

Santhera Pharmaceuticals Holding AG

Hohenrainstrasse 24

4133 Pratteln

Schweiz

Phone +41 61 906 8950

Fax +41 61 906 8951

www.santhera.com

English convenience translation of the authoritative German version.

Invitation to the Annual General Meeting of Shareholders (AGM)

Wednesday, April 22, 2020, 10:30 a.m.

at the headquarters of Santhera Pharmaceuticals Holding AG, Hohenrainstrasse 24, 4133 Pratteln, Switzerland

Coronavirus

On March 16, 2020, the Swiss Federal Council, in response to the situation regarding the coronavirus SARS-Cov-2, has prohibited all public and private events in Switzerland until April 19, 2020, and permitted companies to 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 annual general meeting of shareholders solely via the independent proxy. There is no possibility to attend the AGM 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 AGM. The communication of a postponement date would be made via publication in the SOGC and on the website of Santhera.

Agenda (Overview)

- 1. Approval of the Annual Financial Statements and the Consolidated Financial Statements 2019**
- 2. Appropriation of the Annual Result and Allocation of Reserves**
- 3. Consultative Vote on the 2019 Compensation Report**
- 4. Discharge of the Members of the Board and of the Executive Management from Liability for the Financial Year 2019**
- 5. Amendments to the Articles of Incorporation with respect to the Conditional Capital**
- 6. Amendment of the Articles of Incorporation with respect to the Authorized Capital**
- 7. Re-election of the Members of the Board and Re-election of the Chairman of the Board**
- 8. Re-election of the Members of the Compensation Committee**
- 9. Approval of the Compensation of the Members of the Board**
- 10. Approval of the Compensation of the Members of the Executive Management**
- 11. Re-election of the Auditors**
- 12. Re-election of the Independent Proxy**

Agenda, Motions and Explanations

1. Approval of the Annual Financial Statements and the Consolidated Financial Statements 2019

Motion

The Board proposes to approve the Annual Financial Statements and the Consolidated Financial Statements for 2019.

2. Appropriation of the Annual Result and Allocation of Reserves

Motions

(a) Loss Carryforward

The Board proposes to carry forward the annual loss for 2019 of CHF 8,754,654 to the new account.

(b) Allocation of Reserves from Capital Contributions to Free Reserves

The Board proposes to allocate an amount of CHF 6,000,000 from the reserves from capital contributions to the free reserves.

Explanations

(a) Loss Carryforward

The net annual loss for 2019 amounted to CHF 8,754,654. The loss carryforward of the previous financial years amounts to CHF 23,622,409. After appropriation of the annual loss, the total loss carryforward will amount to CHF 32,377,063.

In CHF	2019	2018
Loss carryforward of previous financial years	- 23,622,409	-13,751,583
Annual loss	- 8,754,654	-9,870,826
Total loss carryforward	-32,377,063	-23,622,409

(b) Allocation of Reserves from Capital Contributions to Free Reserves

The Board proposes to re-allocate an amount of CHF 6,000,000 from the reserves from capital contributions that amount to CHF 6,282,156 to the free reserves. To this extent, the reserves from capital contributions could no longer be used for tax-free distributions. As a result of such allocation, the free reserves would be increased from CHF 77,994,714 to CHF 83,994,714 and the reserves from capital contributions would be reduced from CHF 6,282,156 to CHF 282,156.

3. Consultative Vote on the 2019 Compensation Report

Motion

The Board proposes to approve the 2019 Compensation Report in a non-binding consultative vote.

Explanations

The 2019 Compensation Report covers the fundamentals of the compensation for the members of the Board and of the Executive Management as well as the compensation paid to them during the financial year 2019. In compliance with Article 25 of the Articles of Incorporation and the recommendations of the Swiss Code of Best Practice for Corporate Governance, the Board submits the 2019 Compensation Report to the annual general meeting of shareholders for a non-binding consultative vote.

4. Discharge of the Members of the Board and of the Executive Management from Liability for the Financial Year 2019

Motions

(a) Discharge of the Members of the Board

The Board proposes to grant discharge to the members of the Board for their activities during the financial year 2019.

(b) Discharge of the Members of the Executive Management

The Board proposes to grant discharge to the members of the Executive Management for their activities during the financial year 2019.

5. Amendment to the Articles of Incorporation with respect to the Conditional Capital

Motion

The Board proposes to increase the conditional capital for financing from CHF 2,500,000 by CHF 2,300,000 to CHF 4,800,000 and further amendments to Article 3c of the Articles of Incorporation as per the annex.

Explanations

On February 10, 2017, the Company has issued a convertible bond of CHF 60 million. This bond is convertible into up to 925,920 Santhera shares at a price of CHF 64.80 per share. To allow for a significant reduction of the conversion price of the convertible bond (which would increase the likelihood that the convertible bond will be converted into shares and thus does not have to be paid back) and/or to enable Santhera to raise additional capital in a flexible way, the Board proposes to raise the conditional capital to CHF 4,800,000.

6. Amendment to the Articles of Incorporation with respect to the Authorized Capital

Motion

The Board proposes to increase the authorized capital from CHF 3,000,000 by CHF 2,500,000 to CHF 5,500,000 and an extension thereof until April 21, 2022, as well as further amendments to Article 3a of the Articles of Incorporation as per the annex.

Explanations

Currently, the authorized capital amounts to CHF 3,000,000. The Board proposes its increase to CHF 5,500,000 in order to have sufficient flexibility with regard to potential further raisings of capital, which

would be necessary in particular for a potential market launch of Puldysa® as well as for exercising the license option for vamorolone.

7. Re-election of the Members of the Board and Re-election of the Chairman of the Board

Motions

(a) Re-election of Elmar Schnee as Member of the Board

The Board proposes to re-elect Elmar Schnee as a member of the Board until the end of the 2021 AGM.

(b) Re-election of Martin Gertsch as Member of the Board

The Board proposes to re-elect Martin Gertsch as a member of the Board until the end of the 2021 AGM.

(c) Re-election of Philipp Gutzwiller as Member of the Board

The Board proposes to re-elect Philipp Gutzwiller as a member of the Board until the end of the 2021 AGM.

(d) Re-election of Thomas Meier as Member of the Board

The Board proposes to re-elect Thomas Meier as a member of the Board until the end of the 2021 AGM.

(e) Re-election of Patrick Vink as Member of the Board

The Board proposes to re-elect Patrick Vink as a member of the Board until the end of the 2021 AGM.

(f) Re-election of Elmar Schnee as Chairman of the Board

The Board proposes to re-elect Elmar Schnee as chairman of the Board until the end of the 2021 AGM.

Explanations

The members and the chairman of the Board have to be elected individually. The terms of office of all members of the Board expire at the end of this year's AGM. All members of the Board stand for re-election. In addition, Elmar Schnee stands for re-election as chairman of the Board.

8. Re-election of the Members of the Compensation Committee

Motions

(a) Re-election of Elmar Schnee as Member of the Compensation Committee

The Board proposes to re-elect Elmar Schnee as a member of the Compensation Committee until the end of the 2021 AGM.

(b) Re-election of Patrick Vink as Member of the Compensation Committee

The Board proposes to re-elect Patrick Vink as a member of the Compensation Committee until the end of the 2021 AGM.

Explanations

The members of the Compensation Committee will have to be elected individually. Only members of the Board are eligible. It is intended that Patrick Vink will be re-appointed as chairman of the Compensation Committee.

9. Approval of the Compensation of the Members of the Board

Motion

The Board proposes to approve a maximum total amount of fixed compensation of the Board of CHF 1,188,000, until the 2021 AGM.

Explanations

At the AGM 2020, the current members of the Board will be proposed for re-election. Among the proposed members is also Thomas Meier, who, after his resignation as CEO as per December 1, 2019, shall for the first time receive compensation for his role as member of the Board in the total amount of CHF 198,000 (50% in the form of cash fees, including social security contributions, and 50% in form of Share Appreciation Rights (SAR) for the period from the AGM 2020 to the AGM 2021). Thomas Meier shall become Chairman of the newly formed Scientific Committee, for which he shall receive a remuneration of CHF 22,000 for the period from the AGM 2020 to the AGM 2021. The role of Vice-Chairman of the Board will be abolished.

If the proposed total compensation of the Board is approved by the AGM, the Board plans to grant compensation to the Chairman and the members of the Board and its Committees as follows:

Function	Compensation (CHF)	Number	Total (CHF)
Chairman of the Board	286,000	1	286,000
Member of the Board	198,000	4	792,000
Chairman of the Audit Committee	33,000	1	33,000
Member of the Audit Committee	11,000	1	11,000
Chairman of the Compensation Committee	22,000	1	22,000
Member of the Compensation Committee	11,000	1	11,000
Chairman of the Scientific Committee	22,000	1	22,000
Member of the Scientific Committee	11,000	1	11,000
Total			1,188,000

50% of the total compensation of CHF 1,188,000 would be paid in the form of cash fees (including social security contributions) and 50% in the form of SAR.

In order to calculate the number of SAR to be allocated, the net amount of the SAR of approximately CHF 552,500 (CHF 594,000 less approximately CHF 41,500 for social security contributions) would be divided by the market value of the SAR on day of their allocation. The market value is calculated using the Hull-White model on the basis of the share price on the grant date.

The table below sets out the approved maximum compensation for the Board for the period from the 2019 AGM to the 2020 AGM, the estimated actual compensation for the same period and the proposed maximum compensation for the period from the 2019 AGM to the 2020 AGM. The expected total compensation and grants for the period of the 2019 AGM to the 2020 AGM amounts to CHF 997,982. This amount is lower than the maximum amount approved by the 2019 AGM of CHF 1,001,000.

	Approved AGM 2019 – AGM 2020	Remunerated/payable AGM 2019 – AGM 2020
Fixed compensation(CHF)	500,500	499,799
Share Appreciation Rights* (CHF)	500,500	498,183
Total (CHF)	1,001,000	997,982

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

Motions

(a) Fixed Compensation of the Members of the Executive Management for 2021

The Board proposes to approve a maximum total amount of fixed compensation of the members of the Executive Management for the period from January 1, 2021 to December 31, 2021 of CHF 3,000,000.

(b) Variable Compensation of the Members of the Executive Management for 2019

The Board proposes to approve a maximum total amount of variable compensation of the members of the Executive Management for the period from January 1, 2019 to December 31, 2019 of CHF 1,635,000.

Explanations

According to Art. 25 of the Articles of Incorporation, the maximum total amount of fixed compensation for the Executive Management is to be approved for the following year, i.e. for the period from January 1 to December 31, 2021. In addition, the Board has to submit the variable compensation of the Executive Management of the preceding year, i.e. the period from January 1 to December 31, 2019, for approval.

(a) Fixed Compensation of the Members of the Executive Management for 2021

The fixed compensation for the Executive Management includes the base salary, the employer's social security contributions and contributions to the Company's pension fund. The estimated social security and pension fund contributions amount to approximately 24% of the base salary in aggregate.

At the 2018 AGM, the shareholders approved a maximum amount of CHF 3,200,000 as fixed compensation for the Executive Management for 2019. The actual compensation of the members of the Executive Management in 2019 amounted to CHF 2,145,181.

The maximum total amount of fixed compensation 2020 for the members of the Executive Management, amounting to CHF 3,000,000, was already approved by the 2019 AGM.

For the period between January 1, 2021 and December 31, 2021, the Board proposes a maximum total amount of fixed compensation for the Executive Management of CHF 3,000,000, as well. This amount is planned for the current four members of Executive Management, the CFO, Andrew Smith, who will take up his position on April 1, 2020, and one additional member of the Executive Management.

(b) Variable Compensation of the Members of the Executive Management for 2019

The proposed maximum total amount of variable compensation of the members of the Executive Management for the period from January 1, 2019, to December 31, 2019, of CHF 1,635,000 (2018: CHF 1,836,000) is based on an average corporate target achievement of 86.7% and individual goal

achievements of the members of the Executive Management between 90% and 100%. The total amount mentioned consists of an amount of a maximum of CHF 705,000 for the payment of a cash bonus and of an amount of a maximum of CHF 930,000 for the allocation of Share Appreciation rights (SAR).

Within the above limitations, the Board shall – at its entire discretion – determine the amount of cash bonus and the amount to calculate the number of SAR on the basis of the balance sheet, the income and the cash flow statements as at, or for periods ending at, the time of determination. The Board expects to pay a cash bonus only if Santhera reaches certain key inflection points over the coming months. The allocation of SAR shall provide a positive incentive to ensure the long-term motivation and retention of Santhera's Executive Management.

To calculate the number of SAR to be allocated, the total CHF amount for the SAR, as determined by the Board within the above limitations, will be divided by the fair market value of one SAR. Such value is calculated by applying the Hull-White model. The total number of SAR to be allocated to all Board members, members of Executive Management and other employees of Santhera must not exceed 7.1% of the share capital (i.e. disregarding authorized capital and conditional capital) so that the dilutive effect is not higher than in the previous year. Should the number of SAR exceed this threshold, the number of SAR to be actually allocated would be reduced by the part exceeding such threshold.

11. Re-election of Auditors

Motion

The Board proposes to re-elect Ernst & Young AG, Basel, as auditors for another one-year term until the end of the 2021 AGM.

Explanations

According to Article 22 para. 2 of the Articles of Incorporation, the general meeting of shareholders shall elect the auditors for a term until the next AGM.

12. Re-election of the Independent Proxy

Motion

The Board proposes to re-elect Dr. Balthasar Settelen, Basel, as independent proxy until the end of the 2021 AGM.

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 AGM.

Pratteln, March 24, 2020

For the Board

Elmar Schnee

Chairman

Organizational Remarks

Documents

The 2019 Annual Report (in English) can be downloaded from <http://www.santhera.com/investors-and-media/investor-toolbox/financial-reports> and is available for inspection at the Company's headquarters at Hohenrainstrasse 24, 4133 Pratteln, Switzerland. Shareholders who wish to receive a printed copy of the Annual Report are kindly requested to tick the corresponding box on the reply form.

Voting right and share register closure

Shareholders registered in the share register with the right to vote as of April 14, 2020, at 5:00 p.m. CEST, will receive the proxy form and will be able to vote by these means. The Company's share register will close on April 14, 2020, at 5:00 p.m. CEST, and will reopen on April 23, 2020, at 7:00 a.m. CEST.

Granting of power of attorney to the independent proxy

All shareholders can exercise their rights at the AGM 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 AGM 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 Annual General Meeting. Changes to the electronically transferred instructions can be made until April 19, 2020, 11:59 a.m. (CEST).

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 AGM takes place at the headquarters of Santhera. There is no possibility to attend the AGM 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, at any time until May 27, 2021, to increase the share capital in an amount not to exceed CHF 3,000,000 through the issuance of up to 3,000,000 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 or (if unless the pre-emptive rights of current shareholders are excluded or have not been validly exercised), to third parties. 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.</p> <p>The subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, shall be subject to the restrictions of Article 5 of the Articles of Incorporation.</p> <p>The Board of Directors is authorized to restrict or exclude the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are to be used:</p> <p>a) for the acquisition of an enterprise, parts of an enterprise or participations, or products, intellectual property or</p>	<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 CHF 5,500,000 through the issuance of up to 5,500,000 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 or third parties (if the pre-emptive rights of current shareholders are excluded or have not been validly exercised). 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.</p> <p>The subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, shall be subject to the restrictions of Article 5 of the Articles of Incorporation.</p> <p>The Board of Directors is authorized to restrict or exclude the pre-emptive rights of shareholders and allocate such rights to third parties, the Company or one of its group companies, if the shares are to be used:</p> <p>a) for the acquisition of an enterprise, parts of an enterprise or participations, or products, intellectual property or</p>

<p>licenses, or for new investments including product development programs, or, in case of a share placement, for the financing or refinancing of such transactions, or for investments through a share placement with one or several investors; or</p> <p>b) for the purpose of the participation of strategic partners (including in the event of a public tender offer) or for the purpose of an expansion of the shareholder constituency in certain financial or investor markets or in connection with the listing of shares on domestic or foreign stock exchanges, including in connection with the grant of an over-allotment option to the banks involved; or</p> <p>c) for the participation or compensation of persons or companies performing services for the benefit of the Company or any of its subsidiaries; or</p> <p>d) if the issue price of the new shares is determined taking into consideration the market price; or</p> <p>e) for the purpose of a flexible capital raising through a placement of shares which, were the subscription rights preserved, would be difficult or possible only under significantly worse conditions; or</p> <p>f) for the defense of an actual, threatened or potential takeover bid, in relation to which the Board of Directors, upon consultation with an independent financial adviser retained by it, has not recommended to the shareholders for acceptance on the basis that the Board of Directors has not found the takeover bid to be financially fair to the shareholders.</p>	<p>licenses, or for new investments including product development programs, or, in case of a share placement, for the financing or refinancing of such transactions, or for investments through a share placement with one or several investors; or</p> <p>b) for the purpose of the participation of strategic partners (including in the event of a public tender offer) or for the purpose of an expansion of the shareholder constituency in certain financial or investor markets or in connection with the listing of shares on domestic or foreign stock exchanges, including in connection with the grant of an over-allotment option to the banks involved; or</p> <p>c) for the participation or compensation of persons or companies performing services for the benefit of the Company or any of its subsidiaries; or</p> <p>d) if the issue price of the new shares is determined taking into consideration the market price; or</p> <p>e) for the purpose of a flexible capital raising through a placement of shares which, were the subscription rights preserved, would be difficult or possible only under significantly worse conditions; or</p> <p>f) for the defense of an actual, threatened or potential takeover bid, in relation to which the Board of Directors, upon consultation with an independent financial adviser retained by it, has not recommended or will not recommend to the shareholders for acceptance on the basis that the Board of Directors has not found the takeover bid to be financially fair to the shareholders.</p>
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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 2,500,000 through the issuance of a maximum of 2,500,000 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 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 options which are granted by the Company or another group company (hereinafter, collectively, the Financial Instruments). The preemptive rights of the shareholders shall be excluded in connection with the issuance of shares upon the exercise of any Financial Instrument. The respective holders of the Financial Instruments are entitled to subscribe the new shares. The conditions of the Financial Instruments shall be determined by the Board of Directors. The acquisition of registered shares through the exercise of Financial Instruments and the following transfer of the registered shares shall be subject to the transfer restrictions set forth in Article 5 of the articles of association.</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 4,800,000 through the issuance of a maximum of 4,800,000 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). The preemptive rights of the shareholders shall be excluded in connection with the issuance of shares upon the exercise of any Financial Instrument. The respective holders of the Financial Instruments are entitled to subscribe the new shares. The conditions of the Financial Instruments shall be determined by the Board of Directors. The acquisition of registered shares through the exercise of Financial Instruments and the following transfer of the registered shares shall be subject to the transfer restrictions set forth in Article 5 of the articles of association.</p> <p>[...]</p>