elsewhere may have a material adverse effect on the Group and may reduce the value of our securities.

We are exposed to currency fluctuation risks and other financial risks.

B. Risks related to our securities

Unless otherwise indicated, references to "our securities" in this section relate to the Bonds, the 2017-2022 Bonds, the Shares and any other securities or derivatives thereof that we have issued or may issue in the future.

The Bonds are unsecured, structurally subordinated and subordinated to secured indebtedness. The Bonds are subordinated, structurally and otherwise, to our indebtedness under the Highbridge Facility.

We may redeem the Bonds early under certain circumstances and Bondholders may be exposed to reinvestment risk.

We and/or other member of the Group can incur additional debt.

Bondholders' anti-dilution protection is limited.

Bondholders have no protection against a falling Share price.

Upon conversion of the Bonds, Bondholders may be subject to additional expenses or taxes.

Bondholders have no shareholder rights prior to exercising their Conversion Rights.

The trading markets for our securities tends to be illiquid and holders of our securities may not be able to trade or sell such securities easily or at all.

Neither the Company nor the Bonds have a credit rating. Even if a credit rating agency were to rate the Bonds, such rating may not reflect all risks.

Investors in our securities may be exposed to exchange rate risks.

Purchasing Bonds on credit may significantly increase the risk of a loss.

A majority or supermajority of Bondholders could modify the Terms of the Bonds (Section V) on behalf of all Bondholders.

Investors in our securities may suffer dilution as a result of further issuance of equity, conversions of our convertible instruments or further issuances of other securities convertible into equity.

The market price of our securities has been and is expected to be volatile, and investors may not be able to resell their securities at or above the price they have paid for them.

Future sales of a substantial number of Shares or derivative instruments by us or our investors could adversely affect the market price of our securities.

We do not expect to pay dividends in the foreseeable future.

Shareholders outside Switzerland may not be able to exercise preemptive rights in future issuances of equity or other securities that are convertible into equity.

If securities or industry analysts do not publish research at all or publish inaccurate or unfavorable research about the Group's business, the market price and/or the trading volume of our securities could remain on a low level and even decline further.

Our largest investors, including our largest shareholders and our equity-linked financing provider and largest Bondholder, Highbridge Capital, are able to exert influence over the Company, and their interests may not necessarily be the same as those of other investors.

U.S. shareholders may not be able to obtain judgments or enforce civil liabilities against the Company or its directors or executive officers.

If the Company is classified as a passive foreign investment company for U.S. federal income tax purposes, U.S. investors that hold the Company's securities could be subject to potentially significant adverse tax consequences.