santhera

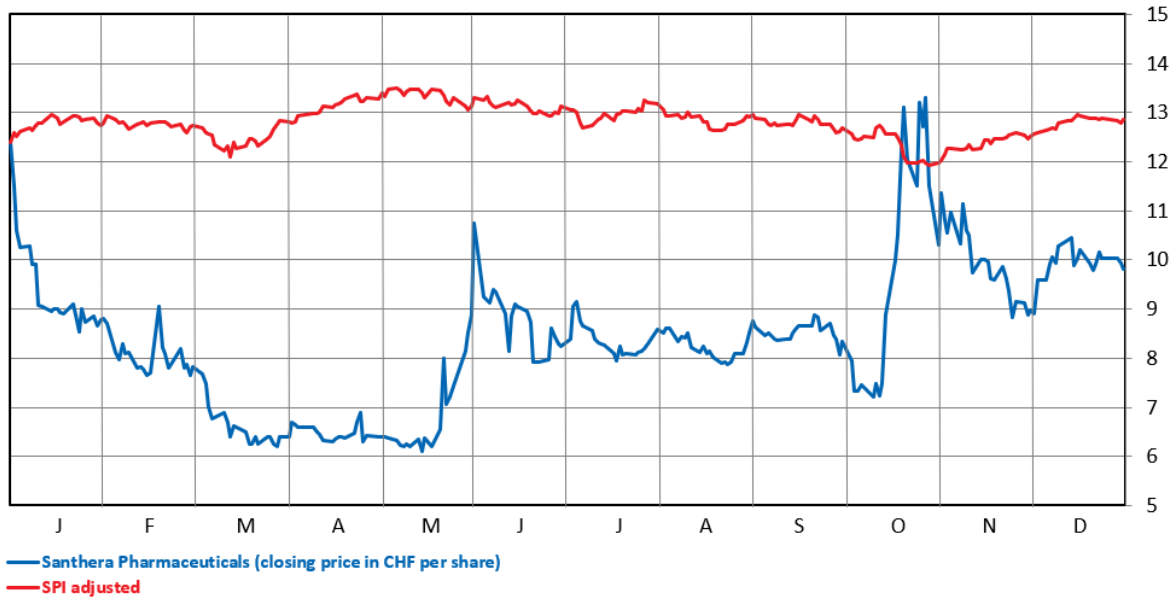
THEIR FUTURE – OUR FOCUS

Annual Report 2023

Financial Key Figures[1]

IFRS consolidated, in CHF thousands	**2023**	2022
Revenue from contracts with customers	**103,414**	7,473
Operating expenses	**(31,999)**	(56,116)
Operating result	**68,844**	(51,976)
Net result	**54,782**	(71,076)
Basic net result per share (in CHF)	**5.18**	(11.67)
Diluted net result per share (in CHF)	**5.01**	(11.67)
Cash and cash equivalents at December 31	**30,370**	1,353
Net change in cash and cash equivalents	**29,017**	(19,855)

Share Price Development in 2023[1]



High	CHF 13.30 (October 26, 2023)
Low	CHF 6.10 (May 16, 2023)
Share price performance in 2023	-20.9%
Share price at year-end	CHF 9.81
Market capitalization at year-end	CHF 124 million
Annual average trading volume	51,907 shares/day

(based on closing share prices)

[1] Amounts per share shown on this page are adjusted for the reverse 1:10 share split, effective July 3, 2023

Contents

Letter to Our Shareholders

Dear Shareholders,

We are delighted to reflect on a year of exceptional achievements for Santhera and are pleased to announce that we have successfully delivered on key objectives.

Our primary efforts in 2023 and into 2024 were on progressing our lead therapy candidate AGAMREE® (vamorolone) for the treatment of Duchenne muscular dystrophy (**DMD**) towards regulatory approval and market entry, and securing longer-term financing of the Company. On both fronts, we have met crucial milestones. Exciting times are ahead for Santhera as we bring AGAMREE to patients, marking the transition from a development-focused company to a commercially operational entity in the DMD space.

Global approvals of AGAMREE® – advancing Duchenne muscular dystrophy care

With three approvals in three territories within three months, our ambitious development targets were even surpassed! – We achieved a groundbreaking milestone as AGAMREE became the first DMD treatment approved across the U.S., European Union (**EU**), and United Kingdom (**UK**). First was the FDA's approval in October 2023 for patients aged 2 years and older, enabling our partner Catalyst Pharmaceuticals, Inc. to initiate launch preparations in the U.S. for Q1 2024. Following this, approvals in the EU and the UK have further expanded the territories where AGAMREE is now authorized. We are particularly pleased that the European regulators EMA and MHRA have specifically recognized AGAMREE's improved safety characteristics compared to traditional corticosteroids, with equivalent efficacy. Success is also on the horizon in China: the regulatory filing for vamorolone submitted by our partner Sperogenix Therapeutics, a company specialized in rare disease, has been accepted with priority review, setting the stage for a potential approval by Q1 2025.

AGAMREE has anti-inflammatory capabilities while also preserving growth and skeletal health. This drug has the potential to redefine the therapeutic landscape for DMD. We believe our journey marks a significant advancement in the management of DMD, promising enhanced prospects and an improved quality of life for patients.

Successful launch and strong initial uptake in Germany – pricing negotiations ongoing across Europe

The first market launch of AGAMREE took place on January 15 in Germany, where around 3,000 patients are affected by DMD. We have seen a very positive response from the market, with strong demand and some patients and caretakers actively asking for AGAMREE. Within only a few months of product availability, around 150 patients have already been prescribed AGAMREE, marking an important milestone in our commitment to the management of this devastating disease. Since February 15, AGAMREE is also available in Austria.

On the back of the EU drug approval, we are now navigating a complex landscape where drug prices are regulated by individual countries through direct negotiations and health technology assessments. Such negotiations are currently ongoing in several European countries, starting with Germany, the UK and France. Our market access teams aim to successfully close agreements on pricing for AGAMREE in Europe, essential for Santhera's business success and patient access through reimbursement.

Partnering with Catalyst – a strategic path to ensuring AGAMREE delivery to patients in North America

As 2023 unfolded, it became evident that the resources needed for a successful market launch across both continents would have required substantial financial resources. Raising the required funds at a cost of capital favorable for our shareholders proved to be unattainable. This led us toward exploring broader strategies for delivering AGAMREE to patients, particularly through partnerships.

The pursuit of a strong partnership, one that shared our vision for AGAMREE in DMD and its potential across multiple rare and orphan indications, culminated in a licensing agreement with Catalyst Pharmaceuticals, Inc. for North America in July 2023 following a competitive process. This not only provided the necessary capital infusion to alleviate our most strenuous debt burden but also ensured longer-term operational funding, setting a solid foundation for AGAMREE's launch in key European countries. We are very pleased that, since March 2024, patients in the USA also have access to this value-adding medicine through our partner Catalyst. Furthermore, Catalyst has the rights to seek regulatory approval and commercialize AGAMREE in Canada and Mexico.

Portfolio review – focus on AGAMREE and completion of exit from non-core products

We have strategically decided to concentrate our efforts and resources on AGAMREE for the treatment of DMD and, together with Catalyst, to valorize its potential in additional indications and to broaden its therapeutic reach. This focus aligns with our goal to enhance our core capabilities and maximize impact in areas where we see the most promise.

During 2023, we divested the entire idebenone business including RAXONE in Leber's hereditary optic neuropathy (**LHON**) to Chiesi Group who already held exclusive license rights globally since 2019, except for North America and France. Importantly, Chiesi Group assumed the French reimbursement liability of EUR 25.3 million from Santhera, significantly reducing near-term financial obligations. It also allowed us to streamline business processes and direct efforts to European AGAMREE launches and strategic projects.

Development of our second pipeline product lonodelestat has been paused since late 2022 due to limited financial and personnel resources and us prioritizing the advancement of AGAMREE. After a thorough analysis of the changing therapeutic landscape in cystic fibrosis and other pulmonary conditions, we did not see any potential to justify continuing development of the asset and have since terminated the license agreement and will return the compound to the originator Spexis AG.

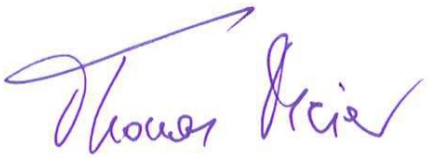
Path towards profitability

On our journey to profitability, our attention is keenly focused on orchestrating the launches in the markets across Europe where we plan to commercialize AGAMREE ourselves. In certain countries in Europe and non-EU countries our commercialization strategy will rely on strategic and commercialization partnerships. Our ambition stretches further as we are preparing, in collaboration with Catalyst, for clinical work to extend AGAMREE's therapeutic benefits to additional indications with high unmet medical need.

In the coming months, we plan to implement financial measures to settle remaining debt obligations and propel our operations towards achieving sustainable profitability by mid-2026.

In closing, we extend our heartfelt gratitude to you, our esteemed shareholders, for your ongoing support. A special thanks to our dedicated employees, whose relentless efforts and belief in our mission have been the heart and soul of our journey to success. As we embark on this exciting next phase of growth, fueled by clinical innovation, strategic partnerships, and our collective dedication to improving patient lives globally, we are filled with optimism and anticipation for what we will achieve together.

Sincerely,



Thomas Meier, PhD
Chairman

Dario Eklund
Chief Executive Officer

BUSINESS REVIEW

2023/24 Key Achievements

January 2023

The U.S. Food and Drug Administration (**FDA**) accepts for review the new drug application (**NDA**) for AGAMREE® (vamorolone) for the treatment of Duchenne muscular dystrophy (**DMD**)

March 2023

Santhera submits a marketing authorization application (**MAA**) to the UK Medicines and Healthcare products Regulatory Agency (**MHRA**) for vamorolone for the treatment of DMD

June/July 2023

Exclusive North America license and collaboration agreement for AGAMREE closed with Catalyst Pharmaceuticals, Inc. (NASDAQ: CPRX) in a deal worth up to USD 231 million in milestone payments plus royalties. Santhera to focus on Europe.

July 2023

Divestment of the RAXONE®/idebenone franchise worldwide and for all indications to Chiesi Farmaceutici S.p.A., focusing Santhera's business on the advancement of AGAMREE

October 2023

Positive opinion from the Committee for Medicinal Products for Human Use (**CHMP**) for AGAMREE in DMD, acknowledging certain safety benefits of AGAMREE compared to standard of care corticosteroids

U.S. FDA approval of AGAMREE for the treatment of DMD in children and adults aged 2 years and older, enabling U.S. license holder Catalyst Pharmaceuticals to plan launch in Q1-2024

December 2023

The European Commission (**EC**) grants marketing authorization for AGAMREE for the treatment of DMD in patients aged 4 years and older, with labelling mentioning safety benefits of AGAMREE with regards to preserving bone health and maintaining growth

January 2024

UK's MHRA approves AGAMREE, adopting labelling of the European Medicines Agency.

AGAMREE is the only approved medication in the European Union for treating all patients from age 4 years with DMD, and the first DMD therapy approved across the U.S., EU and UK.

First commercial launch worldwide of AGAMREE in Germany.

March 2024

Partner Catalyst Pharmaceuticals, Inc. launches AGAMREE in the U.S.

The China National Medical Products Administration (**NMPA**) accepted for priority review the NDA for vamorolone in DMD which was submitted by Sperogenix Therapeutics, Santhera's rare disease partner in China.

BUSINESS REVIEW

Spanning 2023 to Present: A Look Back

In 2023 and extending into 2024, Santhera reached a significant juncture in its journey. This period saw three regulatory approvals for AGAMREE® in Duchenne muscular dystrophy (DMD) in three regions, namely the U.S., the EU, and the UK, with additional strides made through a submission in China. Balancing optimal patient access and operational sustainability of the Company, Santhera undertook a strategic alignment by outlicensing AGAMREE to Catalyst Pharmaceuticals, Inc. in the USA, followed by a closure of the U.S. subsidiary, and focusing operations on AGAMREE in Europe. The culmination of these efforts was achieved in January 2024 with the first global market launch of AGAMREE in Germany.

AGAMREE (vamorolone) approved across the U.S., EU and UK

AGAMREE became the first DMD treatment approved across the U.S., the European Union (**EU**) and the United Kingdom (**UK**) following parallel positive outcomes of the regulatory filings in these three territories. In the EU, AGAMREE is the first and only approved medication for treating all patients from age 4 years with DMD [2].

USA. In early January 2023, the U.S. Food and Drug Administration (**FDA**) accepted for review the new drug application (**NDA**) for AGAMREE for the treatment of **DMD**. On October 26, 2023, the Prescription Drug User Fee Act (**PDUFA**) action date for its regulatory decision, the FDA approved AGAMREE for the treatment of DMD in patients 2 years of age and older.

European Union. Effective December 18, 2023, the European commission granted marketing authorization for AGAMREE in the EU for the treatment of DMD in patients 4 years of age and older, independent of the underlying mutation and ambulatory status. The EC's decision followed the positive opinion for AGAMREE from the Committee for Medicinal Products for Human Use (**CHMP**) which was announced on October 13, 2023. The European Medicines Agency (**EMA**) acknowledged clinically important safety benefits of AGAMREE with regards to maintaining normal bone metabolism, density and growth compared to standard of care corticosteroids, but with similar efficacy. In addition, patients who switched from a standard of care corticosteroid to AGAMREE maintained the efficacy benefit while recovering their growth and bone health.

[2] Publications and applicable drug labeling to which this Annual Report makes reference to:
Labeling: United States Prescribing Information; European Union Summary of Product Characteristics
Dang UJ et al. (2024) Neurology 2024;102:e208112. doi.org/10.1212/WNL.0000000000208112. Link.
Guglieri M et al (2022). JAMA Neurol. 2022;79(10):1005-1014. doi:10.1001/jamaneurol.2022.2480. Link.
Liu X et al (2020). Proc Natl Acad Sci USA 117:24285-24293
Heier CR et al (2019). Life Science Alliance DOI: 10.26508
Ward et al., WMS 2022, FP.27 - Poster 71. Link.
Hasham et al., MDA 2022 Poster presentation. Link.

BUSINESS REVIEW

United Kingdom. In March 2023, Santhera submitted a marketing authorization application (**MAA**) to the UK Medicines and Healthcare products Regulatory Agency (**MHRA**) for AGAMREE for the treatment of DMD. On January 11, 2024, the MHRA approved AGAMREE in the UK for the treatment of DMD in patients 4 years of age and older, independent of the underlying mutation and ambulatory status. The UK's MHRA, adopting the view of the EMA, acknowledged clinically important safety benefits of AGAMREE with regards to maintaining normal bone metabolism, density and growth compared to standard of care corticosteroids, with similar efficacy.

China. In March 2024, the Center for Drug Evaluation (**CDE**) of China's National Medical Products Administration (**NMPA**) accepted the NDA for vamorolone which was prepared jointly by Santhera and Sperogenix Therapeutics, a rare disease specialist and Santhera's partner in China. The agency granted priority review for vamorolone in DMD for patients aged 4 years and older which could, subject to a positive outcome, lead to approval by Q1 2025. Previously, the CDE included vamorolone for the treatment of DMD in the Breakthrough Therapy Program, which addresses serious diseases lacking effective treatments and includes drugs offering clear clinical advantages over existing treatments.

The approvals of AGAMREE (and the submission in China) were based on the data from the pivotal Phase 2b VISION-DMD study as supplemented with safety information collected from three open-label studies, including extension studies. In these trials, AGAMREE was administered at doses ranging from 2 to 6 mg/kg/day, extending for a period of up to 48 months. Compared with current standard of care corticosteroids, this novel steroidal treatment exhibited comparable efficacy, with safety data suggesting a reduction in adverse events, notably related to bone health, growth trajectory and behavior. In the pivotal VISION-DMD study, boys treated with AGAMREE on average maintained growth similar to those treated with placebo, whilst those treated with prednisone on average experienced growth stunting. Patients who switched from prednisone to AGAMREE after 24 weeks, on average, resumed growing in height over the remainder of the study.

North America license for AGAMREE granted to Catalyst Pharmaceuticals

In June 2023, Santhera announced the signing of an exclusive license and collaboration agreement for AGAMREE in North America (**NA**) with Catalyst Pharmaceuticals, Inc. (NASDAQ: CPRX), a commercial-stage biopharmaceutical company focused on novel medicines for patients living with rare diseases. The agreement covers the development and commercialization of AGAMREE in DMD and rights to all potential future indications in NA. Total consideration to Santhera is up to USD 231 million (including equity investment) plus royalty payments from product sales.

BUSINESS REVIEW

After closing of the transaction in July 2023, Santhera received an upfront payment of USD 90 million (USD 75 million in cash and USD 15 million equity investment). Upon U.S. FDA approval of AGAMREE in DMD on October 26, 2023, the PDUFA date, Santhera received an additional USD 36 million from Catalyst, of which Santhera paid contractually agreed third-party regulatory milestone obligations (USD 26 million). Furthermore, Catalyst may pay Santhera sales-based milestones of up to USD 105 million as well as up to low-teen percentage royalties and will assume corresponding third-party royalty obligations of Santhera on AGAMREE sales in all indications in NA.

In March 2024, following the U.S. FDA approval on October 26, 2023, Catalyst announced that AGAMREE is now available by prescription and dispensed throughout the United States through a specialty pharmacy network.

Santhera and Catalyst are reviewing the joint clinical development and funding of AGAMREE for global indications, in addition to DMD.

First launch in Germany in early 2024—pre-commercialization measures advancing across Europe

On January 15, 2024, Santhera launched AGAMREE as a 40 mg/ml oral suspension for the treatment of DMD in Germany as the first market worldwide. Since February 2024, AGAMREE is also available in Austria. This significant milestone represented Santhera's commitment to fill a high unmet medical need by providing a safe and effective treatment for DMD patients. For Santhera, this launch signified a leap forward as the Company entered the commercial stage in the DMD space.

Santhera plans to make AGAMREE available to patients in additional key geographies in Europe (France, UK, Italy, Spain, Benelux and Switzerland) through its own organization.

"Now the time has come—with the new drug AGAMREE, patients suffering from Duchenne muscular dystrophy have access to a better tolerated alternative to steroids. It is a benefit for the sick children, who until now have been burdened with many side effects due to the long-term use of steroids."

Silvia Hornkamp, Managing Director of the German Duchenne Foundation

Activities surrounding market access, stakeholder and key opinion leader engagement in the target countries progressed throughout the period under review. After Germany, the build-up of a core commercial organization is well underway in the UK, France, Italy, Spain and the Benelux countries.

Partnering for AGAMREE to expand patient reach beyond self-marketed territories

Santhera has made progress in the pursuit of partnering opportunities for AGAMREE outside the key European markets where the Company deploys its own sales force. Previously, Santhera granted licenses to Catalyst Pharmaceuticals for North America and to Sperogenix Therapeutics for China.

BUSINESS REVIEW

Full divestment of Raxone®/idebenone business to Chiesi Group

In a transaction closed on July 28, 2023, Chiesi Group acquired all assets and certain liabilities related to idebenone in all indications worldwide. This included RAXONE in Leber hereditary optic neuropathy (**LHON**), for which Chiesi already held exclusive license rights globally since 2019, except for North America and France. Under the terms of the agreement, Chiesi Group assumed the responsibility for the settlement agreed between Santhera and the French reimbursement authorities relating to RAXONE in LHON amounting to EUR 25.3 million. The transaction significantly reduced debt and strengthened Santhera's balance sheet. Furthermore, the cessation of RAXONE-related activities allowed Santhera to streamline business processes, reducing operating costs and freeing up resources for AGAMREE and its European launch.

Santhera retains contingent value for LHON in the U.S. and other indications worldwide. Santhera is eligible to participate in a potential marketing approval of RAXONE in LHON in the U.S. through variable payments in the single-digit percentage range on net sales or milestone payments of up to USD 10 million. In the event that Chiesi chooses to pursue idebenone in non-ophthalmological indications, Santhera would be eligible for an additional milestone payment of USD 10 million related to the approval in the US for the first non-ophthalmological indication and variable payments in the high single-digit percentage range on net sales.

Lonodelestat development terminated and compound returned to Spexis

Santhera's focus over the recent past was on advancing AGAMREE through the regulatory process towards approval and on preparations for market entry. As previously communicated, Santhera had paused the development of lonodelestat, stating that continuation of the program was dependent on additional funding and partnering.

In the meantime, several newer treatments for the target indication cystic fibrosis (**CF**) have emerged, thereof especially CFTR modulator therapies represent a transformative advancement in the treatment of CF. They have revolutionized CF care by addressing the root cause of the disease and have brought about substantial improvements in lung function, nutritional status, and survival outcomes for a large proportion of individuals living with CF. As a consequence of a portfolio review, Santhera has terminated the development activities and license agreement for lonodelestat and will return the compound to originator Spexis AG. This has no further financial impact on the 2023 accounts, as an impairment was already recognized under development costs in the 2022 consolidated income statement.

Santhera's next steps—outlook

With the successful launch of AGAMREE in Germany, the company is set to introduce the product in the UK later in 2024, followed by France, Italy and Spain in early 2025, alongside launches in the Benelux region. Currently the company is actively engaged in price negotiations, anticipating the commencement of launches in the UK post the completion of pricing reviews by the National Institute for Health and Care Excellence (NICE) in summer 2024.

BUSINESS REVIEW

Within the next five years, the Company estimates it will achieve annual sales in excess of EUR 150 million in Europe in DMD alone (the first indication for AGAMREE) with additional revenue expected to be generated through sales milestones and royalties from its partners in the U.S and China. Beyond that, Santhera is seeking to widen geographic access to AGAMREE through additional distribution partnerships in yet uncovered regions. Together, Santhera and Catalyst aim at expanding AGAMREE into additional indications with a focus on rare pediatric diseases.

Santhera has successfully reduced near-term liabilities and extended its cash reach into 2025, excluding maturing convertible bonds. Santhera continues to evaluate options for additional financing, to meet bond requirements and support market growth and pipeline development with AGAMREE, and will prioritize debt financing and monetization of royalties over equity options. The Company expects to start breaking even on a cash basis by the first half of 2026.

FINANCIAL REVIEW

Financial Performance, Activities & Outlook

In 2023, Santhera achieved a revenue of CHF 103.4 million and a net income of CHF 54.8 million. Instrumental in achieving this notable financial performance were the licensing agreement for AGAMREE/vamorolone with Catalyst Pharmaceuticals Inc. and the complete divestment of the RAXONE/idebenone business. These transactions bolstered the Company's top and bottom-line results, provided vital liquidity to advance AGAMREE within Santhera's designated markets and fortified the Company's balance sheet. The cash reserves of CHF 30.4 million at year-end 2023, together with 2024 product revenue and milestones, will enable the Company to fund operations into 2025. Additional financing will be required to meet debt obligations and support European market launch activities until breakeven. The Company expects to start breaking even on a cash basis by the first half of 2026.

2023 full-year revenue boosted by licensing income

In 2023, Santhera reported total revenue from contracts with customers of CHF 103.4 million (2022: CHF 7.5 million). Net sales amounted to CHF 0.8 million and constituted resumed RAXONE direct product sales in France (2022: CHF -5.6 million, net of CHF 0.4 million product sales and CHF 6.0 million non-recurring adjustment associated with the now settled reimbursement dispute for RAXONE in France). Revenue from outlicensing transactions in 2023 increased to CHF 99.9 million (2022: CHF 11.2 million) mainly due to income from the exclusive licensing agreements with Catalyst (CHF 98.0 million) and Sperogenix Therapeutics (CHF 1.9 million) for the granted license rights to AGAMREE in North America and China, respectively. Net sales to licensing partners in 2023 amounted to CHF 2.7 million (2022: CHF 1.9 million) and were related to RAXONE sales in Europe.

Cost of goods sold

Cost of goods sold amounted to CHF 3.2 million and was slightly below the prior year level (2022: CHF 3.6 million), attributable to a lower supply of RAXONE and lower amortization of intangible assets.

Operating expenses and result

Operating expenses of CHF 32.0 million (2022: CHF 56.1 million) were 43% lower year-on-year, primarily due to lower development expenses and the net gain on the sale of the idebenone business, partially offset by higher general and administrative expenses.

Development expenses amounted to CHF 18.7 million (2022: CHF 30.5 million). The decrease of 39% stems from lower third-party clinical and regulatory services which were largely related to the support of marketing authorization dossiers for AGAMREE in DMD with the authorities in the U.S., EU and UK up to approval.

Marketing and sales expenses were CHF 9.8 million (2022: CHF 10.9 million). On a comparable basis, i.e. excluding the nonrecurring accrual of CHF 2.1 million in relation to the reimbursement dispute for RAXONE in France in the prior year, this represents a slight increase due to higher pre-commercialization activities for AGAMREE in the U.S. during the first half of the year prior to licensing and in Europe.

FINANCIAL REVIEW

General and administrative expenses amounted to CHF 21.2 million (2022: CHF 14.6 million), for which the increase year-on-year reflects the costs related to licensing activities and addition of personnel in key functions in view of market readiness preparations for AGAMREE in the U.S (prior to the Catalyst outlicensing) and Europe.

The operating result amounted to an income of CHF 68.8 million (2022: loss of CHF -52.0 million).

Financial income and expenses

The financial income in 2023 amounted to CHF 19.4 million (2022: CHF 6.0 million). The increase was predominantly related to net positive changes in fair value of financial instruments and in (un)realized foreign exchange gains.

2023 financial expenses rose by 36% to CHF 33.4 million (2022: CHF 24.6 million), primarily driven by higher net negative changes in fair value of financial instruments and in (un)realized foreign exchange losses. The largest expense item, interest and make-whole expenses remained steady year-on-year (2023: CHF -21.3 million vs 2022: CHF -20.1 million).

In summary, this resulted in a net financial expense of CHF 14.0 million, a reduction of 25% on the previous year (2022: CHF 18.6 million).

Net result

The net result in 2023 was an income of CHF 54.8 million, compared to a net loss of CHF 71.1 million in the year 2022.

Cash balance and cash flows

As of December 31, 2023, the Company had cash and cash equivalents of CHF 30.4 million compared to CHF 1.4 million as of December 31, 2022.

Net cash flow from operating activities amounted to CHF 47.3 million (2022: net cash outflow of CHF 29.8 million). Main contributors to the positive cash flow from operating activities were the outlicensing income reflected in net income before taxes and the total financial result, partially offset by a negative change in noncurrent provisions.

Net cash flow used in investing activities was higher year-on-year and amounted to CHF 18.0 million (2022: CHF 3.9 million). This mainly consisted of regulatory-based milestone payments for AGAMREE from Santhera to its licensing partners (classified as intangible assets) of CHF -23.7 million (2022: CHF 3.9 million) which were partially offset by cash proceeds from the sale of financial assets.

FINANCIAL REVIEW

Net cash flow used in/from financing activities in 2023 was CHF -0.2 million (2022: CHF 14.0 million). This was the net result of proceeds from financing transactions (involving shares, warrants and exchangeable notes) totaling CHF 26.3 million which was offset by cash used for financing, above all the repayment of exchangeable notes in the amount of CHF 25.5 million.

In summary, the net increase in cash and cash equivalents in 2023 amounted to CHF 29.0 million (2022: net decrease of CHF 19.9 million).

Assets and liabilities

Intangible assets increased by CHF 14.7 million to CHF 74.0 million reflecting the milestones paid of CHF 23.4 million for approval of AGAMREE in the U.S offset by the sale of idebenone and amortization.

Total liabilities decreased by CHF 58.3 million to CHF 49.2 million mainly due to debt repayments and liabilities transferred on the sale of idebenone.

Shareholders' equity

Total consolidated equity as of December 31, 2023, amounted to CHF 60.0 million compared to a total equity deficit of CHF -43.7 million as of December 31, 2022, as a result of the net gain for the period as well as the issue of equity during the year.

Settlement reached on pricing/reimbursement for RAXONE in France – business sold to Chiesi Group

In February 2023, Santhera concluded the negotiations with the Comité économique des produits de santé (**CEPS**), securing a final pricing reimbursement, and resumed sales of RAXONE in France from April 2023. Since the new reference price was lower than the price applied under the temporary pricing scheme since launch in 2015, this entailed a staggered reimbursement obligation due 2024/25. For this purpose, Santhera had gradually accrued a total amount of CHF 24.8 million (as of December 31, 2022) in noncurrent provisions, recognized partially against net sales and as marketing and sales expenses.

On July 28, 2023, Santhera completed the full divestment of its RAXONE/idebenone business worldwide and for all indications to Chiesi Farmaceutici S.p.A., an international research focused healthcare group (Chiesi Group). The transaction replaced the license agreement between the two companies entered into in 2019. Under the terms of the agreement, Chiesi Group acquired the idebenone intangible asset, its associated inventory, and assumed the responsibility for the settlement agreed between Santhera and the French reimbursement authorities.

The net gain on the sale of the idebenone business in the amount of CHF 17.7 million has been recognized in the consolidated income statement for the year ended December 31, 2023. The net gain is mainly due to the derecognition of the noncurrent provision (CHF 24.8 million), which was partially offset by the loss on the derecognition of the idebenone intangible asset (CHF 6.6 million).

FINANCIAL REVIEW

The agreement simplified the RAXONE business significantly for both companies with Chiesi becoming the marketing authorization holder for RAXONE/idebenone in Europe and the global brand owner while enabling Santhera to focus on the launch of AGAMREE in Europe.

Equity-linked financings and share capital

In a difficult market environment, Santhera managed to reduce the balance sheet debt through repayment of a convertible bond and engaged in equity-linked financings to provide sufficient funding for operations and advancing its lead product towards approval. Presently, the Company still has treasury shares available for placement, subject to adequate market conditions.

Bond instruments. During 2023, Santhera reduced debt (convertible bonds and exchangeable notes) from a total amount of CHF 46.1 million (December 31, 2022) by CHF 25.2 million, and has currently convertible bonds outstanding in the carrying amount of CHF 20.9 million, maturing in August 2024. Of the senior unsecured convertible bonds (2021/24 Bonds), CHF 1.0 million were converted during the year 2023 and an aggregate amount of CHF 11.0 million was outstanding on December 31, 2023. For the 2021/24 Private Bonds, in February 2023, Santhera and Highbridge agreed on a new conversion price of CHF 5.00 for a CHF 5 million tranche and to CHF 10.00 for the remaining outstanding tranche. The nominal value of convertible bonds maturing August 2024 outstanding at December 31, 2023 total CHF 24.5 million, comprising CHF 13.6 million (Public 2021/24), CHF 7.0 million (Private 2021/24 conversion price CHF 10.00) and CHF 4.0 million (Private 2021/24 conversion price CHF 5.00).

Share capital and treasury shares. In February 2023, Santhera completed the ordinary capital increase resolved by its shareholders on November 29, 2022, by issuing 40 million shares. Thereof, 3 million shares were delivered in the context of the Highbridge financing, and the remainder held in treasury. Additionally, during the period a further 0.5 million new shares were issued for financing transactions and share-based compensation.

At the Annual General Meeting (**AGM**) held on June 27, 2023, the shareholders approved a reverse share split in the ratio of 10:1. The reverse share split was completed on July 3, 2023. Additionally, shareholders also gave their consent to the creation of a capital range which authorizes the Board to increase or reduce the share capital within a certain range and over a period of up to five years. Furthermore, shareholders endorsed the replacement of the existing conditional capital for financing purposes and for employee participation by a corresponding new, increased conditional capital.

As of December 31, 2023, issued share capital consisted of 12,620,376 shares with a total nominal value of CHF 1,262,037 (nominal value CHF 0.10 per share), and the Company held 1,305,167 treasury shares with total nominal value of CHF 130,517 for future equity-based financings.

FINANCIAL REVIEW

Amendments of Highbridge facility to satisfy near-term cash requirements

In February 2023, Santhera and Highbridge further amended the existing financing arrangement. Under the amended agreement, Highbridge agreed to provide up to CHF 22.2 million, thereof around CHF 2.2 million through the purchase of 3 million shares at CHF 7.50 per share and up to CHF 20 million through the existing financing arrangement, subject to conditions, to fund Santhera up to the PDUFA date in October 2023. An initial amount of CHF 5 million was drawn immediately and CHF 15 million were to become available in subsequent tranches, conditional on certain milestones and other conditions.

The Company had outstanding exchangeable instruments at nominal value as of June 30, 2023, of CHF 25.5 million, all amounts outstanding under exchangeable notes were settled during July 2023 post the closing of U.S. license transaction.

Funding prospects

As previously noted, the grant of the U.S. license for AGAMREE, completion of the RAXONE transfer and repayment of exchangeable debt are expected to provide, together with anticipated revenue from AGAMREE in self-market countries, for a cash runway into 2025, excluding convertible bond maturity. Cash net outflow from operations for 2024 is anticipated to average approx. CHF 2.5 million per month for 2024 compared to approx. CHF 4.0 million per month in 2023 excluding one-off licensing income.

Santhera keeps under review the need for further financing to support market growth, line extension development for AGAMREE and securing operations. The Company is evaluating potential royalty and debt financings and in addition has treasury shares, conditional and authorized capitals available for future placement, subject to market conditions.

OUR INNOVATION

Our Pipeline

Passionate about providing treatment options for rare diseases, Santhera focuses its efforts on promising therapeutic options for rare diseases with high unmet medical need.

PoC: Proof of concept

AGAMREE® (vamorolone) was approved in the U.S. (October 2023), the European Union (December 2023) and the United Kingdom (January 2024) for the treatment of Duchenne muscular dystrophy (**DMD**). Currently, it is marketed in the first countries Germany, Austria by Santhera and the U.S. by Catalyst Pharmaceuticals.

In the neuromuscular area, an FDA-funded Phase 2 clinical trial is ongoing with vamorolone in Becker muscular dystrophy (**BMD**), a progressive muscle wasting disease similar to DMD but usually milder.

Vamorolone represents a pipeline in a molecule. As a dissociative steroid, it has the potential to treat certain other inflammatory diseases beyond neuromuscular diseases where the long-term administration of standard corticosteroids is necessary but limited due to their detrimental side-effects. Santhera and Catalyst are evaluating the joint development of vamorolone as a steroid alternative in additional rare disease indications, preferably in the pediatric space, with high unmet medical need.

OUR INNOVATION

AGAMREE® (vamorolone) in DMD

AGAMREE® has been developed for patients with Duchenne muscular dystrophy (DMD) who require an anti-inflammatory, muscle preserving treatment with a differentiated safety and tolerability profile. The successfully completed clinical program aims at offering an alternative to the standard of care in DMD and culminated in the approval of AGAMREE by the U.S. FDA, the EU EMA and the UK MHRA.

Duchenne muscular dystrophy (DMD) is a rare genetic disease

DMD is one of the most common and devastating types of muscular degeneration and primarily affects boys starting at an age between three and five years on average. An estimated 30,000 to 35,000 patients in the USA and Europe combined are affected by this disease, which occurs in about one in 5,000 male births worldwide.

DMD is an inherited condition linked to the X-chromosome and is caused by mutations in specific regions (so-called exons) of the gene that encodes dystrophin in the cell nucleus, which leads to reduced or absent expression of the dystrophin protein. Dystrophin, a crucial structural protein, binds the muscle cytoskeleton and extracellular matrix together to maintain muscle integrity, acts as a shock absorber and prevents muscle cell damage when muscle fibers contract and relax with use. Absence/malfunction of dystrophin results in inflammation, progressive muscle weakness, loss of muscle tissue, early illness and death due to cardio-respiratory failure. Patients are commonly unable to walk by their teenage years. Progressive respiratory muscle weakness leads to a need for mechanical ventilation to prolong the life of the patient into and beyond their twenties. Caused by progressive cardiomyopathy, heart function often becomes the main survival determinant. DMD disease evolution is sequential, non-linear and irreversible.

Evolving landscape of DMD care – current and emerging treatment options

Currently, there is no cure and only limited treatment options. Since the first publication of considerations for the treatment of DMD in 2010, the approach to treating this severe neuromuscular disease has evolved considerably.

Corticosteroids embody the cornerstone of standard of care and have been shown to preserve muscle function and prolong mobility and survival. Novel therapeutic approaches are currently in clinical development, and physicians can expect new options for treating DMD to emerge, allowing them to customize and combine different therapies to meet individual needs, in addition to a basic corticosteroid treatment.

Corticosteroids are effective anti-inflammatory agents and established care in DMD. They are prescribed in order to slow the decline in muscle strength and function caused by DMD regardless of the underlying genetic defect. Early initiation of corticosteroids has been shown to preserve muscle function and strength,

OUR INNOVATION

delaying time to loss of functional milestones by 2-3 years. Steroid treatment is also associated with a reduction in all-cause mortality, and new onset and progressive cardiomyopathy. Whilst their efficacy is undisputed, their long-term use is hindered by their well-known side effects (e.g. weight gain, cushingoid features, behavioral problems, stunted growth and increased rate of bone fractures) that often result in down-titration to subtherapeutic doses to manage tolerability issues and eventually premature discontinuation of treatment. There is a high medical need for a treatment providing steroidal efficacy with a more benign tolerability and safety profile.

Non-steroidal therapies target the genetic defect or address underlying inflammation. Exon skippers (available to certain patients) aim to restore functional dystrophin. They work by 'skipping' over the mutated exon (a specific segment of a gene) thereby enabling the production of a truncated partially functional dystrophin protein. As exon skippers are specific for certain mutations, they typically only work in smaller subpopulations of DMD-patients. Gene therapy approaches aim to deliver functional copies of a shortened dystrophin ('mini- or micro-dystrophin') gene to the affected muscles. In clinical development programs, gene therapy is commonly evaluated in addition to a base therapy with glucocorticoids.

The most recent drug approval features a histone deacetylase (**HDAC**) inhibitor that intervenes in pathogenic processes to mitigate inflammation and muscle loss. The drug was evaluated in clinical trials in addition to a standard-of-care steroid regimen and marks the first approval of a nonsteroidal treatment for patients with all genetic variants of DMD.

Better tolerated therapies are an urgent medical need, also in view of longer life expectancy. Children affected by DMD often live to adulthood and advances in patient survival have prompted a shift towards more proactive diagnostic and therapeutic strategies. Of particular note is the increased emphasis on improving the overall quality of life of DMD patients and the need to update care considerations, especially with regard to addressing the needs of patients with a longer life expectancy.

All approaches share one objective: slow the progression of muscle weakness, improve quality of life and prolong life expectancy for individuals with this devastating disease. It is the combination of these different mechanistic approaches that may lead to improved and/or synergistic treatment strategies, possibly also altering the current standard of care. Corticosteroids have long been a staple in the treatment of DMD and are expected to continue playing a vital role in combination therapies.

Novel mode of action and dissociative properties of AGAMREE drive its differentiated clinical profile

AGAMREE is a steroidal anti-inflammatory drug with dissociative properties. Subtle but effective differences in its chemical structure and a novel mechanism of action distinguish AGAMREE from classic steroids and provide the rationale for its favorable benefit / risk profile. [3]

[3] Guglieri M Poster EP 524 WMS 2021. Heier CR, et al. EMBO Mol Med. 2013;5:1569-1585. Liu X, Proc Natl Acad Sci U S A. 2020 Sep 29;117(39)

OUR INNOVATION

AGAMREE possesses a signature double bond which impacts receptor binding and alters enzyme and membrane interactions. It binds to the same receptor as corticosteroids (modifying its downstream activity) and is not a substrate for the 11-β-hydroxysteroid dehydrogenase (**11β-HSD**) enzymes that may be responsible for local tissue amplification and corticosteroid-associated toxicity in local tissues. This mode of action is thought to 'dissociate' efficacy from steroid-associated side effects and is believed to explain the sustained anti-inflammatory efficacy with fewer side effects as observed in clinical trials with AGAMREE. On this basis, AGAMREE is positioned as an alternative to existing corticosteroids, the current standard of care in children and adolescent patients with DMD.

AGAMREE shows sustained steroid-like anti-inflammatory efficacy

AGAMREE was developed to provide an anti-inflammatory and muscle preserving treatment with a better tolerated safety and tolerability profile as an alternative to the current standard of care corticosteroids.

Overall, more than 200 patients have been treated to date with AGAMREE for up to 84 months across clinical studies and access programs. The comprehensive clinical development program comprised the pivotal Phase 2b VISION-DMD study and three open-label studies, including extension studies, in which AGAMREE was administered at doses ranging from 2 to 6 mg/kg/day. The VISION-DMD study comprised a (1) pivotal double-blind 24-week period to demonstrate efficacy and safety of AGAMREE (2 and 6 mg/kg/day) versus placebo and prednisone (0.75 mg/kg/day), followed by a (2) 24-week period where all participants received AGAMREE to evaluate the maintenance of efficacy and collect additional longer-term safety and tolerability data. 121 ambulant boys aged 4 to <7 years with DMD were included in the study.

The trial met its primary endpoint of superiority in change of time to stand from supine position (**TTSTAND**) velocity with AGAMREE 6 mg/kg/day versus placebo with a clinically and statistically (p=0.002) relevant treatment difference at 24 weeks of treatment (period 1) [4].

[4] Dang UJ et al. (2024) Neurology 2024;102:e208112. doi.org/10.1212/WNL.0000000000208112. Liu X et al (2020). Proc Natl Acad Sci USA 117:24285-24293.

OUR INNOVATION

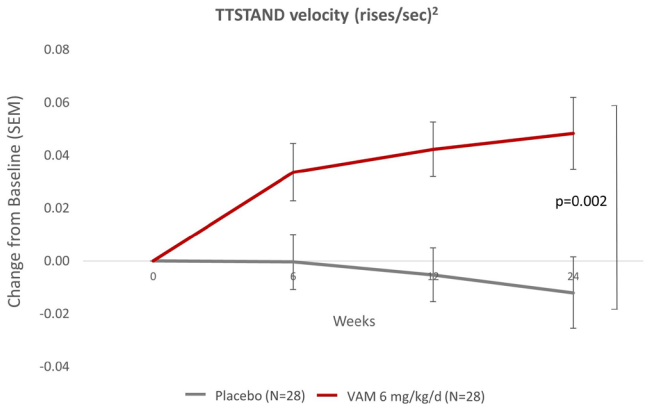
After six months of treatment, a difference of 0.06 rises/second was observed with AGAMREE 6 mg/kg/day compared to placebo. The observed difference corresponds to a 23% improvement in time to rise and is expected to delay the time to loss of ambulation by 2-3 years [5]. AGAMREE 6 mg/kg/day also met its secondary efficacy endpoints – including six-minute walk test (**6MWT**), time to run/walk 10 meters (**TTRW**) – and no statistically significant differences were observed between AGAMREE and prednisone.

Improvements of motor outcomes seen with 6 mg/kg/day of AGAMREE at 24 weeks of treatment were maintained to 48 weeks of treatment. In study participants starting on prednisone 0.75 mg/kg/day and switching to AGAMREE 6 mg/kg/day after 24 weeks, efficacy was maintained across all functional endpoints.

AGAMREE was generally safe and well tolerated in clinical trials. The most commonly reported side effects were cushingoid features, vomiting, weight increase and irritability. Side effects were generally of mild to moderate severity.

Newer publication highlights promising findings on bone health alongside efficacy and safety data

The paper "*Efficacy and Safety of Vamorolone Over 48 Weeks in Boys With Duchenne Muscular Dystrophy*", the most recent and comprehensive publication of efficacy and safety data with AGAMREE, was published in the peer-reviewed journal Neurology in early 2024 [6]. The publication reports the results of the 48-week treatment with AGAMREE in patients with DMD in the VISION-DMD study, supporting its long-term efficacy and safety profile of and concluding that the medicinal product was generally well tolerated, consistent with the 24-week study findings, as published previously in JAMA Neurology [7].



The authors concluded that AGAMREE, a dissociative corticosteroid that selectively binds to the glucocorticoid receptor, displays similar efficacy and reduced safety concerns in comparison with prednisone in DMD and shows safety benefits in patients switching from standard of care corticosteroids in terms of recovery of bone health and growth. Specifically, there was significant improvement in linear growth after crossover in the prednisone to AGAMREE 6 mg/kg/day group, and rapid reversal of prednisone-induced decline in bone turnover biomarkers in both crossover groups.

[5] McDonald et al. PPDM Conf. 2021 Poster #16.
[6] Dang UJ et al. (2024) Neurology 2024;102:e208112. doi.org/10.1212/WNL.0000000000208112. Link.
[7] Guglieri M et al (2022). JAMA Neurol. 2022;79(10):1005-1014. doi:10.1001/jamaneurol.2022.2480. Link.

OUR INNOVATION

Translating the clinical findings of AGAMREE into therapeutic value for medical practice

Although steroids have proven benefits in DMD, treatment is often started late, dosed too low or terminated prematurely due to poor tolerability of classical steroids. AGAMREE was generally well tolerated in clinical studies, and its potentially differentiated safety profile may allow treating physicians to initiate and maintain treatment with AGAMREE for longer than with current standard of care.

Durable efficacy comparable to standard of care with AGAMREE
AGAMREE at a dosage of 6 mg/kg/day has demonstrated a durable efficacy comparable to the standard of care. A statistically significant efficacy compared with placebo at 24 weeks was demonstrated with both 2 mg/kg/day and 6 mg/kg/day dosages. Notably, patients switching from prednisone to AGAMREE 6 mg/kg/day did not experience any loss of efficacy, while long-term efficacy of AGAMREE at this dose was found to be comparable with that of standard care corticosteroids at 48 weeks.

Preserved bone health with AGAMREE, unlike deleterious effect of standard of care corticosteroids
AGAMREE has been shown to preserve bone health, a notable improvement over the deleterious effects of growth stunting and suppression of biomarkers of bone turn over typically associated with standard corticosteroids. This is evidenced by normal bone turnover biomarkers and a mitigated risk of spinal fractures with long-term treatment when compared to corticosteroids. Furthermore, the height trajectory remained aligned with normal growth [8], unlike with standard corticosteroids.

Improved safety profile compared to prednisone evident in the first 24 weeks
The improved safety profile of AGAMREE compared to prednisone was evident within the first 24 weeks of treatment, with AGAMREE 2 mg/kg/day demonstrating placebo-like treatment emergent adverse events (**TEAEs**). Furthermore, AGAMREE at 6 mg/kg/day resulted in fewer and milder TEAEs compared to prednisone, notably with regard to behavioral problems.

Ability to tailor dose regimen allows to maintain treatment long-term
The effective 3-fold dose range (2 to 6 mg/kg/day) with a dose-dependent safety profile allows for an individualized dose adjustment as needed to best manage tolerability and maintain treatment in the long-term.

Study underway to showcase benefits of AGAMREE across a wider age spectrum in DMD

AGAMREE is approved to treat DMD in patients aged 2 years and older in the United States and 4 years and older in the European Union and the United Kingdom. The labelling allows treatment without upper age restriction of the patients, and the potentially better tolerated profile of AGAMREE is expected to lead to fewer premature treatment discontinuations, which often occur with standard steroids due to safety issues.

[8] As compared with CDC normalized growth curves as a reference

OUR INNOVATION

An ongoing open-label, multiple dose Phase 2 study (VBP-006, ClinicalTrials.gov ID: NCT05185622) is evaluating the safety, tolerability and efficacy of AGAMREE 2 or 6 mg/kg/day over a treatment period of 12 weeks in boys ages 2 to <4 years and 7 to <18 years. The study, which aims to enroll 54 participants and is part of the pediatric investigation plan (**PIP**) to support the authorization of a medicine for children, is expected to complete in Q3-2024 with a data read-out available by year-end. *Defeat Duchenne Canada*, a patient advocacy group providing leadership in research, advocacy and support in the fight to defeat DMD, is supporting the study.

AGAMREE under evaluation in FDA-funded pilot study in Becker muscular dystrophy

Becker muscular dystrophy (**BMD**) is an inherited condition which results in the production of only partially functional dystrophin protein. An estimated 15,000 patients in the USA and Europe combined are affected by BMD, which occurs in about one in 25,000 births worldwide, predominantly male.

Both DMD and BMD share their root cause and stem from mutations in the dystrophin gene, albeit with varying degrees of severity. BMD typically presents later in life, has high clinical variability with patients of various ages and progresses more slowly than DMD. Individuals with BMD may experience symptoms such as muscle weakness, difficulty walking, and problems with mobility, but the severity of symptoms can vary widely among affected individuals. While there is currently no cure for BMD, management strategies focus on symptom relief, physical therapy, and supportive care to improve quality of life and maintain functional abilities for as long as possible.

AGAMREE's mechanism of action, which includes mitigating inflammation and enhancing muscle function, targets fundamental pathways involved in muscle degeneration, common to both DMD and BMD. Consequently, it can be stipulated that AGAMREE's therapeutic benefits observed in DMD patients may extend to those with BMD, offering promising prospects for improving outcomes in this patient cohort.

A Phase 2a clinical trial of AGAMREE in BMD commenced in August 2022 with the dosing of the first patient. This trial (ClinicalTrials.gov ID: NCT05166109) adopts a randomized, double-blind, placebo-controlled design to assess the safety, tolerability, pharmacokinetics, pharmacodynamics, and exploratory clinical efficacy of daily AGAMREE compared to placebo. Conducted over a 24-week treatment period, the study involves 39 male participants with BMD aged between 18 and under 65 years. Two-thirds of the participants will receive AGAMREE, while the remaining one-third will receive placebo. Study completion is expected in Q1-2025 with results available by Q2-2025. Partner ReveraGen who is running the study secured a USD 1.2 million grant from the FDA to fund this trial.

Supporting the benefit-risk profile: post-approval clinical program for AGAMREE

The post-approval clinical program, with enrollment commencing in the second half of 2024 is designed to further characterize the benefit-risk of AGAMREE by collecting long-term safety and efficacy data and by expanding the clinical experience into patients not included in the development program.

OUR INNOVATION

The **GUARDIAN** study is an open-label, observational study to further evaluate the long-term safety and effectiveness of AGAMREE. It offers patients who participated in the AGAMREE development program and continued treatment in the post-trial access programs outside of North America (expanded access programs and various compassionate use-based approaches) to participate in a clinical trial with the objective to actively collect high quality information on the safety and effectiveness of long-term use of AGAMREE.

In addition, data collection in a broader population in a real-world setting is under preparation.

AGAMREE bears multi-indication potential

With regards to additional indications, the focus will be on patient populations benefitting from a prolonged and safer steroid treatment. Santhera will focus its development plan on rare pediatric conditions where a product profile such as displayed by AGAMREE is expected to represent clear clinical benefit over current standards of care. In parallel, Santhera is evaluating AGAMREE's potential in treating certain other inflammatory and non-inflammatory diseases with high unmet medical need beyond DMD and BMD, to be pursued with partners.

The ongoing selection process identified various therapeutic areas and candidate indications for development will be selected and prioritized with partner Catalyst.

OUR OPERATIONS

Bringing Life-enhancing Innovation to Patients

Duchenne muscular dystrophy (DMD) represents a well-defined rare disease market that is conducive to a targeted therapeutic approach. Santhera strategically prepares to self-market AGAMREE in key European regions, leveraging a lean organizational structure with centralized support from its headquarters, and is seeking partnerships in additional European markets. To cover global markets, Santhera has to date established partnerships with Catalyst Pharmaceuticals, Inc. in North America and Sperogenix Therapeutics in China, expanding its reach and enhancing its commercial strategy worldwide.

DMD is a well-defined rare disease market that lends itself to a targeted approach

Standard of care for DMD is established and involves corticosteroids as the primary chronic treatment based on their ability to mitigate inflammation, preserve muscle strength, delay disease progression, and their extensive research-backed proof of efficacy. Therapy-limiting factors are damaging side effects of classical steroids, hence steroid treatment is often only initiated when motor function starts to decline and stopped when side effects become intolerable. AGAMREE has been designed and developed with the intention to overcome the shortcomings of current standard of care corticosteroid use.

Steroids can be prescribed independent of the genetic background of the disease and for all disease stages, either as monotherapy or in combination with other treatments including those targeting specific mutation subtypes or gene therapies. In contrast, exon-skipping drugs address only limited patient subpopulations and may potentially be used in combination with AGAMREE in DMD patients. AGAMREE has the potential to emerge as a foundational therapy.

Generally, the market for the therapeutic approach to DMD has characteristics which align with Santhera's focused commercial approach. Patients are routinely diagnosed at an early age and are thus accessible. The DMD community benefits from a dedicated group of professionals and advocates who play critical roles in advancing understanding, treatment options, and support services for individuals affected by DMD and their families. There is a limited number of around 180 specialized centers with about 750 health care practitioners (**HCPs**) for DMD treatment in the four largest EU member states and the UK (~90 centers and ~450 HCPs in the U.S.) which allows for a focused commercialization approach. Patient advocacy groups in the DMD field are well organized, interconnected and influential.

Focused expert centers treating patients in EU and U.S.

DMD	Centers	HCPs
U.S.	~90	~450
EU4+UK	~180	~750

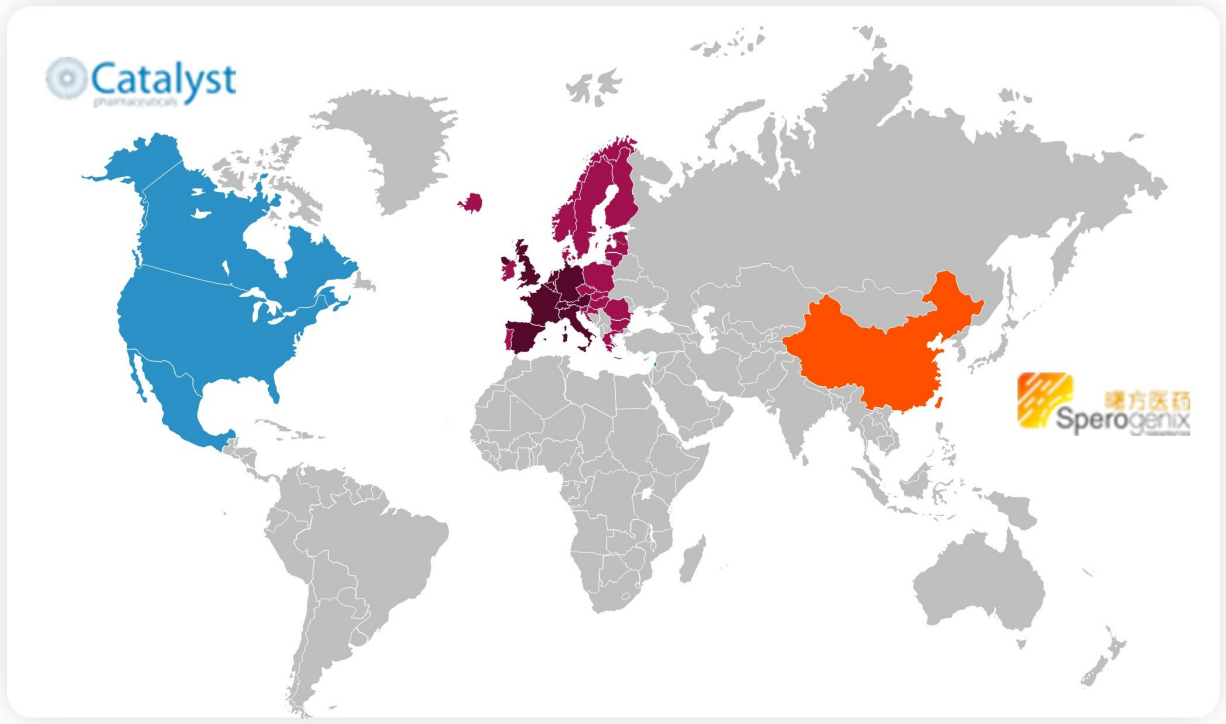
OUR OPERATIONS

Seeking global product access, Santhera collaborates with strong partners in the rare disease arena

Santhera holds global rights to AGAMREE in all indications. Licensing and collaboration agreements are in place with various partners outside Santhera's European focus territories.

For North America and China, Santhera has partnerships in place with **Catalyst Pharmaceuticals Inc.** (NA) and **Sperogenix Therapeutics** (CN). These agreements cover the commercialization of AGAMREE in DMD as well as the development and distribution for other indications outside DMD.

Santhera will self-market AGAMREE in key European countries and intends to engage in commercialization partnerships outside these markets.

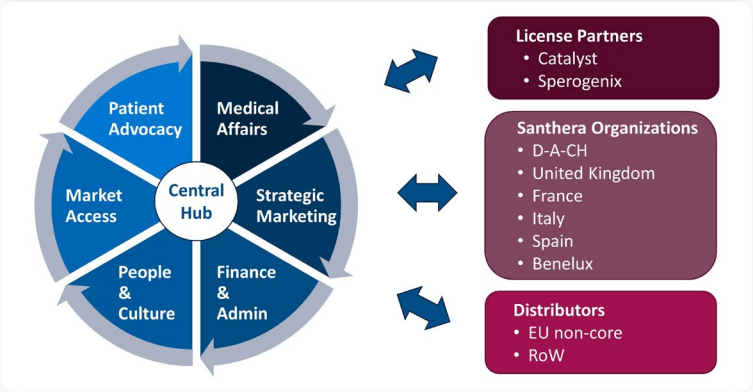


Santhera's self-launch focus is on key European countries

In Europe, Santhera plans to commercialize AGAMREE in key geographies which include D-A-CH (Germany, Austria, Switzerland), France, UK (including Scotland), Italy, Spain, and Benelux (indicated in dark magenta color in the figure above). In territories outside these markets (indicated in light magenta), Santhera is in advanced discussions with potential partners for distribution.

OUR OPERATIONS

A lean commercial organization is being established, which will be staffed by up to 60 additional full-time equivalents (**FTEs**). A central hub at headquarters with core functions will provide support to the lean own country teams as well as distribution partners.



First was the establishment of the German operations ahead of the launch in January 2024 and meanwhile the organizational build-up in the other target countries is well underway. Activities surrounding market access, stakeholder and key opinion leader engagement are at an advanced stage or completed.

Santhera plans a gradual rollout for AGAMREE across the big five countries in Europe with the UK (including Scotland) in Q3-2024, followed by France, Italy and Spain in Q1-2025. In the secondary markets Luxembourg is expected to follow still by mid-2024 and The Netherlands, Belgium and Switzerland in Q1-2025.

Launch	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25
DE, UK, FR, IT, ES					
AT, LX, SC, NL, CH, BE					

Within the next five years, the Company currently estimates to achieve annual sales in excess of EUR 150 million in Europe in DMD alone, the first indication for AGAMREE.

THIS IS US

Our Vision, Our Promise, Our Values

Santhera's employees jointly defined what they stand for – and expressed it in our Company values. Since then, these values have become an integral part of the Company culture, one that serves as a role model in everyday work life and is also integral part of the employee performance assessments.

Our vision is to improve the lives of people with rare diseases, by delivering therapeutic options where none previously existed.

Everything we do at Santhera, we do with **respect**. For the patients that inspire us with their courage, for the scientists at the cutting edge of therapeutic breakthroughs, for all our stakeholders in this important and rewarding enterprise, and for the partnerships with our colleagues.

Passion is the cornerstone of Santhera's aspirations to improve patients' lives. Our focus is on individuals with rare diseases – small groups of patients often overlooked by the wider pharmaceutical industry. We feel strongly that all patients deserve the best care, regardless of the prevalence of their condition.

The area of rare diseases presents many challenges, and our mission to improve the lives of patients with rare diseases requires great resolve and dedication. Only by ensuring our ongoing **commitment** will we be able to overcome the challenge of bringing new therapies to market.

A core pillar that gives the other values cohesion and depth. By fostering a strong team spirit at Santhera, and by combining our efforts with trusted external partners – from clinicians to scientists to patient organizations – we can achieve success through **collaboration**.

Where passion gives us drive, **accountability** gives us direction. Our results-driven approach to research, development and commerce with integrity at its heart, ensures we will deliver benefits to all our stakeholders, including effective solutions for the patients affected by rare and devastating diseases.

THIS IS US

Meet the Team

Santhera is led by an experienced team [9] with a vast background in the pharmaceuticals and biotech industry, from small and large companies.

Board of Directors


Thomas Meier, PhD, Chairman


Philipp Gutzwiller


Bradley C. Meyer


Otto Schwarz, PhD

Executive Committee


Dario Eklund, CEO


Andrew Smith, CFO


Shabir Hasham, MD, Chief Medical Officer


Marc Schrader, Chief Technology Officer


Oliver Strub, General Counsel


Geert Jan van Daal, MD, PhD, Chief Commercial Officer

Extended Management Team

Ana de Vera, MD, Head of Development & Deputy CMO
Sarah Holmes-Klotz, Head People & Culture
Eva Kalias, Head Investor Relations & Communications
Neville Kodkani, MD, Head Global Marketing & Partner Management
Günther Metz, PhD, Head Business Development
Andreas Missy, Chief of Staff
Sabine Pilot, Head of Clinical Development Operations

[9] As of publication of the Annual Report 2023. Details on the profiles of the team members can be viewed in the Corporate Governance section in this Annual Report or by visiting http://www.santhera.com/about-overview

Consolidated Financial Statements

Contents

Consolidated Balance Sheet

In CHF thousands	Notes	**December 31, 2023**	**December 31, 2022**
Assets			
Tangible assets	5	582	1,008
Intangible assets	6, 16	73,966	59,206
Financial assets long-term		424	444
Deferred tax assets	8	0	3
Noncurrent assets		**74,972**	**60,661**
Prepaid expenses		321	513
Inventories	9	1,811	108
Trade and other receivables	10	2,155	1,091
Cash and cash equivalents	11	30,370	1,353
Current assets		**34,657**	**3,065**
Total assets		**109,629**	**63,726**
Equity and liabilities			
Share capital	12	1,262	753
Capital reserves and share premium		630,516	581,116
Accumulated losses		(572,719)	(627,501)
Employee benefit reserve		1,018	2,722
Treasury shares	12	(131)	(94)
Translation differences		(3)	(682)
Total equity		**59,943**	**(43,686)**
Noncurrent convertible bonds	13.2	0	21,080
Noncurrent derivative financial instruments	13	0	4,335
Noncurrent warrant financial instruments	13	1,478	5,171
Noncurrent lease liabilities	15	35	607
Noncurrent provisions	16	0	24,961
Pension liabilities	25.2	3,858	1,844
Noncurrent liabilities		**5,371**	**57,998**
Trade and other payables	17	5,616	7,583
Accrued expenses	18	9,572	10,852
Income tax payable		182	553
Current lease liabilities	15	571	623
Current exchangeable notes	13.1	0	22,127
Current convertible bonds	13.2	20,943	0
Current derivative financial instruments	13	5,255	5,440
Current warrant financial instruments	13	2,035	2,225
Current provisions	19	141	11
Current liabilities		**44,315**	**49,414**
Total liabilities		**49,686**	**107,412**
Total equity and liabilities		**109,629**	**63,726**

Consolidated Income Statement

In CHF thousands (except per share data)	Notes	Year ended December 31, 2023	2022
Net sales	22.1,23	792	(5,578)
Revenue from outlicensing transactions	23	99,923	11,190
Net sales to licensing partner	22.1	2,699	1,861
Revenue from contracts with customers		**103,414**	**7,473**
Cost of goods sold		(3,235)	(3,592)
Of which amortization intangible assets		*(2,405)*	*(3,040)*
Other operating income		664	259
Development	24	(18,674)	(30,536)
Marketing and sales	24	(9,782)	(10,857)
General and administrative	24	(21,184)	(14,565)
Other operating expenses	24	(42)	(158)
Net gain on sale of idebenone business	16	17,683	0
Operating expenses		**(31,999)**	**(56,116)**
Operating result		**68,844**	**(51,976)**
Financial income	26.1	19,351	5,984
Financial expenses	26.2	(33,375)	(24,624)
Result before taxes		**54,820**	**(70,616)**
Income taxes	27	(38)	(460)
Net result		**54,782**	**(71,076)**
Basic net result per share[1]	28	5.18	(11.67)
Diluted net result per share[1]	28	5.01	(11.67)

[1] Amounts per share shown on this page are adjusted for the reverse 1:10 share split, effective July 3, 2023.

Consolidated Statement of Comprehensive Income

In CHF thousands	Notes	Year ended December 31, 2023	2022
Net result		**54,782**	**(71,076)**
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit pension plans	25.2	(1,704)	3,159
Items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences		679	229
Other comprehensive result		**(1,025)**	**3,388**
Total comprehensive result		**53,757**	**(67,688)**

Consolidated Statement of Cash Flows

In CHF thousands	Notes	Year ended December 31, 2023	2022
Result before taxes		**54,820**	**(70,616)**
Depreciation and impairment of tangible assets		603	608
Amortization and impairment of intangible assets		2,441	9,250
Share-based compensation	21	5,990	5,452
Change in fair value of financial instruments, net		(7,609)	198
Realized gain on repurchase of convertible bonds		0	(1,504)
Loss on modification of convertible bonds		254	0
Change in pension liabilities		310	104
Reversal of current provisions	19	(243)	(67)
Change in noncurrent provision	16	0	8,153
Gain on sale of idebenone business	16	(17,683)	0
Income taxes paid		(366)	(78)
Change in net working capital		(5,278)	1,394
Total financial result		21,279	19,793
Interest received		506	0
Interest paid		(7,753)	(2,530)
Net cash flow from/(used in) operating activities		**47,271**	**(29,843)**
Investments in tangible assets	5	(90)	(53)
Investments in intangible assets	6	(23,653)	(3,903)
Change in financial assets long-term		20	24
Proceeds from sale of financial assets		5,679	0
Net cash flow from/(used in) investing activities		**(18,044)**	**(3,932)**
Proceeds from shares sold through private placements	12.1	15,657	0
Proceeds from sale of treasury shares		474	474
Proceeds from exercise of equity rights		29	37
Proceeds from exercise of warrants financial instruments		2,660	0
Proceeds from exchangeable notes	13.1	7,500	33,000
Repayment of exchangeable notes	13.1	(25,475)	0
Repayment of convertible bonds	13.2	0	(13,935)
Repurchase of convertible bonds	13.2	0	(4,511)
Financing transaction costs		(102)	(153)
Cost of issuance of capital		(202)	(273)
Payment of lease liabilities		(712)	(646)
Net cash flow from/(used in) financing activities		**(171)**	**13,993**
Effects of exchange rate changes on cash and cash equivalents		(39)	(73)
Net increase/(decrease) in cash and cash equivalents		**29,017**	**(19,855)**
Cash and cash equivalents at January 1		1,353	21,208
Cash and cash equivalents at December 31		**30,370**	**1,353**

Consolidated Statement of Changes in Equity

In CHF thousands	Notes	Share capital	Capital reserves and share premium	Accumulated losses	Employee benefit reserve	Treasury shares	Translation differences	**Total**
Balance, January 1, 2022		54,608	509,513	(556,425)	(437)	(5,020)	(911)	**1,328**
Net result		0	0	(71,076)	0	0	0	**(71,076)**
Other comprehensive result		0	0	0	3,159	0	229	**3,388**
Total comprehensive result		**0**	**0**	**(71,076)**	**3,159**	**0**	**229**	**(67,688)**
Share-based compensation	21	0	5,452	0	0	0	0	**5,452**
Shares issued		19,134	0	0	0	(19,120)	0	**14**
Delivery of shares on conversion of exchangeable notes into Shares	13.1	0	6,878	0	0	3,264	0	**10,143**
Delivery of shares on conversion of convertible bonds into shares	13.2	0	2,582	0	0	2,192	0	**4,775**
Delivery of shares on settlement of convertible bonds interest expense	13.2	0	(202)	0	0	2,085	0	**1,884**
Delivery of shares for financing transactions		0	10	0	0	77	0	**87**
Delivery of shares for exercises of share-based compensation		0	105	0	0	0	0	**105**
Sale of treasury shares		0	490	0	0	3	0	**487**
Cost of issuance of capital		0	(273)	0	0	0	0	**(273)**
Adjustment for reduction of share nominal value to CHF 0.01		(72,989)	56,561	0	0	16,425	0	**0**
Balance, December 31, 2022		**753**	**581,116**	**(627,501)**	**2,722**	**(94)**	**(682)**	**(43,686)**
Balance, January 1, 2023		753	581,116	(627,501)	2,722	(94)	(682)	(43,686)
Net result		0	0	54,782	0	0	0	54,782
Other comprehensive result		0	0	0	(1,704)	0	679	(1,025)
Total comprehensive result		**0**	**0**	**54,782**	**(1,704)**	**0**	**679**	**53,757**
Share-based compensation	21	0	5,423	0	0	0	0	**5,423**
Shares issued		492	0	0	0	(492)	0	**0**
Shares sold through private placements	12	0	15,486	0	0	171	0	**15,657**
Delivery of shares on conversion of exchangeable notes into Shares	13.1	0	14,044	0	0	148	0	**14,192**
Delivery of shares on conversion of convertible bonds into shares	13.2	0	1,861	0	0	20	0	**1,881**
Delivery of shares on settlement of convertible bonds interest expense	13.2	11	975	0	0	3	0	**989**
Delivery of shares for financing transactions		0	4,960	0	0	55	0	**5,015**
Delivery of shares for exercises of share-based compensation		6	567	0	0	0	0	**573**
Delivery of Shares for exercise of warrants financial instruments	13.3	0	6,152	0	0	53	0	**6,205**
Sale of treasury shares		0	469	0	0	5	0	**474**
Cost of issuance of capital		0	(532)	0	0	0	0	**(532)**
Adjustment for reverse share split		0	(5)	0	0	0	0	**(5)**
Balance, December 31, 2023		**1,262**	**630,516**	**(572,719)**	**1,018**	**(131)**	**(3)**	**59,943**

Notes to the Consolidated Financial Statements

1. General Information

Santhera Pharmaceuticals Holding AG (the **Company**, together with its subsidiaries **Santhera** or **Group**) is a Swiss specialty pharmaceutical company focused on the development and commercialization of products for the treatment of neuromuscular and pulmonary diseases, areas which include many orphan and niche indications with high unmet medical need.

The Company, having the listing of its registered shares (**Shares**) on the SIX Swiss Exchange (**SIX**), is a Swiss stock corporation and the parent company of the Group. Its purpose is to acquire, dispose and manage investments. The Company has its registered offices at Hohenrainstrasse 24 in 4133 Pratteln, Switzerland.

The consolidated financial statements were authorized for issue by the Board of Directors (**Board**) on May 27, 2024. They are subject to approval by the Annual General Meeting of Shareholders (**AGM**) on June 18, 2024.

2. Accounting Policies

2.1 Basis of presentation

The Group's consolidated financial statements are prepared in accordance with IFRS Accounting Standards. Except as described in 2.2 below, the accounting policies applied in these consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2022.

The presentation currency is Swiss francs (**CHF**). Amounts shown are rounded to the nearest CHF 1,000 unless otherwise indicated. Certain reclassifications have been made to prior years' amounts or balances in order to conform to the current year presentation.

The preparation of consolidated financial statements requires management to make estimates and assumptions, which have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and on the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and management's knowledge of current events and actions the Group may undertake in the future, however, actual results ultimately may differ from those estimates.

2.2 Changes in accounting policies

In 2023, there were no new IFRS Accounting Standards that required adoption by the Group. Other than IFRS 17, this standard and amendments to existing standards, or interpretations that became effective in 2023 did not have a material impact on the Group's consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. It is not expected that such will have a material impact on the consolidated financial statements on adoption.

2.3 Material uncertainties and ability to continue operations

The consolidated financial statements have been prepared under the going concern assumption despite material uncertainties present as of December 31, 2023, that may be perceived to be contrary to this assumption. In order to support the servicing of current debt and ongoing operating activities including ongoing launch of vamorolone the Group requires additional funds.

Cash at hand and additional funds available as of December 31, 2023, and as of the date of issuance of these consolidated financial statements are sufficient to support ongoing operations until the maturity in August 2024 of outstanding convertible bonds amounting to CHF 24.5 million at nominal value. Excluding the servicing of debt obligations, the group has sufficient funds to support operations through to December 31, 2024.

Management and the Board, at the date of issuance of these consolidated financial statements, are in advanced discussions to raise additional funds to finance ongoing operations and debt obligations. Should sufficient further funding not be available, the Group may review further organizational restructuring measures, reduce or stop some or all of its research and development programs, and restructure convertible bonds with the objective to ensure it remains solvent. The Group may consider the monetization of assets, seek additional funding through licensing agreements, public or private financings. The sale of additional equity may dilute existing shareholders.

Shareholders should note that whilst management and the Board consistently continue to apply best efforts to evaluate and execute available options, there is no guarantee that the development studies will be successful, regulatory approvals are obtained, and that any transaction can be realized or that such transaction would generate sufficient funds to finance operations through to December 31, 2024. These material uncertainties may cast significant doubt about the ability of the Group to continue as a going concern.

However, management and the Board are of the view that it is more likely than not that the Group will continue to secure the additional funds needed in order to operate its business as planned with the objective to meet all of its obligations until December 31, 2024. Therefore, the consolidated financial statements have been prepared on a going concern basis.

2.4 Consolidation

Subsidiaries in which the Company has a direct or indirect controlling interest are consolidated. Control exists when the investor is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights or potential voting rights of a company's share capital that are currently exercisable.

The consolidated financial statements of Santhera include the accounts of Santhera Pharmaceuticals Holding AG, Pratteln, Switzerland, and its wholly owned subsidiaries Santhera Pharmaceuticals (Schweiz) AG, Pratteln, Switzerland; Santhera Pharmaceuticals (Deutschland) GmbH, Lörrach, Germany; Santhera Pharmaceuticals (USA), Inc., Burlington, US; and Santhera Pharmaceuticals (Canada), Inc., Montréal, Canada. In 2023, Oy Santhera Pharmaceuticals (Finland) Ltd, Helsinki, Finland was liquidated. The accounts further include the wholly owned subsidiaries of Santhera Pharmaceuticals (Schweiz) AG: Santhera Pharmaceuticals (Liechtenstein) AG, Ruggell, Fürstentum Liechtenstein; Santhera (Italy) S.r.l. (in liquidation, expected to be dissolved during 2024), Milano, Italy; Santhera (Germany) GmbH, München, Germany; Santhera (Netherlands) B.V., Nieuwegein, The Netherlands; Santhera (UK) Limited, London, United Kingdom; and Santhera Pharmaceuticals (Spain), S.L.U, Bilbao, Spain.

Consolidation commences from the date on which control is transferred to the Company, and subsidiaries are no longer consolidated from the date that control ceases. Intercompany balances and transactions between Group companies are eliminated. Intercompany transactions solely result from providing services, financing and selling goods to other Group companies.

2.5 Segment reporting

Santhera has one operating segment, namely the development and commercialization of products for the treatment of neuromuscular and pulmonary diseases. The Board, the Executive Management and senior managers, being the Chief Operating Decision Makers (**CODM**), assess the reporting data and allocate resources as one segment on a consolidated level according to operating expenses by function. Santhera generates revenue from product sales, outlicensing transactions and product sales to licensing partners. Geographic revenue information is based on location of the customer or licensee.

2.6 Foreign currency translations

The consolidated financial statements are presented in CHF. The functional currency of each of Santhera's companies is the currency of the primary economic environment in which the local entity operates. Transactions in foreign currencies are accounted for at the rates prevailing at the dates of the transaction. Translation differences from financial transactions are included in the consolidated financial result.

Gains and losses resulting from the translation of foreign currency transactions and from the adjustment of foreign currency monetary assets and liabilities at the reporting date are recognized in the consolidated income statement.

Assets and liabilities of foreign entities are translated into CHF using the balance sheet exchange rates at year-end. Income and expenses are translated into CHF at average exchange rates. The exchange differences arising on the retranslation are accounted for in the consolidated statements of comprehensive income/equity.

2.7 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset or the shorter lease term, as follows:

	Useful life
Equipment	4 to 10 years
IT hardware	2 to 5 years
Right-of-use assets (leased assets that meet criteria for capitalization)	2 to 6 years
Leasehold improvements	2 to 10 years

2.8 Intangible assets

Patents, licenses, sublicenses, trademarks and other intangible assets are capitalized as intangible assets when it is probable that future economic benefits will be generated. Such assets are in general amortized on a straight-line basis over their useful lives. Estimated useful life is the lower of legal duration or economic useful life. The estimated useful life of the intangible assets is regularly reviewed and if necessary, the future amortization charge is accelerated. For pharmaceutical products, the estimated useful life normally corresponds to period of exclusivity, the remaining lifetime of the patent or orphan drug protection (up to 20 years).

Inlicensing agreements or similar arrangements which require milestone payments dependent on the achievement of agreed objectives or performance targets as defined in the contracts are recognized as part of the cost of intangible assets when they become probable.

2.9 Software

Acquired software licenses are for internal use and are capitalized as intangible assets on the basis of the costs incurred to acquire and implement the specific software. Capitalized costs are amortized on a straight-line basis over their estimated useful lives (2 to 5 years).

2.10 Impairment of tangible assets, right-of-use assets, and intangible assets

Tangible assets, right-of-use assets, and intangible assets available for use with a finite useful life are evaluated for potential impairment whenever facts and circumstances indicate that the asset's carrying value may not be recoverable. In addition, intangible assets that are not yet available for use and not yet amortized, are reviewed for impairment annually, or when facts and circumstances warrant.

If the carrying value of the asset exceeds the recoverable value, which is calculated using a discounted cash flow model, then an impairment loss equal to the difference is recognized in the consolidated income statement. The

use of discounted cash flow models requires significant judgment and estimates, which are inherently uncertain and thus, actual results may differ from those estimates. Sensitivity analyses are performed around certain of these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated recoverable values.

2.11 Trade and other receivables

Receivables, which generally have 30 to 60 days payment terms are stated at their nominal value less an allowance for any uncollectible amount based on expected credit losses. Credit risk arises from the possibility that counterparties to transactions may default on their obligations causing financial losses for the Group. Receivables are written off (either partly or in full) when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activities to attempt to recover the receivable due.

2.12 Inventories

Inventories are stated at the lower of cost or net realizable value using the weighted average cost formula.

2.13 Financial assets

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the transaction date. Generally, Santhera classifies its financial assets in the following two categories:

Financial assets at fair value through profit or loss

This category includes instruments held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the reporting date. Valuation is at fair value through profit or loss. Realized and unrealized gains and losses arising from changes in the fair value are included in the consolidated income statement in the period in which they arise.

Financial assets measured at amortized cost

These are financial assets held to collect contractual cash flows representing principal and interest only. With the exception of trade receivables, which are initially measured at fair value plus transaction costs. Trade receivables are measured at the transaction price established. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest rate and are subject to impairment using the expected credit loss model.

2.14 Interest income

Interest income is recognized on a pro rata temporis basis using the effective interest method.

2.15 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (below CHF 5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense over the lease term.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new common shares or options are shown in equity in the capital reserves and share premium as a deduction, net of tax, from the proceeds.

2.18 Treasury shares

Treasury shares are purchased at cost and recognized as a deduction from equity. Gains or losses from subsequent sales are presented in equity.

2.19 Financial liabilities

Financial liabilities at fair value through profit or loss

This category includes derivatives with negative replacement values. They are initially recognized at their fair value. Any subsequent change in fair value is recognized in the consolidated income statement in the period the changes occur.

Derivatives may be embedded in other contractual arrangements. The Company accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9 *Financial Instruments*
- the host contract is not itself carried at fair value through profit or loss
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host

Separated embedded derivatives are initially and subsequently measured at fair value, with all changes in fair value recognized in profit or loss.

Other financial liabilities measured at amortized cost

This category principally covers debt instruments and trade and other payables. The debt instruments are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Any difference between the net proceeds received and the principal value due on redemption is amortized over the duration of the debt instrument and is recognized as part of interest expense in the consolidated income statement.

2.20 Income taxes

The income tax charge is based on profit for the year and includes deferred taxes. Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on enacted or substantially enacted tax rates as of the balance sheet date.

The amount of deferred tax liabilities and deferred tax assets reflects the tax consequences on the balance sheet date of the Company's expectation of recovery or settlement of such carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted and are classified as noncurrent assets (or liabilities) in the consolidated balance sheet. They are offset against each other if they relate to the same taxable entity and tax authority.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, Santhera reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. Santhera recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire de-

ferred tax asset to be utilized. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

2.21 Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to owners of ordinary shares of the Company by the weighted average number of shares outstanding during the reporting period. For diluted earnings per share, the weighted average number of shares outstanding during the reporting period is increased by the assumed conversion of other potentially dilutive securities during the period.

2.22 Employee benefits

Post-retirement benefits

Santhera operates both defined benefit and defined contribution pension schemes.

Defined benefit scheme

Santhera's pension plan in Switzerland is classified as a defined benefit plan. Payments under this scheme are made directly to the pension fund for the account of each insured person. Typically, on retirement, an employee will receive an amount of the accumulated defined benefit obligation depending on several factors such as the total individual amount paid in, age and implied life expectancy. The compensation will be in the form of a lifelong pension or a lump sum payment. The scheme also covers disability as a consequence of illness and death-in-service.

The liability recognized in the consolidated balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the consolidated balance sheet date less the fair value of plan assets, adjusted for the effects of the asset ceiling, when relevant.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Defined contribution scheme

Defined contribution schemes are also funded through direct payments for the account of each insured person. Upon retirement, an employee will receive an amount of the accumulated contributions in the form of a lifelong pension or a lump sum payment. No further obligations arise from these schemes other than the fixed periodic contributions to the plan.

Share-based compensation

Santhera has established various equity settled plans to align the long-term interests of the members of the Board, the Executive Management, employees and selected consultants who are eligible to participate. The fair value of instruments granted is determined at the grant date and recognized as personnel expense over the period Santhera receives services for each award. Where awards are modified as a minimum, the expenses are recognized as if no terms had been modified; modifications which increase the fair value of options are expensed additionally. Unless determined otherwise by the Board, terminations of employment by the employer are treated as forfeiture and any previously accumulated share-based payment expenses for unvested awards are reversed.

2.23 Provisions

Provisions are recognized when Santhera has a present obligation (legal or constructive) as a result of a past event, where it is more probable than not that an outflow of resources will be required to fulfill the obligation and where a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future outflows.

2.24 Revenue recognition

Revenue from contracts with customers is recognized at an amount that reflects the consideration to which Santhera expects to be entitled in exchange for transferring goods or services to a customer.

Net sales from the sale of products are recognized at the point in time when the customer obtains control of those products which is generally upon delivery to the customer. Revenue is net of value-added tax, rebates, discounts, returns and after eliminating intercompany sales.

Where revenue arrangements include variable consideration, such amounts are not included in the estimated transaction price unless it is highly probable that a significant reversal of the cumulative revenues recognized will not occur in future periods once the uncertainty related to the variable consideration is resolved. Payment terms usually range between 30 and 60 days for the sale of goods.

Revenue from outlicensing, including revenue from royalties

Outlicensing agreements are concluded, where the counterparty has to pay license fees which are usually in the form of upfront and milestone payments as well as royalty payments. Santhera determines its performance obligations under such arrangements and in case of multiple deliverables, allocates the transaction price to each distinct performance obligation on a relative stand-alone selling price basis. Typically, these arrangements include obligations such as maintenance of patents, research and development support and services, memberships in joint steering committees and other involvement in the arrangement, in which case the upfront and milestone payments may represent advance payments for future services and/or the right to access the underlying intellectual property of the Group. Revenue from such agreements is recognized upon transfer of control of the license or services rendered.

Sales-based or usage-based royalties received in exchange for licenses of intellectual property are recognized as revenue at the later of when: (1) the subsequent sale or usage occurs; or (2) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated is satisfied (in whole or in part) where the license is the only or predominant item to which the royalty relates.

Revenue associated with upfront payments or performance milestones

Revenue associated with upfront payments or performance milestones is recognized in accordance with IFRS 15.

2.25 Development expenses

Development expenses are charged to the consolidated income statement as incurred. In-licensing costs are capitalized as intangible assets when it is probable that future economic benefits will flow to Santhera. Capitalized in-licensing costs are amortized on a straight-line basis over the period of the expected benefit when the asset becomes available for use and are reviewed for impairment indicators at each balance sheet date.

3. Critical Accounting Estimates, Assumptions and Judgments

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Santhera's accounting policies and in developing estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the related actual outcome. The following areas involve assumptions and estimates that can have a significant impact on the consolidated financial statements:

- Assessment of the Group's ability to continue as a going concern;
- Revenue recognition and related accruals, which is derived primarily from licensing fees, achievement of specified milestones and research services;
- Valuation of financial instruments measured at fair value through profit or loss;
- Defined benefit pension schemes actuarial valuations where various assumptions on discount rates, salary increase rates and mortality rates, etc. bear significant uncertainties due to the long-term nature of the plans;
- Provisions and accrued expenses are reasonably estimated based upon currently available information. However, given the inherent difficulties in estimating liabilities relating to clinical development, variable consideration, taxes, and possible litigation due to the uncertainty concerning both the amount and timing of future expenditures, additional costs may be incurred materially beyond the amounts accrued. The Company records a provision for its contingent obligations when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

4. Principal Currencies Translation Rates

The following table sets forth the foreign currency exchange rates of the CHF against key currency used for foreign currency translation when preparing the Group's consolidated financial statements.

	Average rates for year ended		Year-end rates	
	Dec 31, 2023	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
1 Euro (**EUR**)	0.9717	1.0038	0.9281	0.9839
1 US dollar (**USD**)	0.8985	0.9548	0.8401	0.9233
1 British pound (**GBP**)	1.1169	1.1800	1.0672	1.1108
1 Canadian dollar (**CAD**)	0.6658	0.7339	0.6339	0.6814

5. Tangible Assets

5.1 Movements in carrying value of tangible assets

In CHF thousands	Right-of-use assets vehicles	Right-of-use assets offices	Equip-ment	IT hard-ware	Lease-hold improve-ments	**Total 2023**
Cost						
Balance, January 1	88	3,785	610	849	1,496	**6,828**
Additions	0	89	0	90	0	**179**
Disposals	0	0	(42)	(157)	(16)	**(215)**
Balance, December 31	**88**	**3,874**	**568**	**782**	**1,480**	**6,792**
Accumulated depreciation						
Balance, January 1	(12)	(3,230)	(491)	(803)	(1,284)	**(5,820)**
Additions	(22)	(385)	(43)	(43)	(110)	**(603)**
Disposals	0	0	42	156	15	**213**
Balance, December 31	**(34)**	**(3,615)**	**(492)**	**(690)**	**(1,379)**	**(6,210)**
Net book value, December 31	**54**	**259**	**76**	**92**	**101**	**582**

						Total 2022
Cost						
Balance, January 1	0	4,252	880	944	1,537	**7,613**
Additions	88	108	0	47	6	**249**
Disposals	(0)	(575)	(270)	(142)	(47)	**(1,034)**
Balance, December 31	**88**	**3,785**	**610**	**849**	**1,496**	**6,828**
Accumulated depreciation						
Balance, January 1	(0)	(3,419)	(731)	(917)	(1,222)	**(6,289)**
Additions	(12)	(386)	(30)	(27)	(109)	**(564)**
Disposals	0	575	270	141	47	**1,033**
Balance, December 31	**(12)**	**(3,230)**	**(491)**	**(803)**	**(1,284)**	**(5,820)**
Net book value, December 31	**76**	**555**	**119**	**46**	**212**	**1,008**

6. Intangible Assets

6.1 Vamorolone

Vamorolone, the active substance in the marketed product AGAMREE for the treatment of DMD, is the first and only medicinal product for DMD to have received full approval in the U.S., EU, and UK. In October 2023, upon obtaining the U.S regulatory approval, the vamorolone intangible asset became available for use. The estimated useful life of the asset is determined to be fifteen years and it is amortized on a straight-line basis.

In 2023, upon achievement of the U.S. Food and Drug Administration (**FDA**) approval, Santhera was required to pay its licensing partners regulatory-based milestone payments totaling CHF 23.7million. The payments have been capitalized and added to the cost of the intangible asset. In 2022, CHF 3.9 million of advanced regulatory-based milestones payments were capitalized.

6.2 Lonodelestat

Lonodelestat (previously known as POL6014), a highly potent and selective peptide inhibitor of human neutrophil elastase (**hNE**), has been in development for the treatment of cystic fibrosis (**CF**). Given that lonodelestat has not yet obtained regulatory approval, the intangible asset is deemed not available for use and therefore has not been amortized to date. However, the intangible asset has been tested for impairment annually.

6.3 Idebenone

Idebenone, the active substance in the marketed product Raxone for the treatment of Leber's hereditary optic neuropathy (**LHON**), was divested in the third quarter of 2023. For more information on the disposal, see Note 16.

6.4 Movements in carrying value of intangible assets

In CHF thousands	Vamorolone	Lonodelestat	Idebenone	Software and patents	**Total 2023**
Cost					
Balance, January 1	51,048	6,210	30,387	594	**88,239**
Additions	23,653	0	0	130	**23,783**
Disposals	(0)	(0)	(30,387)	(0)	**(30,387)**
Balance, December 31	**74,701**	**6,210**	**0**	**724**	**81,635**
Accumulated amortization and impairment					
Balance, January 1	(0)	(6,210)	(22,286)	(537)	**(29,033)**
Additions	(886)	(0)	(1,519)	(36)	**(2,441)**
Disposals	0	0	23,805	0	**23,805**
Impairment	(0)	(0)	(0)	(0)	**(0)**
Balance, December 31	**(886)**	**(6,210)**	**(0)**	**(573)**	**(7,669)**
Net book value, December 31	**73,815**	**0**	**0**	**151**	**73,966**

(continued)	Vamorolone	Lonodelestat	Idebenone	Software and patents	**Total 2022**
Cost					
Balance, January 1	47,145	6,210	30,387	813	**84,555**
Additions	3,903	0	0	0	**3,903**
Disposals	(0)	(0)	(0)	(219)	**(219)**
Balance, December 31	**51,048**	**6,210**	**30,387**	**594**	**88,239**
Accumulated amortization and impairment					
Balance, January 1	(0)	(0)	(19,246)	(713)	**(19,959)**
Additions	(0)	(0)	(3,040)	(43)	**(3,083)**
Disposals	0	0	0	219	**219**
Impairment	(0)	(6,210)	(0)	(0)	**(6,210)**
Balance, December 31	**(0)**	**(6,210)**	**(22,286)**	**(537)**	**(29,033)**
Net book value, December 31	**51,048**	**0**	**8,101**	**57**	**59,206**

7. Intangible Assets Impairment Assessment

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is lower than the recoverable amount, the carrying amount is reduced to the recoverable amount by recognizing an impairment charge. Impairment charges arise from changes in the estimates of the future cash flows expected to result from the use of the asset and its eventual disposal. Factors such as lower-than-anticipated sales for products could result in impairment. The following summarizes the results of management's impairment assessment for each of the intangible assets.

7.1 Vamorolone

The results of the vamorolone intangible asset impairment assessment did not identify any indication that the asset may be impaired. Thus, did not result in the requirement to recognize an impairment loss for the year ending December 31, 2023. For the year ended December 31, 2022, the impairment assessment did not result in the recognition of an impairment loss.

7.2 Lonodelestat

As introduced in Note 6.2, in April 2024 the lonodelestat development program was discontinued and all rights to lonodelestat and all data generated by Santhera on lonodelestat during the term of the license shall revert to Spexis. After a thorough analysis of the changing therapeutic landscape in cystic fibrosis and other pulmonary conditions, Santhera did not see any potential to justify continuing development of the asset. In 2022, when the lonodelestat development program was initially paused, the intangible asset's cost was fully impaired. The impairment loss was recognized in the consolidated income statement for the year ending December 31, 2022.

8. Deferred Tax Assets

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Temporary differences on inventory	-	3
Deferred tax assets recognized	**-**	**3**
Temporary differences on intangible assets, net	-	959
Temporary differences on convertible bonds	-	13
Tax loss carryforwards	-	(972)
Deferred tax liabilities recognized	**0**	**0**
Tax loss carryforwards	185,896	298,066
Of which recorded	-	(7,225)
Of which unrecorded	**185,896**	**290,841**
Unrecorded tax loss carryforwards expiring in:		
1 year	7,300	41,918
2 years	9,871	41,237
3 years	-	27,734
4 years	45,115	1,455
5 years	53,807	46,035
More than 5 years	45,899	99,306
Without expiration	23,904	33,156
Total unrecorded tax loss carryforwards	**185,896**	**290,841**

Due to the uncertainty surrounding the future results of operations and the uncertainty as to whether Santhera can use the tax loss carryforwards for tax purposes, deferred tax assets on tax loss carryforwards were only considered to the extent that they offset taxable temporary differences within the same taxable entity. As there are no temporary differences associated with investments in subsidiaries, no deferred tax liability has to be recognized. No deferred tax assets are recognized on temporary differences related to pension obligations (CHF 3.9 million at December 31, 2023 and CHF 1.8 million at December 31, 2022) and warrant liabilities (CHF 3.5 million at December 31, 2023 and CHF 7.4 million at December 31, 2022).

9. Inventories

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Raw materials	1,314	0
Semi-finished goods	416	0
Finished goods	81	108
Total inventories	**1,811**	**108**

10. Trade and Other Receivables

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Trade receivables, gross	554	557
Other receivables	1,715	653
General allowance for expected credit losses on trade receivables	(6)	(19)
Specific allowance for expected credit losses on trade and other receivables	(108)	(100)
Total trade and other receivables, net	**2,155**	**1,091**

Trade and other receivables are due within 30 to 120 days and bear no interest.

The Group uses an allowance matrix to estimate the allowance for expected credit losses on trade receivables. The expected credit loss rate is based on the Group's historical experience and the Group's expectation of economic conditions over the period until the trade receivables are expected to be paid. Where there is no reasonable expectation of recovery, a specific allowance is established to fully write off trade receivables and other receivables. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan.

The allowance matrices below summarize the expected credit losses on the Group's trade receivables:

In CHF thousands	Current	0-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days	**Total Dec 31, 2023**
Expected credit loss rate	0.3%	0.9%	2.1%	4.2%	7.7%	11.5%	13.0 to 25%	
Trade receivables	332	134	0	88	0	0	0	**554**
Expected credit loss	1	1	0	4	0	0	0	**6**

								Total Dec 31, 2022
Expected credit loss rate	0.3%	0.9%	2.1%	4.2%	7.7%	11.5%	13.0 to 25%	
Trade receivables	220	211	0	0	0	0	126	**557**
Expected credit loss	1	2	0	0	0	0	16	**19**

The table below summarizes the changes in the allowance for expected credit losses:

In CHF thousands	**2023**	**2022**
Allowance for expected credit losses, January 1	119	159
Reversals	(8)	(43)
Increases	3	3
Allowance for expected credit losses, December 31	**114**	**119**

11. Cash and Cash Equivalents

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Cash at banks and on hand	8,527	1,353
Short-term investments with maturity of less than three months	21,843	0
Total cash and cash equivalents	**30,370**	**1,353**

12. Share Capital

12.1 Ordinary share capital

At the AGM held on June 27, 2023, the shareholders approved a reverse share split in the ratio of 10:1. The reverse share split was completed on July 3, 2023. All share data presented in these consolidated financial statements reflect the effects of the reverse share split, unless otherwise indicated. The new shares issued following the reverse stock split, in June 2023 have a new International Securities Identification Number (**ISIN**) while the existing shares held prior to the reverse stock split have been canceled. At the AGM, shareholders also gave their consent to the creation of a capital band which authorizes the Board to increase or reduce the share capital within a certain range and over a period of up to five years.

At the Extraordinary General Meeting (**EGM**) held on November 29, 2022, the shareholders approved an ordinary capital increase by up to CHF 400,000.00 by issuing up to 4,000,000 fully paid-in registered shares with a nominal value of CHF 0. 10 each. The increase became effective on February 28, 2023.

As announced on February 28, 2023, through a private placement to Highbridge Capital Management LLC, the Company issued 3 million Shares at CHF 0.75 per Share for total proceeds of CHF 2.2 million.

As announced on June 20, 2023, in connection with the License and Collaboration Agreement with Catalyst Pharmaceuticals, Inc. (**Catalyst**), a commercial-stage biopharmaceutical company focused on novel medicines for patients living with rare diseases, Santhera and Catalyst entered into an Investment Agreement of even date, whereby the Company issued 1,414,688 Shares at CHF 9.477 per Share for total proceeds of CHF 13.4 million (**Investment Funds**). The use of the Investment Funds shall be solely to fund the costs of any Phase 4 Program Activities related to vamorolone for the initial indication and/or to fund future development of additional indications that the parties mutually agree to. See Note 23 for more information on the outlicensing transaction with Catalyst.

During the year ended December 31, 2023, a total of 5,088,325 new Shares were issued for financing transactions, share-based compensation, and for treasury shares. As of December 31, 2023, issued share capital totals CHF 1,262,037.60, consisting of 12,620,376 Shares with a nominal value of CHF 0.10 each. As of December 31, 2022, issued share capital totaled CHF 753,205.10, consisting of 7,532,051 Shares with a nominal value of CHF 0.10 each.

12.2 Treasury shares

During the year ended December 31, 2023, a total of 4,923,097 new Shares were issued to be held as treasury shares intended to be used for financing transactions and share-based compensation, and of which 4,562,342 treasury shares were used for the same.

As of December 31, 2023, the Company held 1,305,167 treasury shares with a nominal value of CHF 0.10 each for a total value of CHF 130,516.70. As of December 31, 2022, the Company held 943,802 treasury shares with a nominal value of CHF 0.10 each for a total value of CHF 94,380.17.

12.3 Capital band

As of December 31, 2023, the Company held a capital band between CHF 630,000.00 (lower limit) and CHF 1,860,000.00 (upper limit). Within the range of the capital band, the board of directors is authorized to increase the share capital in any amount once or several times until June 26, 2028.

12.4 Conditional shares

Pursuant to Article 3b and Article 3c of the Company's Articles of Incorporation, the Company has conditional shares. The conditional shares represent conditional capital authorized for issuance for share-based compensation, under the exclusion of shareholders' pre-emptive rights, and financing transactions, respectively.

At the AGM held on June 27, 2023, the shareholders endorsed the replacement of the existing conditional capital for financing purposes and for employee participations by corresponding new, increased conditional capital.

Article 3b conditional shares

During the year ended December 31, 2023, a total of 61,531 shares were issued out of Article 3b conditional capital for new Share issuances for share-based compensation. As of December 31, 2023, Article 3b conditional capital totals CHF 54,245 consisting of 542,450 shares with a nominal value of CHF 0.10 each. As of December 31, 2022, the total was CHF 50,345.83, consisting of 503,458 shares with a nominal value of CHF 0.10 each.

Article 3c conditional shares

During the year ending December 31, 2023, a total of 1,026,794 shares were issued out of the Article 3c conditional shares for new Share issuances for financing transactions. As of December 31, 2023, Article 3c conditional capital totals CHF 550,000.00, consisting of 5,500,000 shares with a nominal value of CHF 0.10 each. As of December 31, 2022, the total was CHF 301,566.22, consisting of 3,015,662 shares with a nominal value of CHF 0.10 each.

13. Financial Liabilities

13.1 Equity-linked financing arrangements

Exchangeable Notes – Highbridge Capital Management

In July 2020, the Company and its subsidiary Santhera Pharmaceuticals (Schweiz) AG (**Santhera Schweiz**), entered into a subscription agreement with a fund managed by Highbridge Capital Management LLC (any such entity, **Highbridge**), providing for the issuance of senior secured Exchangeable Notes (**Exchangeable Notes**), subject to certain conditions and available in tranches, and exchangeable for Shares. This agreement has been undergone a series of amendments in subsequent years.

The Highbridge Exchangeable Notes are considered hybrid contracts containing a host that is a financial liability and different embedded derivatives. Since the economic characteristics and risks of the host and the embedded derivatives are not closely related, the embedded derivatives are separated from the host. The compound embedded derivative includes different features like interest rate choices, a compound interest rate calculation based on the interest rate choice, discounts based on Share prices, a floor for Share prices and different exchange rights. There is an interdependence between the mentioned features, which is why they are recognized as one compound embedded derivative with their fair value. The Exchangeable Notes are recognized as financial liabilities measured at amortized cost using the effective interest method and the embedded derivatives are recognized as financial liabilities measured at fair value through profit or loss.

For the year ended December 31, 2022, net proceeds from Exchangeable Notes totaled CHF 33 million. As of December 31, 2022, the carrying value of the Exchangeable Notes totaled CHF 22.1 million and the fair value of the embedded derivatives totaled CHF 5.4 million.

In February 2023, Santhera and Highbridge agreed to the disbursement of up to CHF 20 million, of which CHF 5 million was available for immediate drawdown, and CHF 15 million in subsequent tranches, conditional on certain milestones and other conditions. All outstanding Exchangeable Notes could have been exchanged by Highbridge for Shares at a discount to VWAP, subject to the then current floor price. In addition, Santhera agreed on a new conversion price of CHF 5.00 for CHF 5 million of the private convertible bond and to CHF 10.00 for the remaining outstanding private convertible bond (see Note 13.2 “2021/24 Private Bonds” for more information).

During the six months ended June 30, 2023, net proceeds from Exchangeable Notes totaled CHF 7.5 million. In July 2023, the Exchangeable Notes outstanding totaling CHF 25.5 million plus accrued interest and make-whole expenses totaling CHF 7.2 million were entirely repaid. At the settlement date of July 25, 2023, the Exchangeable Notes and the embedded derivatives were derecognized.

Warrants – Highbridge

In connection with the Highbridge Exchangeable Notes and the amendment of February 2023 (described above), the exercise price of the existing and outstanding warrants held by Highbridge, of which were all issued in 2021, were amended to CHF 5.00 per Share. As consideration for the incremental capital of up to CHF 20 million made available per the amendment of February 2023, Santhera issued to Highbridge an additional 200,000 warrants, each of which is exercisable for one Share at an exercise price of CHF 5.00 at any time upon issuance until September 20, 2026. The warrants are initially and subsequently recognized at fair value through profit or loss and are classified as financial liabilities until exercised by the holder.

The combined fair value of the warrants granted in 2021 was initially recognized as prepaid financing transaction costs. Once the Exchangeable Notes are issued, the prepaid financing transaction cost is expensed on a pro rata basis. During the year ending December 31, 2023, the outstanding Exchangeable Notes were entirely repaid. As of December 31, 2022, prepaid financing transaction costs totaled CHF 0.3 million.

As of December 31, 2022, the combined fair value of the warrants outstanding totaled CHF 1.8 million and nil had been exercised in 2022. As of December 31, 2023, the combined fair value of the warrants outstanding totals CHF 1.2 million and 206,975 were exercised in 2023. Refer to Note 13.3 for a summary of total warrants granted and outstanding at December 31, 2023.

Warrants – other financing transactions

As part of the equity raise transaction that took place in September 2021, Santhera granted a total of 633,504 warrants with a fair value of CHF 10.50 per warrant at the grant date and an exercise price of CHF 20.00. The warrants are initially and subsequently recognized at fair value through profit or loss and are classified as financial liabilities until exercised by the holder.

As announced on January 10, 2023, Santhera entered into a share exchange agreement with Idorsia Ltd (SIX: IDIA), a biopharmaceutical company headquartered in Allschwil, Switzerland (**Idorsia**), pursuant to which Idorsia transferred 346,500 of its registered shares to Santhera. As consideration, Santhera delivered 552,902 Shares, valued at CHF 9.043 to Idorsia and issued 221,161 warrants to Idorsia, each of which is exercisable for one Share at an exercise price of CHF 9.043 at any time until January 9, 2025. The purpose of such a share exchange was to obtain short-term liquidity by selling the Idorsia shares. During the six months ended June 30, 2023, all these Idorsia shares were sold generating net proceeds of CHF 5.7 million. The warrants are initially and subsequently recognized at fair value through profit or loss and are classified as financial liabilities until exercised by the holder.

As of December 31, 2022, the combined fair value of the warrants outstanding totaled CHF 4.3 million and nil had been exercised in 2022. As of December 31, 2023, the combined fair value of the warrants outstanding totals CHF 2.3 million and 175,000 were exercised in 2023. Refer to Note 13.3 for a summary of total warrants granted and outstanding at December 31, 2023.

The table below summarizes the changes in financial liabilities arising from equity-linked financing arrangements and their financial instruments:

In CHF thousands	Exchangeable Notes	Exchangeable Notes derivatives	Exchangeable Notes warrants	Warrants
Balance, December 31, 2021	**1,488**	**402**	**1,202**	**4,181**
Cash flows:				
Net proceeds	33,000	0	0	0
Non-cash changes:				
Initial recognition of financial instruments at fair value	(8,773)	8,773	0	0
Nominal value of exchangeable notes converted into Shares	(14,325)	0	0	0
Issuance of notes against non-cash settlement	7,000	0	0	0
Derecognition of financial instruments on conversion of exchangeable notes into Shares	0	(2,551)	0	0
Effective interest/amortized cost/fair value adjustments	3,737	(1,184)	564	114
Balance, December 31, 2022	**22,127**	**5,440**	**1,766**	**4,295**

(continued)	Exchangeable Notes	Exchangeable Notes derivatives	Exchangeable Notes warrants	Warrants
Cash flows:				
Proceeds	7,500	0	0	0
Repayment	(25,475)	0	0	0
Non-cash changes:				
Initial recognition of financial instruments at fair value	(1,933)	1,213	720	1,106
Nominal value of exchangeable notes converted into Shares	(9,700)	0	0	0
Derecognition of financial instruments on conversion of exchangeable notes into Shares	0	(1,633)	0	0
Derecognition of financial instruments at Settlement	0	(4,224)	0	0
Derecognition of financial instruments on Exercise	0	0	(1,284)	(1,591)
Effective interest/amortized cost/fair value Adjustments	7,481	(796)	46	(1,545)
Balance, December 31, 2023	**0**	**0**	**1,248**	**2,265**

Equity-linked financial instruments valuation and sensitivity analysis

The equity-linked financing arrangements' financial instruments includes the embedded derivatives and warrants. The financial instruments valuations are based on Level 3 unobservable input parameters applying a simulation-based approach. The implied volatility, a significant valuation input, is determined by reference to the annualized daily trading volatility of Santhera's Shares for a historical lookback period equal to the expected remaining life of the conversion right as of the valuation date. By construction, the compound financial instrument issued to Highbridge is assumed will be exercised by conversion to shares before maturity. For valuation purposes, it is therefore assumed that the expected exercise date is between the investing date and the maturity date.

The table below shows the implied volatility as of the valuation date:

Financial instruments	**Dec 31, 2023**	**Dec 31, 2022**
Equity-linked financing arrangements – derivatives	-	104%
Equity-linked financing arrangements – warrants:		
Granted in May 2021	-	76%
Granted in September 2021	82%	72%
Granted in January 2023	85%	-
Granted in February 2023	82%	-

The table below shows the impact that a 5% increase/decrease in volatility has on the fair value for each category of financial instrument and its effect on result before taxes as of the valuation date.

In CHF thousands		**Dec 31, 2023**	**Dec 31, 2022**
Financial instruments	Increase/decrease in volatility assumption	Effect on result before taxes	Effect on result before taxes
Equity-linked financing arrangements – derivatives			
Change in volatility	+5%	-	86
	-5%	-	(83)
Equity-linked financing arrangements – warrants			
Change in volatility	+5%	(214)	(29)
	-5%	208	22

13.2 Financing arrangements – senior unsecured convertible bonds

2021/24 Bonds

On May 4, 2021, Santhera issued senior unsecured convertible bonds with a maturity date of August 17, 2024 in the nominal value of CHF 30.3 million (**2021/24 Bonds**). The bonds, listed on the SIX (ISIN: CH0563348744), are interest bearing (7.5%) with a maximum term of 39 months, and are convertible into Shares with a nominal value of CHF 10.00 each. The initial conversion price is fixed at CHF 30.029. In addition, Santhera could call the 2021/24 Bonds at any time on or after the second anniversary of the issue date at par, plus accrued interest, if any, if the VWAP of the Shares is at least 150% of the conversion price.

During the year ended December 31, 2022, in connection with the Highbridge Exchangeable Notes (described in Note 13.1 “Exchangeable Notes – Highbridge Capital Management”), approximately CHF 5.2 million drawn was used to repurchase the remaining outstanding 2021/24 Public Bonds issued to Highbridge. The repurchase of CHF 6.0 million of bonds at a discount resulted in a realized gain of CHF 1.5 million, which was recognized as financial income in the consolidated income statement for the year ended December 31, 2022.

During the year ended December 31, 2022, nil 2021/24 Bonds were converted into Shares. As of December 31, 2022, the 2021/24 Bonds had a remaining aggregate nominal value of CHF 13.5 million and a carrying value of CHF 11.6 million, and the fair value of the derivatives totals CHF 0.8 million.

During the year ended December 31, 2023, nil 2021/24 Bonds were converted into Shares. As of December 31, 2023, the 2021/24 Bonds have a remaining aggregate nominal value of CHF 13.5 million and a carrying value of CHF 12.8 million, and the fair value of the derivatives totals CHF 0.1 million. Given that the 2021/24 Bonds become due in August 2024, the carrying value of the bond and the fair value of its derivatives have been reclassified from noncurrent to current in the consolidated balance sheet at December 31, 2023.

2021/24 Private Bonds

On October 14, 2021, in a private offering, Santhera issued senior unsecured convertible bonds to Highbridge with an aggregate nominal value of CHF 15 million (**2021/24 Private Bonds**). The terms of the 2021/24 Private Bonds are substantially similar to those of the 2021/24 Bonds, except for the conversion price fixed at CHF 17.60 and the floor price for purposes of interest payments fixed at CHF 12.50.

As consideration for its commitment to subscribe for the 2021/24 Private Bonds, Highbridge received 150,000 warrants with a fair value of CHF 10.50 per warrant at the date of grant. Each warrant is exercisable at any time

until September 22, 2026, for one Share at an exercise price of CHF 5.00. The warrants are initially and subsequently recognized at fair value through profit or loss and are classified as financial liabilities until exercised by the holder.

During the year ended December 31, 2022, 2021/24 Private Bonds with a total aggregate nominal value of CHF 3 million were converted into Shares. Nil warrants were exercised and converted into Shares. As of December 31, 2022, the 2021/24 Private Bonds had an aggregate nominal value of CHF 12 million and a carrying value of CHF 9.5 million. As of December 31, 2022, the fair value of the derivatives totaled CHF 3.5 million and the fair value of the warrants totaled CHF 1.3 million.

In February 2023, Santhera and Highbridge agreed on a new conversion price of CHF 5.00 for CHF 5 million of the 2021/24 Private Bonds and of CHF 10.00 for the remaining outstanding 2021/24 Private Bonds. The modification of the terms resulted in a loss in the amount of CHF 0.3 million, which has been recognized as financial expense during the year ending December 31, 2023.

During the year ended December 31, 2023, 2021/24 Private Bonds with a total aggregate nominal value of CHF 1 million were converted into Shares and all the 150,000 warrants granted were exercised and converted into Shares. As of December 31, 2023, the 2021/24 Private Bonds have an aggregate nominal value of CHF 11 million and a carrying value of CHF 8.2 million. As of December 31, 2023, the fair value of the derivatives totals CHF 5.2 million.

The following table summarizes the nominal and carrying values of the senior unsecured convertible bonds:

In CHF thousands					**Dec 31, 2023**		**Dec 31, 2022**	
	Offering	Currency	Interest	Maturity	Nominal value	Carrying value	Nominal value	Carrying value
2021/24 Bonds (ISIN: CH0563348744)	Public	CHF	7.5%	Aug 2024	13,547	12,755	13,547	11,613
2021/24 Private Bonds	Private	CHF	7.5%	Aug 2024	10,999	8,188	11,971	9,467
Total convertible bonds					**24,546**	**20,943**	**25,518**	**21,080**
Less current portion of convertible bonds with short-term maturities						20,943		0
Noncurrent portion of convertible bonds with long-term maturities						0		21,080

The table below summarizes the changes in financial liabilities arising from convertible bond issuances and their financial instruments:

In CHF thousands	2021/24 Bonds	2021/24 Bonds derivatives	2021/24 Private Bonds	2021/24 Private Bonds derivatives	2021/24 Private Bonds warrants
Balance, December 31, 2021	**15,387**	**1,126**	**10,409**	**2,557**	**990**
Repurchase of bonds	(6,014)	(45)	0	0	0
Nominal value of bonds converted into Shares	0	0	(3,031)	0	0
Derecognition of financial instruments on conversion of bonds into Shares	0	0	0	(1,117)	0
Effective interest/amortized cost/fair value adjustments	2,240	(251)	2,089	2,065	345
Balance, December 31, 2022	**11,613**	**830**	**9,467**	**3,505**	**1,335**
Adjustment for modification of bonds	0	0	(3,340)	3,594	0
Nominal value of bonds converted into Shares	0	0	(972)	0	0
Derecognition of financial instruments on conversion of bonds into Shares	0	0	0	(829)	0
Derecognition of financial instruments on exercise	0	0	0	0	(671)
Effective interest/amortized cost/fair value adjustments	1,142	(763)	3,033	(1,082)	(664)
Balance, December 31, 2023	**12,755**	**67**	**8,188**	**5,188**	**0**

Convertible bonds financial instruments valuation and sensitivity analysis

The convertible bonds conversion rights, reset mechanisms, and early redemption options are considered embedded financial derivatives and requires initial recognition and subsequent measurement at fair value through profit or loss. The valuation of the embedded derivatives is based on Level 3 unobservable input parameters applying a simulation-based valuation approach. The implied volatility is determined by reference to the annualized daily trading volatility of Santhera's shares for a historical lookback period equal to the expected remaining life of the conversion right as of the valuation date.

The embedded conversion rights and reset mechanisms are directly related and have the same risk exposure. Therefore, these two derivatives are accounted for as a single financial instrument (i.e., a compound derivative). Due to the reset mechanisms, the compound derivative is not settled for a fixed number of Shares and hence classifies as a financial liability. The convertible bonds are recognized as financial liabilities measured at amortized cost using the effective interest method and the embedded derivatives are recognized as financial liabilities measured at fair value through profit or loss.

A key input to determine the valuation of the financial instruments, the identified volatility, is calculated based on the historical returns of the Company's Shares over a period commensurate to the duration of the instrument.

The table below shows the implied volatility as of the valuation date:

Financial instruments	**Dec 31, 2023**	**Dec 31, 2022**
Derivatives:		
2021/24 Bonds	80%	88%
2021/24 Private Bonds	80%	88%
Warrants:		
2021/24 Private Bonds	-	72%

The table below shows the impact that a 5% increase/decrease in volatility has on the fair value for each category of financial instrument and its effect on result before taxes as of the valuation date:

In CHF thousands		**Dec 31, 2023**	**Dec 31, 2022**
Financial instruments	Increase/decrease in volatility assumption	Effect on result before taxes	Effect on result before taxes
2021/24 Bonds – derivatives			
Change in volatility	+5%	(22)	(45)
	-5%	20	67
2021/24 Private Bonds – derivatives			
Change in volatility	+5%	(22)	(7)
	-5%	29	2
2021/24 Private Bonds – warrants			
Change in volatility	+5%	-	(45)
	-5%	-	45

13.3 Summary of warrants issued and outstanding

The table below summarizes the changes in warrants outstanding in connection with financing arrangements:

Warrants granted	Expiry date	Exercise price (CHF)	**Outstanding Dec 31,2022**	Issued	Exercised	Expired/ Forfeited	**Outstanding Dec 31,2023**
98,477	Mar 15, 2026	5.00	98,477	0	(98,477)	0	0
425,000	Sep 22, 2026	5.00	425,000	0	(425,000)	0	0
458,504	Sep 22, 2026	20.00	458,504	0	0	0	458,504
221,161	Jan 9, 2025	9.043	0	221,161	0	0	221,161
200,000	Sep 20, 2026	5.00	0	200,000	(8,498)	0	191,502
1,403,142			**981,981**	**421,161**	**(531,975)**	**0**	**871,167**

14. Fair Value of Financial Liabilities Arising from Financing Activities

The table below summarizes the fair value hierarchy of financial liabilities measured at amortized cost and measured at fair value through profit or loss as of December 31, 2023, and December 31, 2022. During the year ended December 31, 2023, there have been no transfers between the different hierarchy levels.

In CHF thousands	**December 31, 2023**				
	Carrying value	Fair Value Hierarchy			
		Level 1	Level 2	Level 3	Total
2021/24 Bonds	12,755	13,496	0	0	**13,496**
2021/24 Private Bonds	8,188	0	5,855	0	**5,855**
Total financial liabilities at amortized cost	**20,943**	**13,496**	**5,855**	**0**	**19,351**
Derivative financial instruments	5,255	0	0	5,255	5,255
Warrant financial instruments	3,513	0	0	3,513	3,513
Total financial liabilities at fair value through profit or loss	**8,768**	**0**	**0**	**8,768**	**8,768**

	December 31, 2022				
	Carrying value	Fair Value Hierarchy			
		Level 1	Level 2	Level 3	Total
Exchangeable Notes	22,127	0	21,127	0	**21,127**
2021/24 Bonds	11,613	10,900	0	0	**10,900**
2021/24 Private Bonds	9,467	0	6,860	0	**6,860**
Total financial liabilities at amortized cost	**43,207**	**10,900**	**27,987**	**0**	**38,887**
Derivative financial instruments	9,775	0	0	9,775	**9,775**
Warrant financial instruments	7,396	0	0	7,396	**7,396**
Total financial liabilities at fair value through profit or loss	**17,171**	**0**	**0**	**17,171**	**17,171**

The Group applies the following assumptions in estimating fair values of financial liabilities carried on an amortized cost basis:

- The carrying amounts of short-term debt and current maturities of long-term debt, excluding finance lease obligations, are deemed a reasonable approximation of fair values
- Long-term debt, excluding finance lease obligations: Fair values of the Company's publicly traded convertible bonds are determined using quoted market prices (Level 1 inputs). For convertible bonds and Exchangeable Notes without available quoted market prices, the fair values are determined by reference to the present value of future contractual cash flows discounted at observable market interest rates for instruments with similar characteristics to those held by the Company (Level 2 inputs)

15. Lease Liabilities

In CHF thousands	**2023**	**2022**
Balance, January 1	1,230	1,812
Additions	89	157
Disposals	0	(89)
Interest expense	27	42
Payments including interest expense	(739)	(688)
Currency translation effects	(1)	(4)
Balance, December 31	**606**	**1,230**
Less current portion of lease liabilities	571	(623)
Noncurrent portion of lease liabilities	35	607

Total cash outflow for lease payments amounts to CHF 0.7 million for the year ended December 31, 2023 and CHF 0.7 million for the year ended December 31, 2022.

16. Sale of Idebenone Business

On July 28, 2023, Santhera divested the idebenone business worldwide and for all indications to Chiesi Farmaceutici S.p.A., an international research focused healthcare company (**Chiesi Group**), as part of its strategic realignment to focus on the operational preparations in the markets in which vamorolone will be launched. Under the terms of the agreement, Chiesi Group acquired the idebenone intangible asset, its associated inventory, and assumed the responsibility for the settlement agreed between Santhera and the French reimbursement authorities relating to Raxone in LHON, together in a single transaction (**disposal group**). The disposal group assets and associated liability have been derecognized from the consolidated balance sheet in the third quarter of 2023.

The net gain on the sale of CHF 17.7 million is mainly due to the derecognition of the noncurrent provision of CHF 24.6 million, which was partially offset by the loss of CHF 6.6 million on the derecognition of the idebenone intangible asset and associated inventory.

17. Trade and Other Payables

Trade and other payables are due within 30 to 120 days and bear no interest.

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Trade payables	3,556	3,895
Other payables (non-financial)	2,060	3,688
Total trade and other payables	**5,616**	**7,583**

18. Accrued Expenses

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Development programs	1,501	3,160
Liabilities to employees (non-financial)	5,115	2,564
Accruals for pricing reimbursements	575	0
Accruals for audit, consulting and other	1,505	2,380
Accruals for interest expense	876	2,747
Total accrued expenses	**9,572**	**10,852**

19. Current Provisions

Current provisions mainly consist of restructuring liabilities for employee-related costs. In June 2023, the Group initiated a restructuring plan in response to the outlicensing of intangible asset vamorolone in North America. The changes in restructuring liabilities for the year ended December 31, 2023 and December 31, 2022, are as follows:

In CHF thousands	**2023**	**2022**
Balance, January 1	11	192
Additions	546	0
Utilizations	(163)	(114)
Reversals	(243)	(67)
Currency translation effects	(10)	0
Balance, December 31	**141**	**11**

20. Commitments and Contingent Liabilities

20.1 Commitments to future payments

License agreements with ReveraGen and Idorsia

In September 2020, Santhera exercised the option to obtain worldwide exclusive rights to vamorolone in DMD and all other indications from ReveraGen Biopharma, Inc., a clinical-stage drug development company headquartered in Rockville, MD, U.S. (**ReveraGen**). Under the terms of the agreement, Santhera's obligations to ReveraGen are a payment of up to USD 7 million, payable in monthly instalments of up to USD 500,000, to fund development including the Phase 2b VISION-DMD study and USD 5 million at the time when FDA supports an NDA filing with Phase 2b 6-month data. Santhera is also required to pay ReveraGen and Idorsia regulatory and commercial milestone payments of up to USD 90 million in the DMD indication and five one-time sales milestone payments of up to USD 155 million in aggregate. Regulatory milestone payments due to ReveraGen and Idorsia for three additional indications amount to up to USD 205 million in aggregate. Upon commercialization of vamorolone, Santhera has also committed to pay ReveraGen and Idorsia tiered royalties ranging from a single-digit percentage to low double-digit percentage in total on the annual net sales of vamorolone.

On June 2, 2022, Santhera announced the amendment to the agreement with ReveraGen, resulting in a reduction of the USD 40 million milestone payment due upon FDA approval (achieved in the second half of 2023) by USD 20 million in exchange for an increase of the sales milestone by USD 20 million (due when vamorolone annual revenue reaches USD 100 million).

License agreement with Spexis

In February 2018, Santhera entered into a license agreement with Spexis (formerly Polyphor), under which lonodelestat was inlicensed on an exclusive worldwide basis in any indication. Lonodelestat (previously known as POL6014), a highly potent and selective peptide inhibitor of hNE, has been in development for the treatment of CF and other neutrophilic pulmonary diseases. During 2022 Santhera paused the development of lonodelestat, stating that continuation of the program was dependent on additional funding, partnering and reassessment of business case following other new treatments in CF emerging. The program remained on hold throughout 2023. In April 2024, Santhera terminated the licensing agreement, hence all rights to lonodelestat and all data generated by Santhera on lonodelestat during the term of the license reverts to Spexis. The decision to terminate the license was taken in light of Santhera's portfolio prioritization, and not as a result of any safety or efficacy data having arisen from the Phase 1a or Phase 1b studies undertaken on lonodelestat during the term of the license.

Contracts for clinical development and other activities

As part of its ordinary course of business, Santhera has entered into several contracts for clinical and technical development services, product supply and other business services. Commitments are within current market prices and can be terminated at the Company's discretion.

20.2 Accrued liabilities and contingent liabilities

Management believes that accrued expenses are reasonably estimated based upon currently available information. However, given the inherent difficulties in estimating liabilities relating to clinical development, variable consideration, taxes, and possible litigation due to the uncertainty concerning both the amount and timing of future expenditures, additional costs may be incurred materially beyond the amounts accrued. The Company records a provision for its contingent obligations when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

21. Equity Rights Plans

Santhera has established equity rights plans to align the long-term interests of the members of the Board, the Executive Management, its employees, and selected consultants who are eligible to participate. Rights granted under these plans are equity-settled and recognized as share-based compensation expense in the consolidated income statement. Pursuant to Article 3b of the Company's Articles of Incorporation, the Company has conditional shares. The conditional shares represent conditional capital authorized for issuance for share-based compensation, under the exclusion of shareholders' pre-emptive rights, and financing transactions, respectively.

21.1 Employee long-term Incentive Plan (LTIP)

The objective of the Long-term Incentive Plan (**LTIP**) is to align variable long-term compensation with Santhera's strategy. The LTIP is designed to motivate participating employees to promote the achievement of medium- and long-term value-based objectives through their actions and decisions. Santhera strives to align the interests of the employees and the Company with those of shareholders beyond share price appreciation. In addition, the LTIP aims to strengthen executives' loyalty to Santhera, their identification with the Company and their motivation to stay with the Company. The LTIP consists of various plans in place as well as certain legacy plans under which no further grants will be made, each of which are described below.

Employee Stock Option Plan (ESOP)

The Employee Stock Option Plan (**ESOP**) contains customary provisions in respect of the adjustment or cancellation of stock options upon termination of employment, retirement, death, disability and certain corporate transactions. All stock option plans are administered under the responsibility of the Board. Each stock option entitles its holder to purchase one Share of the Company at an exercise price defined to be either a) equal to the volume-weighted average share price in the three preceding months for Swiss employees, or b) the closing share price on the SIX Swiss Exchange at each grant date. In general, 50% of the stock options vest on the second anniversary, 25% on the third anniversary and the remaining 25% on the fourth anniversary of the grant date. At the end of the option term, i.e., after a period of 10 years as from the grant date, unexercised stock options expire without value. Under the ESOP 2010 vested stock options of employees leaving the Company in good faith expire six months after the termination date of the employment. Under the ESOP 2015 vested stock options of employees leaving the Company in good faith do not expire before maturity. Unvested stock options of employees leaving the Company are forfeited under all stock option plans.

The table below summarizes the changes in the ESOP 2010, ESOP 2015, and the total number of stock options outstanding under the two plans:

	2023		**2022**	
Number of stock options	**ESOP 2010**	**ESOP 2015**	**ESOP 2010**	**ESOP 2015**
Outstanding, January 1	2,255	21,385	2,530	21,829
Exercised	0	0	0	0
Granted	0	0	0	0
Forfeited	0	(14)	0	(444)
Expired	(50)	0	(275)	0
Outstanding, December 31	**2,205**	**21,371**	**2,255**	**21,385**

Employee Share Appreciation Rights Plans (ESARP)

In 2016, Santhera introduced the Employee Share Appreciation Rights Plan (**ESARP**), and its subsequent renewals; ESARP 2016, ESARP 2017, ESARP 2018, and ESARP 2019, for the Executive Management and employees. Share Appreciation Rights (**SARs**) grants are made periodically at the discretion of the Board or as contractually agreed with employees. The ESARP contains customary provisions in respect of the adjustment or cancellation of SARs upon termination of employment, retirement, death, disability and certain corporate transactions. The ESARP are administered under the responsibility of the Board.

In 2021, the Company amended the LTIP with regard to the share-based instruments and discontinued granting SARs, which were replaced with a forward-looking, time- and performance-based plan, providing for a combination of stock options and Performance Share Units (**PSUs**). The combination of stock options and PSUs is decided annually by the Compensation Committee when issuing the annual grant under the LTIP.

The tables below summarize the changes in the various ESARP and the total number of SARs outstanding under each of these plans:

Number of SARs	**Outstanding Jan 1, 2023**	Exercised	Granted	Forfeited	Expired	**Outstanding Dec 31, 2023**
ESARP 2016	4,331	0	0	0	0	**4,331**
ESARP 2017	22,808	0	0	0	0	**22,808**
ESARP 2018	31,111	0	0	0	0	**31,111**
ESARP 2019	100,259	0	0	0	0	**100,259**
ESARP 2020	38,268	0	0	0	0	**38,268**
Total	**196,777**	**0**	**0**	**0**	**0**	**196,777**

Number of SARs	**Outstanding Jan 1, 2022**	Exercised	Granted	Forfeited	Expired	**Outstanding Dec 31, 2022**
ESARP 2016	4,331	0	0	0	0	**4,331**
ESARP 2017	23,081	0	0	(273)	0	**22,808**
ESARP 2018	31,538	0	0	(427)	0	**31,111**
ESARP 2019	101,119	0	0	(860)	0	**100,259**
ESARP 2020	41,096	0	0	(2,828)	0	**38,268**
Total	**201,165**	**0**	**0**	**(4,388)**	**0**	**196,777**

Employee Long-term Incentive Plan 2021, 2022, 2023 (ELTIP 2021, ELTIP 2022, ELTIP 2023)

In 2021, the Company adopted the Employee Long-term Incentive Plan (**ELTIP 2021**) to provide incentives to the Executive Management and other employees equity participation rights consisting of a combination of stock options and PSUs. The ELTIP 2021 was subsequently renewed in 2022 under the Employee Long-term Incentive Plan (**ELTIP 2022**) and in 2023 under the Employee Long-term Incentive Plan (**ELTIP 2023**).

The following provides a summary of ELTIP 2023. Each vested stock option entitles the participant to purchase one Share. Unless otherwise determined in the Equity Participation Rights Agreement and subject to the exceptions, 33% of the Equity Participation Rights vest on the first anniversary, the next 33% on the second anniversary and the remaining 34% on the third anniversary of the grant date. Participants may exercise the stock options at any time after vesting until they expire on the tenth anniversary of the grant date, or as otherwise determined in the Equity Participation Rights Agreement. Unless otherwise determined in the Equity Participation Rights Agreement, the Shares in exchange for the PSUs will be delivered to participants on the first business day of the calendar quarter following the final assessment of the achievement of the performance targets at the third anniversary of the grant date. SARs may not be exercised before they vest. After the end of the respective vesting period and up to the end of the SAR period, the participant has the right to exercise the SAR. Each vested SAR shall entitle the participant to receive such a number of Shares that is equivalent in terms of value to the difference between the price of the Share on the exercise date and the Exercise Base Value according to the Share Appreciation Rights Agreement.

The tables below summarize the changes in the ELITP 2021, ELTIP 2022, ELTIP 2023 and the total number of stock options, PSUs, and SARs outstanding under these plans:

Number of PSUs and stock options	**Outstanding Jan 1, 2023**	Exercised	Granted	Forfeited	Expired	**Outstanding Dec 31, 2023**
PSUs	202,076	0	0	(9,681)	0	**192,395**
Stock options	52,676	0	0	(6,911)	0	**45,765**
Total ELTIP 2021	**254,752**	**0**	**0**	**(16,592)**	**0**	**238,160**
PSUs	353,685	(16,000)	17,000	(11,554)	0	**343,131**
Stock options	160,264	0	0	(4,951)	0	**155,313**
Total ELTIP 2022	**513,949**	**(16,000)**	**17,000**	**(16,505)**	**0**	**498,444**
PSUs	0	0	514,895	0	0	**514,895**
SARs	0	0	253,608	0	0	**253,608**
Total ELTIP 2023	**0**	**0**	**768,503**	**0**	**0**	**768,503**

Number of PSUs and stock options	**Outstanding Jan 1, 2022**	Exercised	Granted	Forfeited	Expired	**Outstanding Dec 31, 2022**
PSUs	219,597	0	7,125	(24,646)	0	**202,076**
Stock options	50,497	0	7,125	(4,946)	0	**52,676**
Total ELTIP 2021	**270,094**	**0**	**14,250**	**(29,592)**	**0**	**254,752**
PSUs	0	0	364,220	(10,535)	0	**353,685**
Stock options	0	0	164,779	(4,515)	0	**160,264**
Total ELTIP 2022	**0**	**0**	**528,999**	**(15,050)**	**0**	**513,949**

During the year ended December 31, 2023, a total of 16,000 PSUs under the ELTIP 2022 equity rights plan were exercised with a weighted average share price at the date of exercise of CHF 8.91.

21.2 Board equity rights plans

In June 2021, the Company adopted the Board Restricted Share Plan (**BRSP**) and its subsequent renewal; BRSP 2022, BRSP 2023. Under the BRSP, members of the Board are granted at least 50% of their annual remuneration, as approved by the general meeting of shareholders of the Company, in Restricted Share Units (**RSUs**), valued at their fair market value based on the Share price at the grant date and other factors. Under the BRSP, annual RSU grants are made as of the day following the Company's annual general meeting of shareholders. In case of a termination of a participant's Board mandate, non-vested RSUs vest pro rata based upon the service period of the participant. If the participant has committed a severe breach of his/her duties or if he/she voluntarily resigns during the (one-year) term of his/her mandate, all of his/her RSUs are forfeited (unless the Board decides otherwise). In case of a termination by reason of disability, unvested RSUs continue to vest after termination of the mandate. In case of termination by reason of death, unvested RSUs vest immediately. Any existing period during which the transferability of the RSUs is limited will continue to run.

The tables below summarize the changes during the period and the total number of stock options, SARs and RSUs, collectively outstanding under each of these plans:

Number of stock option, SAR, RSU	**Outstanding Jan 1, 2023**	Exercised	Granted	Forfeited	Expired	**Outstanding Dec 31, 2023**
BSOP 2015	1,356	0	0	0	0	**1,356**
BSARP 2017	1,512	0	0	0	0	**1,512**
BSARP 2018	6,266	0	0	0	0	**6,266**
BSARP 2019	7,894	0	0	0	0	**7,894**
BSARP 2020	16,533	0	0	0	0	**16,533**
BRSP 2021	13,333	(6,667)	0	0	0	**6,666**
BRSP 2022	37,692	(40,014)	3,091	(769)	0	**0**
BSRP 2023	0	0	78,226	0	0	**78,225**
Total	**84,586**	**(46,681)**	**81,317**	**(769)**	**0**	**118,452**

Number of stock option, SAR, RSU	**Outstanding Jan 1, 2022**	Exercised	Granted	Forfeited	Expired	**Outstanding Dec 31, 2022**
BSOP 2015	1,356	0	0	0	0	**1,356**
BSARP 2017	1,512	0	0	0	0	**1,512**
BSARP 2018	6,266	0	0	0	0	**6,266**
BSARP 2019	7,894	0	0	0	0	**7,894**
BSARP 2020	16,533	0	0	0	0	**16,533**
BRSP 2021	35,625	(22,292)	0	0	0	**13,333**
BRSP 2022	0	0	37,692	0	0	**37,692**
Total	**69,186**	**(22,292)**	**37,692**	**0**	**0**	**84,586**

During the year ended December 31, 2023, a total of 46,681 RSUs under the BRSP 2021 and BRSP 2022 equity rights plans were exercised with a weighted average share price at the date of exercise of CHF 8.24. During the year ended December 31, 2022, a total of 222,918 RSUs under the BRSP 2021 equity rights plan were exercised with a weighted average share price at the date of exercise of CHF 5.10.

21.3 Terms of stock options outstanding

The table below summarizes the terms of the total number of stock options outstanding under all plans

	December 31, 2023			December 31, 2022		
Exercise price range adjusted for reverse share split (CHF)	Number of stock options outstanding	Number of stock options exercisable	Weighted average remaining contractual life (years)	Number of stock options outstanding	Number of stock options exercisable	Weighted average remaining contractual life (years)
8.40 to 8.42	477,616	375,213	8.00	488,157	327,893	9.00
13.50 to 27.30	45,764	29,124	7.10	52,676	19,922	8.08
38.90 to 45.30	1,750	1,750	0.00	1,800	1,800	1.00
222.50	455	455	0.00	455	455	1.00
693.00	1,265	1,265	2.00	1,265	1,265	3.00
821.00 to 1,145.00	21,462	21,462	1.72	21,476	21,476	2.66
Total	**548,312**	**429,269**	**6.79**	**565,829**	**372,811**	**7.29**

21.4 Terms of SARs, PSUs, RSUs outstanding

The table below summarizes the terms of the total number of SARs, PSUs, and RSUs collectively outstanding under all plans:

	December 31, 2023			December 31, 2022		
Exercise price range adjusted for reverse share split (CHF)	Number of SARs, PSUs, RSUs outstanding	Number of SARs, PSUs, RSUs exercisable	Weighted average remaining contractual life (years)	Number of SARs, PSUs, RSUs outstanding	Number of SARs, PSUs, RSUs exercisable	Weighted average remaining contractual life (years)
0.00	1,135,310	0	0.00	606,787	0	0.00
8.40	253,608	0	9.00	0	0	0.00
66.10 to 189.00	169,453	169,453	4.59	169,511	140,503	6.52
367.00 to 387.00	34,112	34,112	3.97	34,146	34,146	4.99
517.50 to 548.50	22,566	22,566	2.98	22,598	22,598	3.97
765.00 to 778.00	2,725	2,725	2.71	2,727	2,727	3.70
Total	**1,617,774**	**228,856**	**5.02**	**835,769**	**199,974**	**5.60**

21.5 Fair value of equity rights

The fair value of the equity rights granted under all plans is measured on the grant date applying valuation models such as the Finnerty's average strike put option model for RSUs, Monte Carlo model for PSUs and the Black-Scholes model for stock options. The following are the parameters used at the valuation date:

	Dec 31, 2023	**Dec 31, 2022** (adjusted for reverse share split)
Market price of stock	CHF 8.20 to CHF 8.70	CHF 8.40 to CHF 14.20
Exercise price	CHF 0.00 to CHF 8.40	CHF 0.00 to CHF 14.80
Weighted average fair value at grant date	CHF 6.20 to CHF 7.88	CHF 5.30 to CHF 14.10
Expected volatility (based on selected biotech companies)	80% to 83%	50% to 79%
Risk-free interest rate (spot rate, CHF)	0.78% to 0.80% p.a.	-0.20% to 0.53% p.a.
Term	1 to 10 years	1 to 10 years
Expected dividend yield	0%	0%

All equity rights granted under all plans are equity-settled and recognized as non-cash share-based compensation expense in the consolidated income statement over the period Santhera receives services.

21.6 Share-based compensation

The table below summarizes the classification of share-based compensation expense recognized in the consolidated income statement for the year ended December 31, 2023 and December 31, 2022:

In CHF thousands	**2023**	**2022**
Development	1,242	1,302
Marketing and sales	737	696
General and administrative	4,011	3,454
Total share-based compensation	**5,990**	**5,452**

Share-based compensation for the year ended December 31, 2022, includes the 2021 cash bonus that was approved and paid out in the form of stock options totaling 342,243, with a fair value of CHF 1.8 million, excluding social security payments. Consequently, the cash bonus accrual of CHF 1.9 million at December 31, 2021 was released within employee expenses in 2022. These stock options vested at the July 1, 2022 grant date. During the year ended December 31, 2023, a total of 3,390 of these stock options were exercised with an CHF 10.15 weighted average share price at the date of exercise, and a total of 16,550 expired. During the year ended December 31, 2022, a total of 43,500 of these stock options were exercised with an CHF 10.00 weighted average share price at the date of exercise.

22. Segment and Geographic Information

22.1 Revenue from contracts with customers

The following table presents the Company's revenues from contracts with customers disaggregated by region.

In CHF thousands	Europe	North America	Asia	**Total 2023**
Net sales	792	0	0	**792**
Revenue from outlicensing transactions	0	98,002	1,921	**99,923**
Net sales to licensing partner	2,610	89	0	**2,699**
Revenue from contracts with customers	**3,402**	**98,091**	**1,921**	**103,414**
				Total 2022
Net sales	(5,578)	0	0	**(5,578)**
Revenue from outlicensing transactions	0	0	11,190	**11,190**
Net sales to licensing partner	1,861	0	0	**1,861**
Revenue from contracts with customers	**(3,717)**	**0**	**11,190**	**7,473**

Net sales relate to Raxone for LHON direct sales in France. The negative net sales in 2022 was attributable to adjustments totaling CHF 6.0 million, relating to the Raxone for LHON pricing reimbursement negotiations in France, which has since been settled in February 2023. Excluding these adjustments, net sales totaled approx. CHF 0.4 million in 2022. No additional adjustments to net sales relating to this matter have been recognized in 2023.

Revenue from outlicensing transactions is comprised of upfront and regulatory-based milestone payments relating to the exclusive licensing agreements with Catalyst Pharmaceuticals, Inc. and Sperogenix Therapeutics Limited for the development and commercialization rights to vamorolone for the treatment of DMD and all other rare disease indications in North America and Greater China, respectively.

Net sales to licensing partner primarily relate to Raxone for LHON sales in Europe, with the majority of sales generated in Italy during each of the years ending December 31, 2023 and December 31, 2022. Following the sale of the idebenone business to Chiesi in 2023 no further sales will be made for Raxone.

22.2 Noncurrent assets (excluding financial instruments and deferred taxes)

The following table presents the Company's noncurrent assets (excluding financial instruments and deferred tax assets) disaggregated by country.

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Switzerland	74,519	60,116
United States and Canada	-	55
Netherlands	29	43
Total noncurrent assets (excluding financial instruments and deferred taxes)	**74,548**	**60,214**

23. Outlicensing Agreement with Catalyst Pharmaceuticals, Inc.

On June 19, 2023, Santhera entered into a License and Collaboration Agreement with Catalyst. Under the terms of the agreement, Santhera grants Catalyst exclusive development and commercialization rights to vamorolone for the treatment of DMD and all other rare disease indications in North America (U.S., Canada, Mexico and their territories and possessions), manufacturing rights, and the supply of product until the manufacturing transfer date. As consideration, Santhera;

- received a non-refundable initial payment of USD 75 million;
- is entitled to non-refundable contingent regulatory-based milestone payments of up to USD 176 million; and
- is entitled to non-refundable contingent sales-based milestone payments of up to USD 105 million, in addition tiered, from single- up to double-digit royalties on net sales.

Santhera assessed whether the performance obligation(s) promised in the agreement are distinct goods or services or represent a series of distinct goods or services to determine whether revenue is recognized at a point in time or when (or as) the performance obligation is satisfied. According to this assessment, Santhera identified the following distinct performance obligation:

- Santhera grants a right-to-use license to Catalyst for the development, commercialization, and manufacturing of vamorolone in the agreed territory. This performance obligation is satisfied at the point in time when Catalyst is granted the right-to-use license.

The regulatory-based milestone payments are contingent upon Santhera obtaining regulatory approval. Therefore, revenue is recognized when the regulatory milestones are achieved. For the sales-based milestone payments, as well as the further royalties on net sales, these considerations are contingent on Catalyst achieving sales milestones. As such, revenue for the sales-based milestone payments is recognized if and when the sales threshold is met, with the same exception as for the royalties.

During the year ended December 31, 2023, Santhera recognized the non-refundable initial payment of USD 75 million, plus the non-refundable regulatory-based milestone payments totaling USD 36 million as revenue from outlicensing transactions (total in CHF 98 million). Additionally, Santhera recognized revenue totaling USD 99 thousand (CHF 89 thousand) for the supply of product as part of net sales to licensing partner.

24. Operating Expenses by Nature

In CHF thousands	**2023**	**2022**
External development expenses	12,115	17,878
Patent and license expenses	331	745
Marketing and sales expenses	8,462	6,343
Employee expenses	17,394	12,221
Share-based compensation	5,990	5,452
General and administrative expenses	3,593	5,579
Depreciation and amortization	635	608
Impairment of intangible assets	0	6,210
Facility related and lease expenses	282	165
Other	880	915
Net gain on sale of idebenone business	(17,683)	0
Total operating expenses	**31,999**	**56,116**

25. Employee Expenses and Benefits

25.1 Employee expenses

In CHF thousands	**2023**	**2022**
Wages and salaries	14,107	9,449
Social security and other personnel-related expenses	3,173	2,668
Pension plans expenses	114	104
Share-based compensation	5,990	5,452
Total employee expenses	**23,384**	**17,673**

Average number of full-time equivalents throughout the year	42.3	46.5
Full-time equivalents at year-end	44.8	45.8
Total headcount at year-end	56	51

Employees with part-time and full-time permanent working contracts are considered under full-time equivalents.

25.2 Pension plan

In accordance with the Swiss pension fund law "Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision" (**OPA**), all employees of Santhera Pharmaceuticals Holding AG, and Santhera Pharmaceuticals (Schweiz) AG, both in Pratteln, Switzerland, have to be affiliated with a collective independent pension fund. These funds provide for retirement benefits, as well as risk benefits (death and disability). The plans qualify as defined benefit plans under IAS 19 *Employee Benefits* and the assets cannot revert to the employer. Contributions to the plans are such that the employee contributes 40% and the employer the rest. Contributions are computed as percentage of the salary, depending on age.

In order to manage these risks, since January 1, 2018, Santhera has an agreement with PKG Pensionskasse (**PKG**). PKG is responsible for the governance of the plan; its board is composed of an equal number of representatives from the employers and employees chosen from all affiliated companies. PKG has set up investment guidelines, defining in particular the strategic allocation with margins. PKG has insured the risks of disability and death before retirement with PKRück AG, Vaduz, Fürstentum Liechtenstein. The accumulated savings capital is allocated to each insured individual and consists of annual contributions, savings credits and interest credits. In certain situations, additional payments or increased periodic contributions by the employer may become due based on the pension plan's funded status as measured under Swiss **OPA** rules.

The tables below present the respective calculations performed by an independent actuary:

Changes in defined benefit obligations

In CHF thousands	**2023**	**2022**
Present value of obligation, January 1	17,529	17,492
Current service cost	994	1,065
Past service cost	195	0
Interest cost	344	34
Employee contributions	629	589
Benefits paid / transfer payments	1,384	991
Insurance premiums	(146)	(139)
Remeasurements	1,859	(2,503)
Present value of obligation, December 31	**22,788**	**17,529**

Remeasurements:		
Effect of changes in demographic assumptions	38	0
Actuarial (gain)/loss due to changes in financial assumptions	1,566	(3,751)
Actuarial (gain)/loss due to experience adjustments	255	1,248
Subtotal (gain)/loss	**1,859**	**(2,503)**
(Return)/loss on plan assets, excluding interest income	(155)	(656)
Total remeasurements in other comprehensive income (gain)/loss	**(1,704)**	**(3,159)**

Changes in plan assets

In CHF thousands	**2023**	**2022**
Fair value of plan assets, January 1	15,685	12,698
Interest income on assets	321	26
Employer contributions	903	863
Employee contributions	628	589
Benefits paid/transfer payments	1,384	991
Insurance premiums	(146)	(139)
Remeasurements (return/(loss) on plan assets, excluding interest income)	155	657
Fair value of plan assets, December 31	**18,930**	**15,685**

Net defined benefit asset/(obligation)

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Present value of obligation	22,788	17,529
Fair value of plan assets	18,930	15,685
Net defined benefit asset/(obligation)	**(3,858)**	**(1,844)**

Plan asset allocation

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Cash	246	267
Debt instruments	7,686	6,493
Equity instruments	6,909	5,395
Property	3,710	3,200
Others	379	330
Total fair value of plan assets	**18,930**	**15,685**

The weighted average assumptions to determine benefit obligations and defined benefit cost were as follows:

	2023	**2022**
Discount rate	1.4%	2.0%
Disability probabilities	80%	80%
Lump sum probabilities	30%	30%
Expected future salary increases	2.5%	2.0%

The table below shows the impact that changes to key assumptions have on the defined benefit obligation and the gross (net) service cost as of the pension plan valuation date:

In CHF thousands		**December 31, 2023**		**December 31, 2022**	
Sensitivity analysis	Increase/decrease in assumption	Defined benefit obligation	Gross (net) service cost	Defined benefit obligation	Gross (net) service cost
Discount rate	+0.25%	(581)	(19)	(422)	(15)
	-0.25%	611	21	443	17
Salary	+0.25%	112	(15)	88	(16)
Life expectancy	+1 year	366	20	247	15

Mortality rate

	2023	**2022**
Mortality assumptions are based on the BVG 2020 generation table life expectancy at age 65 (in years):		
Male	22.7	22.7
Female	24.5	24.5

Expected employer contributions, benefit obligations for the pensioners, duration of plan liabilities were as follows:

In CHF thousands (except duration of plan liabilities)	**2023**	**2022**
Expected employer contributions for the subsequent year	990	934
Benefit obligations for the pensioners	3,822	2,024
Duration of plan liabilities (in years)	15.1	14.3

26. Financial Income/(Expense)

26.1 Financial income

In CHF thousands	**2023**	**2022**
Interest income on cash and cash equivalents	506	0
Realized and unrealized foreign exchange gains	6,702	972
Change in fair value of financial instruments	11,464	2,891
Gain on sale of financial assets	679	0
Realized gain on Exchangeable Notes interest rate reset	0	617
Realized gain on repurchase of 2021/24 Bonds	0	1,504
Total financial income	**19,351**	**5,984**

26.2 Financial expense

In CHF thousands	**2023**	**2022**
Interest and make-whole expenses	(21,287)	(20,147)
Interest expense on lease liabilities	(27)	(42)
Change in fair value of financial instruments	(3,855)	(3,088)
Loss on modification of 2021/24 Private Bonds	(254)	0
Financing transaction costs	(102)	(153)
Realized and unrealized foreign exchange losses	(7,850)	(1,194)
Total financial expense	**(33,375)**	**(24,624)**

27. Income Taxes

In CHF thousands	**2023**	**2022**
Current income tax expense	(36)	(375)
Deferred tax expense	(2)	(85)
Total income tax expense	**(38)**	**(460)**

The following is a theoretical reconciliation of income tax expense and the accounting profit multiplied by expected income tax rate of principal:

In CHF thousands	**2023**	**2022**
Result before taxes	54,820	(70,616)
Tax expense at expected Group tax rate of 13.45% (2021: 13.45%)	(7,373)	9,498
Effect of tax rate difference Group versus local	(442)	1,047
Foreign withholding tax non-recoverable	(53)	(333)
Effect of nondeductible expenses	(619)	(84)
Utilization of previously unrecognized tax losses	9,858	38
Unrecognized deferred taxes	(1,409)	(10,626)
Effective income tax expense	**(38)**	**(460)**

According to currently applicable Swiss tax law, the period to offset tax loss carryforwards against taxable profit is limited to seven years.

28. Net Result per Share

Basic earnings/(loss) per share is calculated by dividing the net profit/(net loss) attributable to equity holders by the weighted average number of Shares issued and outstanding during the reporting period, excluding shares held as treasury shares. The reverse share split in the ratio 10:1 which was approved by shareholders at the AGM held on June 27, 2023, began trading on a split-adjusted basis on July 3, 2023. The Shares issued and outstanding and net result per share calculation have been retroactively restated for the periods presented.

In CHF thousands (except share and per share data)	**2023**	**2022**
Net result attributable to shareholders	54,782	(71,076)
Weighted average number of shares used in basic net result per share	10,578,748	6,092,731
Adjustment for assumed exercise of warrants and equity rights plans instruments, where dilutive	344,908	0
Weighted average number of shares used in diluted net result per share	10,923,656	6,092,731
Basic net result per share	**5.18**	**(11.67)**
Diluted net result per share	**5.01**	**(11.67)**

Basic and diluted net result per share excludes Shares to be issued upon the future conversion of convertible bonds, as they would be anti-dilutive for the periods presented. Any future conversions of the convertible bonds to Shares may have a dilutive effect on the basic net result per share in the future. For the period ending December 31, 2022, basic and diluted net result per share also excluded the future conversion of the Exchangeable Notes, as they would have been anti-dilutive.

29. Transactions with Related Parties

29.1 Board and Executive Management compensation

The Company's related parties include members of the Board and Executive Management. The table below presents the total Board and Executive Management compensation by compensation category:

In CHF thousands	**2023**	**2022**
Short-term employee benefits (wages, salaries, allowances)	3,089	2,381
Post-employment benefits (pension fund and defined benefit contributions)	834	954
Share-based compensation	3,081	5,494
Total Board and Executive Management compensation	**7,004**	**8,829**

Share-based compensation as disclosed in this note is based on fair values at the grant date of the equity right applying the parameters disclosed in Note 21.6.

29.2 Transactions with members of the Board and Executive Management

For the years ended December 31, 2023 and December 31, 2022 there are no loans outstanding or guarantee commitments granted to members of the Board and Executive Management.

30. Risk Management Objectives and Policies

Santhera Pharmaceuticals Holding AG maintains a Group-wide corporate risk management system consisting of the areas corporate governance, financial internal controls and quality control / quality assurance.

On a regular basis, operational corporate risks are identified and their likelihood and impact assessed (gross risks). By defining and undertaking appropriate measures, these risks are managed accordingly to either reduce or avoid such risk (net risk). The results of this process are discussed at Board meetings.

Those risks as identified within the area of accounting and financial reporting as well as related control processes are further covered by the Company's Group-wide internal control system.

Santhera conducts development activities primarily in Switzerland, the EU, and the UK, and is exposed to a variety of financial risks, such as, but not limited to, foreign exchange rate risk, credit risk, liquidity risk, cash flow and interest rate risk. Part of Santhera's overall risk management focuses on financial risks and the unpredictability of financial markets seeking to minimize potential adverse effects on the financial performance of the Group. Special guidelines and policies approved by the Board exist for overall risk management, financial internal controls and treasury management and are monitored by the Executive Management and the Board on a regular basis. The risk of foreign exchange rate fluctuations on the expenses can partly be managed by entering into foreign exchange derivative contracts. In accordance with the relevant treasury guidelines, Santhera only concludes contracts with selected high-quality financial institutions of good reputation and is not allowed to engage in speculative transactions. In addition, Santhera's treasury guidelines limit the Group to engage in money market deposits or similar instruments with a maturity beyond 6 months.

30.1 Foreign currency exchange rate risk

As of December 31, 2023, cash and cash equivalents predominantly consist of two major currencies; CHF and USD. As of December 31, 2022, cash and cash equivalents were predominantly in CHF and EUR. The following table demonstrates the sensitivity to a reasonable possible change in the exchange rate, with all other variables held constant on the Group's result before taxes. There is no impact on the Group's equity.

In CHF thousands		**Dec 31, 2023**	**Dec 31, 2022**
	Increase/decrease in volatility assumption	Effect on result before taxes	Effect on result before taxes
Exposure to cash and cash equivalents predominantly denominated in:		USD	EUR
Change in foreign currency rate	+5%	(1,415)	(7)
	-5%	1,415	7

30.2 Interest rate risk

Santhera earns interest income on cash and cash equivalents and its profit and loss may be influenced by changes in market interest rates. Santhera holds its cash on deposit/current accounts or invests cash through deposits in line with its treasury guidelines to meet its financial needs over time.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, on the Group's result before taxes. There is no impact on the Group's equity.

In CHF thousands		**Dec 31, 2023**	**Dec 31, 2022**
	Increase/decrease in volatility assumption	Effect on result before taxes	Effect on result before taxes
Exposure to cash and cash equivalents:			
Change in interest rate	+50 basis points	(152)	(7)
	-50 basis points	152	7

30.3 Credit risk

Santhera has a certain concentration of credit risk. Short-term investments are invested as cash on deposit or in low-risk money market funds.

Santhera has policies in place to ensure that sales of products or entered partnerships are made to or entered with customers or partners with an appropriate credit history and a commitment to ethical business practices. The maximum credit risk exposure is limited to the carrying amount of its financial assets including derivatives. Santhera estimates its expected credit losses based on default probabilities and the ageing of outstanding invoices.

30.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Currently, the Company is financed through equity and debt financing as disclosed in Note 12 and Note 13. Santhera calculates on a rolling basis the needs for aligning the current expenses against the need for optimized financial investments.

30.5 Contractual undiscounted cash flows for financial liabilities

In CHF thousands	**December 31, 2023**					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total	Carrying value
Convertible bonds	0	0	24,546	0	24,546	20,943
Trade payables	0	3,556	0	0	3,556	3,556
Accrued expenses	0	4,457	0	0	4,457	4,457
Lease liabilities	0	157	422	35	614	606
Total financial liabilities	**0**	**8,170**	**24,968**	**35**	**33,173**	**29,562**

In CHF thousands	**December 31, 2022**					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total	Carrying value
Convertible bonds	0	0	0	25,518	25,518	21,080
Exchangeable Notes	0	27,675	0	0	27,675	22,127
Trade payables	0	3,895	0	0	3,895	3,895
Provisions	0	0	11	24,961	24,972	24,972
Accrued expenses	0	8,288	0	0	8,288	8,288
Lease liabilities	0	166	463	679	1,308	1,230
Total financial liabilities	**0**	**40,024**	**474**	**51,158**	**91,656**	**81,592**

30.6 Categories of financial instruments

In CHF thousands	December 31, 2023			
	Carrying value	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss
Financial assets				
Financial assets long-term	424	424	0	0
Trade receivables, net	2,155	2,155	0	0
Cash and cash equivalents	30,370	30,370	0	0
Total financial assets	**32,949**	**32,949**	**0**	**0**
Financial liabilities				
Convertible bonds	20,943	0	20,943	0
Derivative financial instruments	5,255	0	0	5,255
Warrant financial instruments	3,513	0	0	3,513
Noncurrent lease liabilities	35	0	35	0
Trade payables	5,616	0	5,616	0
Accrued expenses	4,457	0	4,457	0
Current lease liabilities	571	0	571	0
Total financial liabilities	**40,390**	**0**	**31,622**	**8,768**

	December 31, 2022			
	Carrying value	Financial assets at amortized cost	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss
Financial assets				
Financial assets long-term	444	444	0	0
Trade receivables, net	438	438	0	0
Cash and cash equivalents	1,353	1,353	0	0
Total financial assets	**2,235**	**2,235**	**0**	**0**
Financial liabilities				
Convertible bonds	21,080	0	21,080	0
Exchangeable notes	22,127	0	22,127	0
Derivative financial instruments	9,775	0	0	9,775
Warrant financial instruments	7,396	0	0	7,396
Noncurrent lease liabilities	607	0	607	0
Trade payables	7,583	0	7,583	0
Accrued expenses	8,288	0	8,288	0
Current lease liabilities	623	0	623	0
Total financial liabilities	**77,479**	**0**	**60,308**	**17,171**

30.7 Capital management

The first priority of Santhera's capital management is to provide adequate cash funds to ensure the financing of successful development and marketing activities so that future profits can be generated by gaining marketing authorization approvals for pharmaceutical products. As a company with currently only one marketed product, the capital management continues to be focused on the cash and cash equivalents position and is governed by specific Group treasury guidelines.

The funds raised in various private financing rounds, private placements, the sale of Shares by an independent broker, convertible bonds, Exchangeable Notes as well as funds generated through product sales and revenue from licensing provided financing for the Group.

During the years ending December 31, 2023 and December 31, 2022, there were no changes in goals and policies of the treasury management.

31. Events after the Reporting Date

In January 2024, the UK Medicines and Healthcare products Regulatory Agency approved vamorolone for the treatment of DMD in patients 4 years of age and older, independent of the underlying mutation and ambulatory status.

In January 2024, Santhera launched AGAMREE (vamorolone) in Germany as First Market for the treatment of DMD, marking the first commercial launch of AGAMREE globally. This launch follows the European Commission's approval of AGAMREE on December 18, 2023, for all 27 EU member states as well as Iceland, Liechtenstein, and Norway.

In March 2024, Santhera's commercial partner Catalyst Pharmaceuticals, Inc. (NASDAQ: CPRX) launched AGAMREE for the treatment of DMD in the U.S. This launch follows the approval of AGAMREE by the U.S. Food and Drug Administration on October 26, 2023.

In March 2024, the China National Medical Products Administration accepted for priority review the new drug application for vamorolone in DMD, which was submitted by Sperogenix Therapeutics Limited, a rare disease specialist and Santhera's partner in China.

In April 2024, Santhera terminated the licensing agreement with Spexis AG (formerly Polyphor) for the worldwide rights of lonodelestat, its novel, inhaled neutrophil elastase inhibitor. The decision to terminate the license was taken in light of Santhera's portfolio prioritization, and not as a result of any safety or efficacy data having arisen from the Phase 1a or Phase 1b studies undertaken on lonodelestat during the term of the license. All rights to lonodelestat and all data generated by Santhera on lonodelestat during the term of the license shall revert to Spexis during a brief transition period.

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To the General Meeting of
Santhera Pharmaceuticals Holding Ltd, Pratteln

Basel, 27 May 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Santhera Pharmaceuticals Holding Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 33 to 82) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.3 of the consolidated financial statements, which indicates that the Group’s ability to meet its financial obligations is dependent on raising additional funds. As stated in note 2.3, these events or conditions, along with other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the "Material uncertainty related to going concern" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Accounting treatment and valuation of financing transactions

Risk

During 2023, under the financing agreement with Highbridge, the Group issued exchangeable notes in several tranches amounting to CHF 7.5 million in total and converted CHF 9.7 million into equity. The remaining CHF 25.5 million was repaid in cash in 2023.

In addition, the Group holds two bonds. As a result of the amendment agreement signed in 2023, the conversion price was reset for the part of the private bond. The Group recorded a modification loss of CHF 0.3 million due to the change in the bond terms. In September 2021, the Group issued a private convertible bond to Highbridge at a nominal value of CHF 15.0 million, of which CHF 3 million and CHF 1 million was converted into equity during 2022 and 2023, respectively. As of 31 December 2023, the carrying amount of the private and the public bonds amounted to CHF 20.9 million and the value of the related derivatives amounted to CHF 5.2 million. Further, to cover the amendment and commitment fees for financing transactions, in 2021 and 2023 the Group issued warrants of which CHF 3.5 million were converted into shares in 2023 with the remaining warrants being valued at CHF 3.5 million as of 31 December 2023.

These financing transactions are considered a key audit matter based on the magnitude of the transaction values, the complexity of the accounting treatment and the inherent judgment in the valuation of level 3 fair value financial instruments.

Refer to note 2 "Accounting Policies", note 3 "Critical Accounting Estimates, Assumptions and Judgments", and note 13 "Financial liabilities".

Our audit response	We analyzed the underlying contractual agreements and the accounting position papers prepared by management and management specialists. We evaluated the appropriateness of the accounting treatment under the requirements of IAS 32 and IFRS 9. We assessed the valuation approach and the reasonableness of the assumptions applied to determine the value of the financial instruments. We further evaluated sensitivities in the valuation of the warrants and the derivatives resulting from changes to key assumptions applied as well as the different presentation and disclosure aspects. Our audit procedures did not lead to any reservations regarding the accounting and valuation for these financing transactions in 2023.

Impairment assessment of intangible assets

Risk	The Group has capitalized intangible asset Vamorolone in the amount of CHF 73.8 million. The intangible asset was classified as available for use upon FDA approval. The Group performed a test for impairment to support the recoverability of the asset. The impairment assessment of the intangible asset is a key audit matter based on the magnitude of the balance and the inherent judgment in the respective model and assumptions used as part of management's impairment assessment, especially those related to the timing and magnitude of future cash flows and to the determination of the respective discount rate. *Refer to note 2 "Accounting Policies", note 3 "Critical Accounting Estimates, Assumptions and Judgments", and note 7 "Intangible Assets Impairment Assessment"*.

Our audit response	We evaluated the Group's valuation model for the intangible asset and analyzed the underlying key assumptions and discount rates. We assessed the assumptions regarding future revenues and margins, and we evaluated sensitivity in the valuation resulting from changes to the key assumptions applied. With respect to the discount rates applied, we evaluated the reasonableness of the discount rates determined by management by assessing the cost of capital for the Group and comparable organizations, as well as considering territory specific factors. Our audit procedures did not lead to any reservations regarding the measurement of intangible assets.

Revenue recognition from out-licensing transaction with Catalyst Pharmaceuticals, Inc.

Risk	In July 2023 the Group announced the closing of an out-licensing transaction with Catalyst Pharmaceuticals, Inc. ("Catalyst"), whereby Catalyst in-licensed Vamorolone in North America. Under the terms of the agreement, the Group received a non-refundable upfront payment of CHF 65.3 million and milestone payments of CHF 32.7 million. The Group is eligible to receive additional payments upon achievement of defined milestones and sales volumes as well as sales-based royalties. In 2023, the total revenue recognized related to this out-licensing transaction amounted to CHF 98 million. We consider the revenue recognition of the out-licensing transaction to be a key audit matter given the magnitude of the upfront payment and milestone payments received in 2023, the judgments involved in determining the performance obligations. *Refer to note 2 "Accounting Policies", note 3 "Critical Accounting Estimates, Assumptions and Judgments", and note 23 "Outlicensing Agreement with Catalyst Pharmaceuticals, Inc.".*
Our audit response	We have read the underlying contract and the accounting position papers prepared by management. We discussed with management the substance of the contractual agreement focusing on the rights and obligations of each party, the identification of promises and performance obligations as well as timing of revenue recognition. Our audit procedures did not lead to any reservations regarding the revenue recognition for the out-licensing transaction.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ Martin Mattes
Licensed audit expert
(Auditor in charge)

/s/ Diana Vejina
ACCA

Statutory Financial Statements of Santhera Pharmaceuticals Holding AG

Contents

Balance Sheet

In CHF thousands	Notes	**December 31, 2023**	**December 31, 2022**
Assets			
Cash and cash equivalents		1,223	653
Receivables from third parties		118	117
Receivables from shareholdings		424	203
Prepaid expenses		68	33
Current assets		**1,833**	**1,006**
Loans to shareholdings[1]	3.1	168,609	162,147
Investments in shareholdings	3.2	401	401
Noncurrent assets		**169,010**	**162,548**
Total assets		**170,843**	**163,554**
Liabilities and equity			
Trade accounts payable to third parties		94	489
Other current liabilities to third parties		1,653	2,700
Other current liabilities to shareholdings		250	4,557
Senior unsecured convertible bonds[2]	3.3	24,546	0
Accrued expenses		1,747	2,275
Current liabilities		**28,290**	**10,021**
Senior unsecured convertible bonds[2]	3.3	0	25,518
Noncurrent liabilities		**0**	**25,518**
Total liabilities		**28,290**	**35,539**
Share capital	3.4	1,262	753
Statutory capital reserves:			
Reserves from capital contributions[3]		*82,014*	*58,683*
Other capital reserves		*2,422*	*2,573*
Total statutory capital reserves		84,436	61,256
Other voluntary reserves (free reserves)		66,100	114,995
Accumulated losses:			
Brought forward		*0*	*(41,414)*
Result for the period		*(9,114)*	*(7,481)*
Total accumulated losses		(9,114)	(48,895)
Treasury shares	3.5	(131)	(94)
Total equity		**142,553**	**128,015**
Total liabilities and equity		**170,843**	**163,554**

1 Non-interest bearing
2 Interest bearing
3 Value as per December 31, 2022 and 2023, to be confirmed by Swiss Federal Tax Administration.

Income Statement

In CHF thousands	Notes	Year ended December 31,	
		2023	**2022**
General and administrative expenses	3.6	(7,683)	(3,494)
Total operating expenses		**(7,683)**	**(3,494)**
Operating result		**(7,683)**	**(3,494)**
Financial income		793	1,523
Financial expenses		(2,224)	(5,510)
Financial result		**(1,431)**	**(3,987)**
Result before taxes		**(9,114)**	**(7,481)**
Direct taxes		0	0
Net result		**(9,114)**	**(7,481)**

Notes to the Statutory Financial Statements

1. Introduction

Santhera Pharmaceuticals Holding AG (the **Company**, together with its subsidiaries **Santhera** or **Group**) is the parent company of the Santhera Group. Group companies include all legal entities which are directly or indirectly owned and controlled by the Company. The Company, having the listing of its registered shares (**Shares**) on the SIX Swiss Exchange (SIX), is a Swiss stock corporation. Its purpose is to acquire, dispose and manage investments. The Company has its registered offices at Hohenrainstrasse 24, 4133 Pratteln, Switzerland.

2. Summary of Significant Accounting Policies

2.1 Basis of presentation

The statutory financial statements of the Company are prepared in accordance with the principles set out in the Swiss Code of Obligations (**CO**). Since Santhera prepares consolidated financial statements in accordance with the International Financial Reporting Standards (**IFRS Accounting Standards**) as issued by the International Accounting Standards Board (**IASB**), the Company has applied the exemption included in the CO article 961d, para. 1, thereby electing to forego presenting a statement of cash flows, the additional disclosures, and the management report otherwise required by the CO.

The presentation currency is Swiss francs (**CHF**). Amounts shown are rounded to the nearest CHF 1,000 unless otherwise indicated.

2.2 Material uncertainties and ability to continue operations

The financial statements have been prepared under the going concern assumption despite material uncertainties present as of December 31, 2023, that may be perceived to be contrary to this assumption. In order to support the servicing of current debt and ongoing operating activities including ongoing launch of vamorolone the Company requires additional funds.

Cash at hand and additional funds available as of December 31, 2023, and as of the date of issuance of these financial statements are sufficient to support ongoing operations until the maturity in August 2024 of outstanding convertible bonds amounting to CHF 24.5 million at nominal value.

Management and the Board, at the date of issuance of these financial statements, are in advanced discussions to raise additional funds to finance ongoing operations and debt obligations. Should sufficient further funding not be available, the Company may review further organizational restructuring measures, and restructure convertible bonds with the objective to ensure it remains solvent. The Company may consider the monetization of assets, seek additional funding through licensing agreements, public or private financings. The sale of additional equity may dilute existing shareholders.

Shareholders should note that whilst management and the Board consistently continue to apply best efforts to evaluate and execute available options, there is no guarantee that the commercial activities or development studies will be successful, regulatory approvals or reimbursement are obtained, and that any transaction can be realized or that such transaction would generate sufficient funds to finance operations through to December 31, 2024. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

However, management and the Board are of the view that it is more likely than not that the Company will continue to secure the additional funds needed in order to operate its business as planned with the objective to meet all of

its obligations until December 31, 2024. Therefore, the financial statements have been prepared on a going concern basis.

2.3 Cash

Cash balances held primarily in Swiss francs include cash deposits in demand bank accounts, money market investment accounts and other liquid investments, and any interest earned on such cash balances.

2.4 Financial assets, short-term

Financial assets (units in a fund) are held for trading and measured at fair value. Gains and losses arising from such financial assets are recognized in the income statement as financial income or financial expense.

2.5 Current assets and liabilities

Current assets are recorded at historical cost less adjustments for impairment of value. Current liabilities are recorded at historical cost.

2.6 Loans to shareholdings

Loans to shareholdings are valued at their acquisition cost adjusted for any impairment losses.

2.7 Investments in shareholdings

Investments in shareholdings are recorded at acquisition cost less adjustments for impairment of value. Investments in shareholdings are evaluated for impairment annually and any impairment loss is recorded when the carrying amount of such assets exceeds the fair value. Fair value estimates of investments in shareholdings are predominantly based on the income approach.

2.8 Convertible bonds

Convertible bonds are presented at nominal value.

2.9 Exchangeable notes

Exchangeable notes are presented at nominal value.

2.10 Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. Treasury shares held are intended to be used for financing transactions and share-based compensation. Santhera may also hold treasury shares for market making, for which is managed by an external bank. The gains or losses from market making are recognized in the income statement as financial income or financial expense.

2.11 Related parties

In the meaning of the CO, related parties are only considered to be shareholders, shareholdings, and the Board of Directors.

3. Information on Balance Sheet and Income Statement Items

3.1 Loans to shareholdings

Loans are granted to shareholdings primarily to fund the development and marketing activities of the Santhera Group. As of December 31, 2023, loans to shareholdings total CHF 341 million. As of December 31, 2022, loans to shareholdings totaled CHF 334.6 million. All loans to shareholdings during 2023 and 2022 have been subordinated.

As part of the annual impairment reassessment as of December 31, 2022, the Executive Management concluded that approximately 49% of the total balance of loans to shareholdings is recoverable considering a positive outlook, in terms of AGAMREE's market success for DMD.

3.2 Investments in shareholdings

The following companies are direct subsidiaries of Santhera Pharmaceuticals Holding AG, with 100% ownership and 100% voting rights:

Share capital nominal value			**Dec 31, 2023**	**Dec 31, 2022**
Direct subsidiary of Santhera Pharmaceuticals Holding AG:		Currency		
Santhera Pharmaceuticals (Schweiz) AG Pratteln, Switzerland	Active	CHF	125,000	125,000
Santhera Pharmaceuticals (Deutschland) GmbH Lörrach, Germany	Active	EUR	25,000	25,000
Santhera Pharmaceuticals (USA), Inc. Burlington, Massachusetts, USA	In voluntary liquidation	USD	1,000	1,000
Santhera Pharmaceuticals (Canada), Inc. Montréal, Canada	Liquidated	CAD	1,000	1,000
Oy Santhera Pharmaceuticals (Finland) Ltd Helsinki, Finland	Liquidated	EUR	-	2,500

Santhera Pharmaceuticals (Schweiz) AG is the primary operational entity while Santhera Pharmaceuticals (Deutschland) GmbH holds the market authorizations for the European Union. Santhera Pharmaceuticals (USA), Inc., which is not employing any personnel, is to be voluntarily liquidated in 2024. The liquidations of Santhera Pharmaceuticals (Canada), Inc. and Oy Santhera Pharmaceuticals (Finland) Ltd, which were not employing any personnel, were finalized in 2023. The investments in Santhera Pharmaceuticals (Canada), Inc. and Oy Santhera Pharmaceuticals (Finland) Ltd were impaired in 2022. The investment in Santhera Pharmaceuticals (USA), Inc. has been impaired in 2023.

The following companies are direct subsidiaries of Santhera Pharmaceuticals (Schweiz) AG, with 100% ownership and 100% voting rights:

Share capital nominal value			**Dec 31, 2023**	**Dec 31, 2022**
Direct subsidiary of Santhera Pharmaceuticals (Schweiz) AG:		Currency		
Santhera Pharmaceuticals (Liechtenstein) AG Ruggell, Fürstentum Liechtenstein	Active	CHF	50,000	50,000
Santhera (Italy) S.r.l. Milano, Italy	Liquidated	EUR	50,000	50,000
Santhera (Germany) GmbH München, Germany	Active	EUR	50,000	50,000
Santhera (Netherlands) B.V. Nieuwegein, The Netherlands	Active	EUR	50,000	50,000
Santhera (UK) Limited London, United Kingdom	Active	GBP	50,000	50,000
Santhera Pharmaceuticals (Spain), S.L.U Bilbao, Spain	Active	EUR	50,000	50,000

Santhera (Italy) S.r.l., which was not employing any personnel, was voluntarily liquidated with the dissolution finalized in March 2024.

3.3 Senior unsecured convertible bonds

The following table summarizes the nominal values of the senior unsecured convertible bonds outstanding:

In CHF thousands					**Dec 31, 2023**	**Dec 31, 2022**
	Offering	Currency	Interest	Maturity	Nominal value	Nominal value
2021/24 Bonds (ISIN: CH0563348744)	Public	CHF	7.5%	Aug 17, 2024	13,547	13,547
2021/24 Private Bonds	Private	CHF	7.5%	Aug 17, 2024	10,999	11,971
Total convertible bonds					**24,546**	**25,518**
Less current portion of convertible bonds with short-term maturities					24,546	0
Noncurrent portion of convertible bonds with long-term maturities					0	25,518

3.4 Share capital

At the AGM held on June 27, 2023, the shareholders approved a reverse share split in the ratio of 10:1. The reverse share split was completed on July 3, 2023. All share data presented in these financial statements reflect the effects of the reverse share split, unless otherwise indicated. The new shares issued following the reverse stock split, in June 2023 have a new International Securities Identification Number (**ISIN**) while the existing shares held prior to the reverse stock split have been canceled.

As announced on February 28, 2023, through a private placement to Highbridge Capital Management LLC, the Company issued 3 million Shares at CHF 0.75 per Share for total proceeds of CHF 2.2 million.

As announced on June 20, 2023, in connection with the License and Collaboration Agreement with Catalyst Pharmaceuticals, Inc. (**Catalyst**), a commercial-stage biopharmaceutical company focused on novel medicines for patients living with rare diseases, Santhera and Catalyst entered into an Investment Agreement of even date, whereby the Company issued 1,414,688 Shares at CHF 9.477 per Share for total proceeds of CHF 13.4 million (**Investment Funds**). The use of the Investment Funds shall be solely to fund the costs of any Phase 4 Program Activities related to vamorolone for the initial indication and/or to fund future development of additional indications that the parties mutually agree to. See Note 23 in the consolidated financial statements for more information on the outlicensing transaction with Catalyst.

During the year ended December 31, 2023, a total of 5,088,325 new Shares were issued for financing transactions, share-based compensation, and for treasury shares. As of December 31, 2023, issued share capital totals CHF 1,262,037.60, consisting of 12,620,376 Shares with a nominal value of CHF 0.10 each. As of December 31, 2022, issued share capital totaled CHF 753,205.10, consisting of 7,532,051 Shares with a nominal value of CHF 0.10 each.

As of December 31, 2023, the Company held a capital band between CHF 630,000.00 (lower limit) and CHF 1,860,000.00 (upper limit). Within the range of the capital band, the board of directors is authorized to increase the share capital in any amount once or several times until June 26, 2028.

3.5 Treasury shares

The table below summarizes the changes in treasury shares:

In CHF thousands (except share data)	2023		2022	
	No. of shares	Nominal value (CHF 0.10)	No. of shares	Nominal value (CHF 0.01)
Balance, January 1	943,802	94	501,988	50
Shares created to be held as treasury shares	4,923,097	492	2,032,161	203
Shares delivered for financing transactions	(4,562,342)	(456)	(1,590,347)	(159)
Adjustment for reverse share split, rounding	611	1	0	0
Balance, December 31	**1,305,168**	**131**	**943,802**	**94**

3.6 General and administrative expenses

In CHF thousands	2023	2022
Administrative expenses	1,856	1,810
Consulting expenses	5,827	1,684
Total general and administrative expenses	**7,683**	**3,494**

4. Other Information

4.1 Full-time equivalents

The number of full-time equivalents at period end was not above 10 in 2023 and 2022.

4.2 Registered shares and significant shareholders (>5%)

Pursuant to information from the Company's share register and the disclosure of participations made to the Company in accordance with applicable stock exchange regulation, the following shareholder(s) hold 5% or more of the Company's share capital:

	Dec 31, 2023		Dec 31, 2022	
	No. of shares	% of share capital	No. of shares	% of share capital
Catalyst Pharmaceuticals, Inc., Coral Gables, Florida, USA	1,414,688	11.21%	-	-
Idorsia Pharmaceuticals Ltd, Allschwil, Switzerland	1,301,128	10.31%	748,226	10.15%

4.3 Shareholdings of the members of the Board and the Executive Management

Number of shares	**Dec 31, 2023**	**Dec 31, 2022**
Members of the Board:		
Thomas Meier	31,083	14,031
Philipp Gutzwiller	13,497	4,445
Bradley Meyer (from June 27, 2023)	3,091	-
Otto Schwarz (from June 27, 2023)	0	-
Patrick Vink (until June 27, 2023)	-	10,722
Elmar Schnee (until June 30, 2022)	-	0
Total shares held by members of the Board	**47,671**	**29,198**
Executive Management:		
Dario Eklund	4,500	2,500
Andrew Smith	0	0
Shabir Hasham (from May 1, 2022)	2,646	2,646
Günther Metz	1,000	1,000
Oliver Strub	0	0
Stephanie Brown (until September 30, 2023)	-	0
Total shares held by the Executive Management	**8,146**	**6,146**

4.4 Equity rights granted to members of the Board

The tables below summarize the equity rights granted under all equity rights plans to the members of the Board that remain outstanding and that are vested and unvested:

December 31, 2023

Members of the Board	**No. of Stock Options**		**No. of SARs** [(a)]		**No. of RSUs** [(b)]	
	Vested	**Unvested**	**Vested**	**Unvested**	**Vested**	**Unvested**
Thomas Meier	1,487	0	11,471	0	18,759	21,129
Philipp Gutzwiller	0	0	6,179	0	14,778	16,694
Bradley Meyer	0	0	0	0	0	27,218
Otto Schwarz	0	0	0	0	0	23,185
Total	**1,487**	**0**	**17,650**	**0**	**33,537**	**88,226**

December 31, 2022

Members of the Board	**No. of Stock Options**		**No. of SARs** [(a)]		**No. of RSUs** [(b)]	
	Vested	**Unvested**	**Vested**	**Unvested**	**Vested**	**Unvested**
Thomas Meier	1,488	0	10,962	511	5,042	18,718
Philipp Gutzwiller	0	0	5,696	485	5,292	14,487
Patrick Vink	0	0	6,123	536	5,292	25,110
Total	**1,488**	**0**	**22,781**	**1,532**	**15,626**	**58,315**

4.5 Equity rights granted to Executive Management

The tables below summarize the equity rights granted under all equity rights plans to Executive Management that remain outstanding and that are vested and unvested:

December 31, 2023

Executive Management	**No. of Stock Options**		**No. of SARs** [(b)]		**No. of PSUs** [(c)]	
	Vested	**Unvested**	**Vested**	**Unvested**	**Vested**	**Unvested**
Dario Eklund	101,569	17,521	18,424	35,977	0	168,505
Andrew Smith	56,441	11,316	16,213	23,704	0	108,924
Shabir Hasham	22,999	10,221	7,614	21,496	0	83,099
Günther Metz	40,617	10,512	9,462	21,374	0	86,673
Oliver Strub	37,555	10,512	9,624	21,374	0	86,673
Total	**259,181**	**60,082**	**61,337**	**123,925**	**0**	**533,874**

December 31, 2022

Executive Management	**No. of Stock Options**		**No. of SARs** [(b)]		**No. of PSUs** [(c)]	
	Vested	**Unvested**	**Vested**	**Unvested**	**Vested**	**Unvested**
Dario Eklund	92,125	26,965	18,425	0	0	58,051
Andrew Smith	50,297	17,460	0	16,214	0	95,462
Stephanie Brown	35,419	25,193	0	0	0	39,455
Shabir Hasham *(from May 1, 2022)*	17,689	15,532	5,235	2,382	0	43,277
Günther Metz	34,950	16,179	8,825	638	0	60,798
Oliver Strub	31,888	16,179	8,987	638	0	43,277
Total	**262,368**	**117,508**	**41,472**	**19,872**	**0**	**340,320**

[(a)] Share Appreciation Rights (**SARs**)

[(b)] Restricted Share Units (**RSUs**)

[(c)] Performance Share Units (**PSUs**) - Effective January 1, 2023, the presentation of the number of vested PSUs is subject to the achievement of both the specific performance targets and the predetermined vesting period. The prior year number of vested PSUs have been reclassified to conform to the current year presentation.

4.6 Fair value of equity rights granted to members of the Board and employees

The table below presents the total equity rights granted under all equity rights plans during the years ended December 31, 2023 and December 31, 2022 and the respective fair value at the grant date summarized by grants made to the members of the Board and employees:

	2023		**2022**	
	Equity Rights Granted	**Fair Value**	**Equity Rights Granted**	**Fair Value**
	(Quantity)	(CHF 1,000s)	(Quantity)	(CHF 1,000s)
Board of Directors	78,226	456	37,692	241
Employees:				
Executive Management	375,530	2,458	552,232	3,378
Other employees	409,973	2,597	316,710	1,921
Total	**863,729**	**5,511**	**906,634**	**5,540**

The fair values presented are theoretical values and do not reflect income tax values. For information about the underlying equity rights plans, see Note 21 "Equity Rights Plans" of the consolidated financial statements included in the Annual Report 2023 on pages 64 to 70.

4.7 Contingencies and guarantees

Guarantee towards Swiss VAT authorities

The Company is part of the value-added tax group of the Swiss affiliated companies of Santhera Pharmaceuticals and is therefore jointly and severally liable to the Swiss federal tax administration for their value-added tax liabilities.

Guarantee towards Santhera Pharmaceuticals (Schweiz) AG

The Company guarantees to pay for the liabilities of its subsidiary Santhera Pharmaceuticals (Schweiz) AG until the Annual General Meeting in 2024.

5. Events after the Reporting Date

In January 2024, the UK Medicines and Healthcare products Regulatory Agency approved vamorolone for the treatment of DMD in patients 4 years of age and older, independent of the underlying mutation and ambulatory status.

In January 2024, Santhera launched AGAMREE (vamorolone) in Germany as First Market for the treatment of DMD, marking the first commercial launch of AGAMREE globally. This launch follows the European Commission's approval of AGAMREE on December 18, 2023, for all 27 EU member states as well as Iceland, Liechtenstein, and Norway.

In March 2024, Santhera's commercial partner Catalyst Pharmaceuticals, Inc. (NASDAQ: CPRX) launched AGAMREE for the treatment of DMD in the U.S. This launch follows the approval of AGAMREE by the U.S. Food and Drug Administration on October 26, 2023.

In March 2024, the China National Medical Products Administration accepted for priority review the new drug application for vamorolone in DMD, which was submitted by Sperogenix Therapeutics Limited, a rare disease specialist and Santhera's partner in China.

In April 2024, Santhera terminated the licensing agreement with Spexis (formerly Polyphor) for the worldwide rights of lonodelestat, its novel, inhaled neutrophil elastase inhibitor. The decision to terminate the license was taken in light of Santhera's portfolio prioritization, and not as a result of any safety or efficacy data having arisen from the Phase 1a or Phase 1b studies undertaken on lonodelestat during the term of the license. All rights to lonodelestat and all data generated by Santhera on lonodelestat during the term of the license shall revert to Spexis during a brief transition period.

Mandatory Offset of Accumulated Losses Pursuant to art, 674 CO:

In CHF thousands	**Dec 31, 2023**	**Dec 31, 2022**
Other voluntary reserves (free reserves)	66,100	114,995
Mandatory offset of accumulated losses	(9,114)	(48,895)
Other voluntary reserves (free reserves) to be carried forward	**56,986**	**66,100**

Building a better working world

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To the General Meeting of
Santhera Pharmaceuticals Holding Ltd, Pratteln

Basel, 27 May 2024

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Santhera Pharmaceuticals Holding Ltd (the Company), which comprise the balance sheet statement as at 31 December 2023, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the financial statements (pages 89 to 99) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 of the financial statements, which indicates that the Company's ability to meet its financial obligations is dependent on raising additional funds. As stated in note 2.2, these events or conditions, along with other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the "Material uncertainty to going concern" section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.

Valuation of investments in and long-term receivables from shareholdings

Risk	Santhera Pharmaceuticals Holding Ltd holds investments in subsidiaries and grants loans to subsidiaries for financing purposes, both of which are assessed for impairment as of the balance sheet date. Management’s assessment requires estimation and judgment around assumptions used, including prospective financial information, probability of success (e.g., obtaining regulatory approvals for a drug), and discount rates. Changes to assumptions could lead to significant changes in the estimated recoverable amount, impacting both potential impairment charges as well as potential reversals of impairment. As such, we considered this matter to be significant to our audit. *Refer to note 3.1 and 3.2 related to the investment in and the long-term receivables from shareholding*
Our audit response	We evaluated management's impairment assessment, which is based on an income approach, and analyzed the underlying key assumptions in relation to prospective financial information, probability of success, as well as discount rates used. We evaluated the historical accuracy of the Group’s previous estimates on prospective financial information. We tested the sensitivity of the assessment due to changes to key assumptions and compared these assumptions to externally available information in order to assess management’s impairment conclusion. Our audit procedures did not lead to any reservations regarding the valuation of investments and long-term receivables from shareholdings.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ Martin Mattes
Licensed audit expert
(Auditor in charge)

/s/ Diana Vejina
ACCA

Compensation Report

Contents

Introduction

This Compensation Report (**Report**) describes the principles of the compensation system of Santhera's Board of Directors (**Board**) and Executive Management (**EM**) members (**Executives**) and how the respective decisions are made. Furthermore, the Report discloses the compensation made to the Board and EM for the calendar year 2023, the compensation to the Board paid/payable compared to the approval by shareholders at the Annual General Meeting (**AGM**) of June 27, 2023 as well as shareholdings of the members of the Board and EM members.

Compensation Governance

The role and powers of the Compensation Committee

The Compensation Committee (**CC**) currently consists of the two members of the Board, Bradley Meyer as Chairman and Thomas Meier as Member. The CC annually reviews the compensation system of the members of the Board and EM and ensures that the Company's regulations and Articles of Incorporation (**AoI**) remain in in accordance with the relevant sections of the Swiss Code of Obligations (Swiss CO), particularly Article 734 et seqq., applicable to Swiss listed companies, the Directive on Information related to Corporate Governance of SIX Swiss Exchange, as well as the Swiss Code of Best Practice.

According to the Company's AoI and the CC Charter, the CC reviews and recommends for approval by the Board:

- The shareholders' resolutions with regard to the total compensation (annual cash fees and annual grant of Restricted Share Units) for the Board members;
- The respective shareholders' resolutions with regard to the compensation of the members of Executive Management. The compensation shall include a fix base salary, a variable cash bonus, equity compensation, pensions and any other benefits;
- Board candidates for election or re-election at the Annual General Meeting;
- Executive Management candidates for hiring or dismissal;
- A total compensation policy which fairly rewards Company non-Executives and Executives for performance benefiting the shareholders and which effectively attracts and retains the Executive resources necessary to successfully lead and manage the Company and ensures long-term business success;
- The Company's equity compensation plans;
- The annual report on Executive and non-Executive compensation for inclusion in the Company's financial statements and in accordance with Corporate Governance regulations.

The CC reviews and approves:

- Executive employment agreements;
- Salary increases, bonus payments and equity grant pools given to all employees (other than members of Executive Management) on a total Company basis;
- Any management position, any board mandate or any similar position in third party companies.

The Board may assign other tasks to the CC. The CC generally meets 4 to 6 times in a calendar year and met 8 times in the calendar year 2023.

Compensation periods and approvals by shareholders

For the Board, the compensation period starts after the AGM and ends on the day before the AGM of the subsequent year.

For Executive Management, the compensation period starts on January 1 of a given year and ends on December 31 of such year.

At the AGM of the Company, the shareholders shall vote on:

- the compensation for the Board for the election period from the current year AGM to the AGM of the subsequent year
- the fixed compensation for Executive Management for the subsequent calendar year of the AGM (prospective)
- the variable cash compensation for Executive Management for the prior calendar year of the AGM (retrospective), and
- the variable compensation grant for Executive Management for the Long-Term Incentive for the current year.

	Previous year	Current year	Next year
Advisory vote on the Compensation Report	Compensation framework	●	
Total Board compensation		●	Compensation period
Fixed EM compensation		●	Compensation period
Variable EM compensation cash bonus	Compensation period	●	
Variable EM compensation long-term incentive		● Compensation period	

● AGM voting

Voting procedures at the AGM 2024

The Board will propose the following votes on compensation for shareholder approval:

1. Consultative vote on the Compensation Report 2023.
2. Board

   The maximum total amount of the compensation for the period between the AGM 2024 and the AGM 2025.
3. Executive Management

   3.1. The maximum total amount of the fixed compensation for the period from January 1, 2025 to December 31, 2025.

   3.2. The maximum total amount of the variable compensation for the cash bonus for the period from January 1, 2023 to December 31, 2023.

   3.3. The maximum total amount of the variable compensation under the Long-Term Incentive Plan for the period from January 1, 2024 to December 31, 2024.

The invitation to the AGM contains the text of agenda items, motions and the explanations thereto in detail.

Compensation Principles

Santhera's compensation policy is designed to attract, motivate and retain talent in order to support the achievement of the Company's financial and strategic objectives and also to ensure that the total compensation package is market competitive. By combining short- and long-term incentive elements, the Board believes that the compensation system is designed in a way that the interests of the management are aligned with the interests of the Company and its shareholders. The Company's compensation system does not set any unintended enticements or contain any components that could be counterproductive to the objectives of the compensation system. The compensation system shall ensure compliance and best practice. In addition, compensation elements are focused on rewarding the delivery of outstanding and sustainable results without inappropriate risk-taking.

Market competitiveness

The compensation structure and level of the EM members is reviewed locally on a regular basis in order to ensure market competitiveness. Such review takes into consideration comparable functional and financial responsibilities. The Company targets the 50th percentile (fixed and variable compensation) of comparable peer companies.

Compensation Elements

Board of Directors compensation elements

The compensation for members of the Board consists of:

- Annual cash fees (50% of the total compensation)
- Annual grant of Restricted Share Units (**RSUs**)**;** 50% of the total compensation

Both components, cash fees and RSU allocation, do not depend on the achievement of corporate goals or the individual performance of a Board member. Additionally, the Company pays employer's social security contributions due on (i) the annual cash fees and (ii) the share value at the vesting date of the RSU, when shares are granted for such RSUs. Board members do not receive any variable compensation.

Annual RSU grants typically vest one day prior to the date of the AGM following the AGM of election or re-election. Such shares are restricted for trade for a period of 2 years following the vesting date.

In addition, each BoD member has the option to convert up to 100% of the approved annual cash fees into RSUs, which vest one day prior to the date of the AGM following the AGM of election or re-election. Such shares are restricted for trade for a period of 5 years following the vesting date.

For more information about the underlying RSU Plans, see Note 21 *"*Equity Rights Plans*"* in the audited consolidated financial statements for the year ended December 31, 2023.

Executive Management compensation elements

The compensation for members of Executive Management generally consists of:

- Fixed compensation
- Variable compensation
    - Annual cash bonus
    - Annual equity grant under the Long-Term Incentive Plan (**LTI**)

Fixed compensation

The fixed compensation for the EM members includes base salary, allowances, social security contributions and payments to the pension fund by the Company. The base salary takes into account the position, responsibilities, experience and skills of an individual EM member. Base salaries are reviewed annually by the CC.

Annual cash bonus

The annual cash bonus is based on the achievement of Company and individual goals and will be paid after the AGM until end of December of the same year, subject to the shareholders' approval. The target bonus, i.e., cash bonus to be paid if Santhera's financial situation allows for a cash bonus and in accordance to the degree the corporate and individual goals are met, is determined individually for each EM member as percentage of the base salary, ranging from 25% to 50%. Corporate goals are discussed at the beginning of each calendar year by the Compensation Committee and proposed for approval by the Board of Directors. The CEO decides on individual goals for his direct reports.

The cash bonus for each EM member is determined at the discretion of the Compensation Committee, which considers (i) the financial situation of the Company, (ii) the achievement of corporate objectives in the past year and (iii) the individual performance of the EM member when making such determination.

Long-term incentive plan

Under the LTI, members of the EM receive a combination of Share Appreciation Rights (**SARs**), options and Performance Share Units (**PSUs**). The combination of SARs, options and PSUs is decided annually by the Compensation Committee when issuing the annual grant under the LTI.

The PSUs will only be converted into shares after 3 years depending on the achievement of predefined performance targets; the respective rights (PSUs), like the options and similar to the previous Share Appreciation Rights (**SARs**), will be allocated in 3 tranches over a period of 3 years, and one tranche will vest after each year.

The objective of this long-term incentive compensation is to align the variable long-term compensation of the management with Santhera's strategy. The LTI program is forward-looking and designed to motivate participating Executives to promote the achievement of medium- and long-term value-based objectives through their actions and decisions. Santhera strives to align the interests of the Executive Management and the Company with those of shareholders beyond share price appreciation. In addition, the LTI program aims to strengthen Executives' loyalty to Santhera, their identification with the Company and their motivation to stay with the Company. The Board of Directors intends to raise the necessary shares from the Company's conditional capital for employee participations (Article 3b of the Articles of Incorporation).

New management incentive plan (NMIP)

In November 2022, the Company introduced a New Management Incentive Plan (**NMIP**). The NMIP 2022 was a one-time plan designed to promote retention and alignment with company goals.

For more information about the Long-Term Incentive Plan, see Note 21 *"Equity Rights Plans"* in the audited consolidated financial statements for the year ended December 31, 2023.

Compensation awarded to the Board of Directors in 2023

Comparison of the approved and paid and or payable Board compensation during the approval period from one AGM to the next

At the AGM 2023, the shareholders approved the maximum compensation awarded to the Board of Directors in 2023 for the period from the AGM 2023 to the AGM 2024 of in total CHF 1,100,000 (excl. social security contributions) which is granted 50% in cash and 50% in RSUs. The amount includes an amount for Restricted Share Units for the attraction of new Board members on a one-time basis based upon 75% of the normalized total annual compensation.

Annual cash fees

At the AGM 2023, the shareholders approved a total cash compensation for the entire Board of a maximum of CHF 355,000 for the period between the AGM 2023 and the AGM 2024, excluding social security contributions.

Restricted share units (RSUs)

At the AGM 2023, the shareholders approved a total maximum amount of CHF 355,000 to be granted in RSUs for the period until the AGM 2024. In accordance with the 2023 Board Restricted Shares Plan (**BRSP 2023**), RSUs were granted to the Board members as of June 28, 2023, based upon a fair market value of the instrument of CHF 0.62 per RSU.

The table below represents the approved maximum compensation for the Board, the actual amounts paid in 2023 and those still payable until AGM 2024.

	Approved AGM 2023 – AGM 2024[2]	**Paid/payable AGM 2023 – AGM 2024**[2]
Total Board fees (CHF) cash or foreseen	**355,000**	**297,500**
RSU (CHF)	**355,000**	**297,500**
Total ordinary compensation (CHF)	**710,000**	**595,000**
RSU (number)[1]		47,984
Total Extraordinary compensation (CHF)[3]	**390,000**	**187,500**
RSU (number) [2]		30,242
TOTAL compensation (CHF)	**1,100,000**	**782,500**

1 The shareholders approved a fix amount in CHF which was converted into a number of RSUs based on the fair market value of such RSU (CHF 6.20 post-split) on the first trading day immediately following the AGM 2023 excluding assumed social security contributions. Number of RSUs reflect reverse share split 10:1 on July 3, 2023.

2 Excluding social security contributions. Number of shares reflect reverse share split 10:1 on July 3, 2023.

3 The Annual Shareholder Meeting in 2023 approved an amount for Restricted Share Units for the attraction of new Board members on a one-time basis based upon 75% of the normalized total annual compensation.

Disclosure of compensation of members of the Board for the financial years 2023 and 2022 (audited)

In CHF	Annual cash fees	RSU[1]	Total compensation[2]	Number of RSU granted[4]
2023				
Thomas Meier	100,000	100,000	200,000	16,129
Philipp Gutzwiller	72,500	72,500	145,000	11,694
Bradley Meyer	33,750	135,000	168,750	27,218
Otto Schwarz	28,750	115,000	143,750	23,185
Patrick Vink[5]	33,750	33,750	67,500	0
Total	**268,750**	**456,250**	**725,000**	**78,226**

In CHF	Annual cash fees	RSU[1]	Total compensation[2]	Number of RSU granted[4]
2022				
Thomas Meier	83,750	83,750	167,500	12,884
Philipp Gutzwiller	72,500	72,500	145,000	11,153
Patrick Vink	36,667	72,500	142,500	16,282
Elmar Schnee[3]	0	50,000	100,000	15,384
Total	**192,917**	**278,750**	**555,000**	**55,703**

[1] Reflects value of share-based payments in accordance with IFRS 2 at grant, i.e. the value of unvested stock options attributable at grant. The tax value of such unvested stock options (RSU) is CHF 0 until the vesting date of the RSU. Number of RSUs reflect reverse share split 10:1 on July 3, 2023.

[2] The Total compensation does not include mandatory employer social security contributions on the annual cash fees and the shares delivered (2023: CHF 21,190; 2022: CHF 18,467).

[3] Member of the BoD until June 30, 2022 (AGM 2022).

[4] Number of RSUs granted for Bradley Meyer and Otto Schwarz includes Initial Grant RSUs (Bradley Meyer – Initial Grant 16,331 RSUs, Otto Schwarz – Initial Grant 13,911) received upon election as new Board Members at AGM 2023. Number of equity instruments reflect reverse share split 10:1 on July 3, 2023.

[5] Member of the BoD until June 27, 2023 (AGM 2023).

Changes in the Board of Directors in 2023

At the AGM 2023, shareholders elected two new members of the Board of Directors, Bradley C. Meyer (Board Member and Chairman of the Compensation Committee) and Otto Schwarz, PhD, (Board Member), bringing the total number of directors from three to four. Patrick Vink, Chairman of the Compensation Committee, decided not to stand for re-election to the Board of Directors.

Compensation awarded to the Members of the Executive Management in 2023

The compensation awarded to the members of the Executive Management in 2023 consisted of (i) fixed compensation as per the limit approved at the AGM 2022 and (ii) variable compensation as per the limit approved at the AGM 2023.

Comparison of the approved and paid EM fixed compensation

At the AGM 2022, shareholders approved a maximum total compensation for the EM for 2023 as follows: CHF 2,950,000 for the fixed compensation in cash.

In CHF	Approved 2023	Paid 2023
Fixed Compensation	2,950,000	2,688,861[1]

[1] Includes 9 months of compensation for Stephanie Brown, President North America.

Comparison of the approved and paid EM variable compensation

The AGM in June 2023 approved a maximum total amount of variable cash compensation of the members of the Executive Management for the period from January 1, 2022, to December 31, 2022, of CHF 800,000 (including employer contributions to social security and pension plans). This was the first cash bonus in four years. The AGM 2023 also approved a variable compensation for the financial year 2023 as an annual grant under the LTI program for the members of Executive Management in the maximum total amount of CHF 2,400,000 (incl. employer contributions to social security).

In CHF	Approved 2023	Paid 2023
Maximum amount Variable Compensation	3,200,000	3,423,914[1]
Thereof		
Variable Cash Compensation 2022	800,000	741,195
Variable Compensation 2023	2,400,000	2,682,719[1]
- Number of SARs		123,925
- Number of PSUs		251,605[1]

[1] Included in the amounts are assumed social security payments on the fair market value of allocated SARs and PSUs. Variable Compensation 2023 (including number of SARs and PSUs reflect reverse share split 10:1 on July 3, 2023). Valuation and quantum of PSUs and SARs not including adjustments. The valuation of the 2023 PSUs as part of the LTIP 2023 was revised which increased the value of the instruments and led to a total variable compensation in excess of the AGM approved limit as of December 31, 2023. As a consequence, the Company applied the claw-back clause and therefore revisited the number of PSUs granted and reduced the grant retrospectively. This resulted in total variable compensation being reduced to within the AGM approved limit. The revised PSU quantum based on the new valuation is CHF 1,093,615 (CEO new PSU quantum 46,000 and other members EM new PSU quantum totaling 112,550) and a total variable compensation of CHF 1,982,273 (CEO CHF 575,555 and other members EM CHF 1,410,718).

Disclosure of compensation of members of the Executive Management for the years 2023 (audited)

In CHF	Base salary	Allowances	Cash bonus	Fair value of PSU/ SARs[1]	Social security and pension[2]	Total compen-sation	Number of PSU/SARs granted[6]
2023							
Dario Eklund	516,390	43,272	204,005	713,672	238,635	1,715,974	109,020
Other 5 members of EM[5)]	1,545,174	86,520	424,784	1,744,642	595,681	4,396,801	266,510
Total	**2,061,564**	**129,792**	**628,789**	**2,458,314**	**834,316**	**6,112,775**	**375,530**

Disclosure of compensation of members of the Executive Management for the year 2022 (audited)

In CHF	Base salary	Allowances	Cash bonus[3]	Fair value of PSU/ stock Options[1]	Social security and pension[2]	Total compen-sation	Number of PSU/Stock options granted[6]
2022							
Dario Eklund	505,008	43,272	0	1,615,205	266,536	2,430,021	164,552
Other 5 members of EM[4)]	1,567,775	72,100	0	3,879,113	687,956	6,206,944	387,680
Total	**2,072,783**	**115,372**	**0**	**5,494,318**	**954,492**	**8,636,965**	**552,232**

[1] Reflects the fair value of share-based payments in accordance with IFRS 2 at grant (and reflect reverse share split 10:1), i.e. the value of unvested Stock Options/SARs attributable at grant. The tax value of such unvested instruments (i.e., SARs, Stock Options or PSUs) is CHF 0 until when the SAR or Options are exercised respectively when PSUs are converted into shares of the Company. The number of PSU/Stock options granted in 2022 is higher than the number of PSUs/SARs awarded in 2023 as the 2021 variable cash bonus was paid in the form of Options. Valuation and quantum of PSUs and SARs not including adjustments. The valuation of the 2023 PSUs as part of the LTIP 2023 was revised which increased the value of the instruments and led to a total variable compensation in excess of the AGM approved limit as of December 31, 2023. As a consequence, the company applied the claw-back clause and therefore revisited the number of PSUs granted and reduced the grant retrospectively. This resulted in total variable compensation being reduced to within the AGM approved limit. The revised PSU quantum based on the new valuation is CHF 1,093,615 (CEO new PSU quantum 46,000 and other members EM new PSU quantum totaling 112,550) and a total variable compensation of CHF 1,982,273 (CEO CHF 575,555 and other members EM CHF 1,410,718).

[2] Included in the amounts are assumed social security payments on the fair market value of allocated PSUs/SARs/Options.

[3] 2021 Cash bonus was approved and paid out in 2022 in the form of Stock Options and is included in the PSU/Option information.

[4] Including Chief Medical Officer as of May 1, 2022.

[5] Includes President North America through September 30, 2023.

[6] Number of equity instruments reflect reverse share split 10:1 on July 3, 2023.

Realization of PSU plans granted in previous years:

The NMIP 2022 was paid in January 2024 as a combination of cash, shares and restricted shares:

Dario Eklund: Cash CHF 165,000; Fair value of restricted shares CHF 395,780; Social security CHF 3,589; Number of restricted shares 53,921

Other 5 members of EM: Cash CHF 655,244; Fair value of restricted shares/shares CHF 784,618; Social security CHF 17,425, Number of restricted shares/shares 91,527

Changes in the Executive Management in 2023

Following the out-licensing of vamorolone in North America to Catalyst Pharmaceuticals in 2023, the Company initiated the closure of its US entity. Consequently, the President of North America ceased to be a part of the Executive Management, effective October 1, 2023.

Executive Contracts

The employment contracts with the EM members are compliant with the Swiss Code of Obligations (Swiss CO) and the Company's Articles of Incorporation and no EM member has a notice period of longer than 12 months. Any noncompeting clauses for the period after termination of an employment agreement shall not exceed one year with the maximum compensation for such period of the last total annual compensation of an EM member in question.

Indirect Benefits

The Company contributes to pension plans which are based on defined contributions, for old age pension, disability and death. The risk portion provides benefits for widowers (spouse), orphans and long-term disability in case of sickness. In addition, there is a lump sum that will be paid in case of death due to accident or sickness. The amount of pension benefits depends on the employee's age and insured compensation. Both employee and employer contribute to the aforementioned pension plans.

Loans and Credits

In accordance with the Articles of Incorporation, loans to members of the Board and EM may only be on market terms and may only be made by the Company or by any of its directly or indirectly controlled companies, whereas the total sum of total outstanding loans to a particular member, including the amount to be granted, shall not exceed twice the most recent annual compensation to such member. In 2022 and 2023, no loans or credits were made to the members or former members of the Board, EM or to their related parties.

Compensation of Former Members of the Board and Executive Management

Disclosure of compensation of former Board members for the years 2023 and 2022 (audited)

In CHF	Total payment
2023	
n/a	–
Total	**0**
2022	
n/a	–
Total	**0**

Disclosure of compensation of former EM members for the years 2023 and 2022 (audited)

In CHF	Total payment
2023	**103,121**
Stephanie Brown[1]	103,121
Total	**103,121**
2022	
n/a	–
Total	**0**

[1] The amount reflects gross payments made in the year including social security cost. Stephanie Brown left the Executive Management team as of September 30, 2023 and received ongoing compensation in accordance with contractual obligations.

Shareholdings of Members of the Board and Executive Management

Disclosure of shareholdings in the Company of Board members as of December 31, 2023 and December 31, 2022 (audited)

In 2021, the Company granted Board members a Special Equity grant in the form of RSUs with a three-year vesting period. These grants will become realized in 2024.

December 31, 2023	Number of shares	Number of stock options (vested)	Number of stock options (unvested)	Number of SAR (vested)	Number of SAR (unvested)	Number of RSU (vested)[2]	Number of RSU (un-vested)[2]
Thomas Meier	31,083	1,487	0	11,471	0	18,759	21,129
Philipp Gutzwiller	13,497	0	0	6,179	0	14,778	16,694
Bradley Meyer	3,091	0	0	0	0	0	27,218
Otto Schwarz	0	0	0	0	0	0	23,185
Total	**47,671**	**1,487**		**17,650**	**0**	**33,537**	**88,226**

December 31, 2022	Number of shares	Number of stock options (vested)	Number of stock options (unvested)	Number of SAR (vested)	Number of SAR (unvested)	Number of RSU (vested)[2]	Number of RSU (un-vested)[2]
Thomas Meier	14,031	1,487	0	10,962	509	5,041	18,717
Philipp Gutzwiller	4,445	0	0	5,696	483	5,291	14,487
Patrick Vink[1]	10,722	0	0	6,123	535	5,291	25,110
Total	**29,198**	**1,487**	**0**	**22,781**	**1,527**	**15,623**	**58,314**

[1] Member of the BoD until June 30, 2023 (AGM 2023)

[2] Number of equity instruments reflect reverse share split 10:1 on July 3, 2023.

Disclosure of shareholdings in the Company of Executive Management members as of December 31, 2023[1] and December 31, 2022 (audited)

In 2021, the company introduced Performance Share Units (PSUs) as part of its variable compensation elements. The first set of PSUs granted in 2021 are not yet realized and will be subject to performance targets to be assessed in 2024.

December 31, 2023[4]	Number of shares	Number of Stock Options (vested)[1]	Number of Stock Options (unvested)	Number of SAR (vested)[1]	Number of SAR (unvested)	Number of PSU (vested)	Number of PSU (un-vested)[4]
Dario Eklund	4,500	101,569	17,521	18,424	35,977	0	168,505
Andrew Smith	0	56,441	11,316	16,213	23,704	0	108,924
Shabir Hasham[2]	2,646	22,999	10,221	7,614	21,496	0	83,099
Günther Metz	1,000	40,617	10,512	9,462	21,374	0	86,673
Oliver Strub	0	37,555	10,512	9,624	21,374	0	86,673
Total	**8,146**	**259,181**	**60,082**	**61,337**	**123,925**	**0**	**533,874**

December 31, 2022	Number of shares	Number of Stock Options (vested)[1]	Number of Stock Options (unvested)	Number of SAR (vested)[1]	Number of SAR (unvested)	Number of PSU (vested)	Number of PSU (un-vested)[4]
Dario Eklund	2,500	92,125	26,965	18,424	0	0	95,462
Andrew Smith	0	50,297	17,460	0	16,213	0	60,798
Shabir Hasham[2]	2,646	17,688	15,532	5,235	2,382	0	39,455
Günther Metz	1,000	34,950	16,179	8,824	638	0	43,277
Oliver Strub	0	31,888	16,179	8,987	638	0	43,277
Stephanie Brown[3]	0	35,419	25,193	0	0	0	58,051
Total	**6,146**	**262,367**	**117,508**	**41,470**	**19,871**	**0**	**340,320**

[1] The exercise price of vested and unvested options and SARs ranges from CHF 8.40 to CHF 894.50.

[2] Shabir Hasham appointed Chief Medical Officer as of May 1, 2022.

[3] Stephanie Brown, member of Executive Management through September 30, 2023.

[4] Number of equity instruments reflect reverse share split 10:1 on July 3, 2023. The number of vested PSUs is subject to the achievement of both the specific performance targets and the predetermined vesting period. The prior year number of vested PSUs have been re-classified to conform to the current year presentation.

Outlook

Outlook for Board compensation

The Board will continue with the Audit & Compliance Committee (AC) and Compensation Committee (CC). The Scientific Committee has been discontinued for the time being. The Board intends to maintain the current number of Board members at four. All committee chairmanships as well as memberships of the Board and its committees are proposed to be remunerated as follows:

Function	Compensation (CHF)	Number	Total (CHF)[1)]
Chairman of the Board (**COB**)	180,000	1	180,000
Member of the Board	115,000	3	345,000
Chairman of the AC	30,000	1	30,000
Member of the AC	10,000	1	10,000
Chairman of the CC	20,000	1	20,000
Member of the CC	10,000	1	10,000
Total			**595,000**

[1] Excluding employer contributions to AHV/IV/ALV that does not form part of remuneration.

At minimum, 50% of the total compensation is made in the form of restricted shares. The Board of Directors proposes that the 2024 ordinary AGM approves Board remuneration totaling not more than CHF 595,000 (excluding legally required employer's contributions to AHV/IV/ALV) for the period ending at the 2025 ordinary AGM.

Outlook for EM compensation

Outlook for fixed compensation

The AGM 2023 has already approved the fixed compensation (which includes base salary, allowances, social security contributions and payments to the pension fund) for 2024 in the amount of CHF 3,300,000.

For the fixed compensation for 2025, the Board will propose an amount of CHF 4,100,000 to the AGM 2024 which is based on six Executives.

Outlook for variable compensation

The Variable compensation of the members of the EM consists of an annual cash bonus and an annual grant under the companies' LTI program. The BoD plans to propose a total maximum variable compensation to the members of the EM of CHF 4,550,000.

In CHF	For approval in 2024	2023	2022
Maximum amount Variable Compensation	**4,550,000**	**3,200,000**	**6,100,000**
Thereof:			
Cash Bonus[3]	1,400,000	800,000	1,200,000[1]
Stock Options / PSUs/SARs	3,150,000	2,400,000	4,900,000[2]

[1] The Variable Cash Compensation 2021 was paid out in the form of options in 2022.

[2] The amount includes CHF 2,500,000 approved at November 2022 EGM.

[3] The Variable Cash Compensation 2023 will be paid out in a combination of cash and equity. Any bonus amount in excess of 100% achievement level to be paid in restricted shares with a one-year restriction.

Annual cash bonus

The annual cash bonus for 2023 is based on the achievement of Company and individual goals.

Overall, company goals in 2023 were fully achieved setting a historical mark in Santhera's history with approvals for its lead product vamorolone in DMD in three major jurisdictions. The Company goals included the approval of vamorolone in the US, EMA and the UK and additionally securing financial security into 2025 through the successful partnering of vamorolone to Catalyst Pharmaceuticals for the North American market. Company debt was significantly reduced as the cash proceeds for the licensing deal facilitated repayment of outstanding debt. Additionally, the Company closed the transaction of the Raxone business with the Chiesi Group.

The Company plans to propose to the shareholders at the AGM 2024 a cash bonus payment for members of the EM of maximum CHF 1,400,000 (incl. social security contributions). The Variable Cash Compensation 2023 will be paid out in a combination of cash and equity. Any bonus amount in excess of 100% achievement level to be paid in restricted shares with a one-year restriction.

Long-term incentive plan – annual grant

The objective of the variable long-term remuneration is to align manager's long-term compensation with the strategy of Santhera. The Long-Term Incentive (LTI) program shall be designed to motivate eligible managers to ensure that their actions and decisions promote the achievement of the medium- and long-term value-based targets. Santhera seeks to align the interests of management and the Group with the interests of its shareholders beyond share price appreciation. In addition, the LTI program aims to strengthen the loyalty of its managers to Santhera, identification with the Company and motivation among its key talents to stay with the Company.

The Board intends to propose to shareholders at the AGM 2024 to issue SARs and PSUs as the annual grant under the LTI program in aggregate up to a total value of CHF 3,150,000 to EM members, which reflects the annual targeted quantum for the Executive Management Team.

Members with external mandates as of December 31, 2023 (audited)

Board of Directors	Mandates in listed companies	Mandates in non-listed companies
Thomas Meier	Onconetix Inc: Board Member (from April 2024)	Novaremed AG: Executive Chairman SEAL Therapeutics AG: Chairman Visgenx Inc.: Board Member
Philipp Gutzwiller	-	-
Bradley Meyer	-	AliveDx: Board Member Aveng: Board Member Biocartis SA: Chairman
Otto Schwarz	-	Stalicla SA: Board Member

Executive Members	Mandates in listed companies	Mandates in non-listed companies
Dario Eklund	-	-
Andrew Smith	Arix Bioscience plc: Non-Executive Director, Audit Chair	-
Shabir Hasham	-	-
Guenther Metz	-	-
Oliver Strub	-	-

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To the General Meeting of
Santhera Pharmaceuticals Holding Ltd, Pratteln

Basel, 27 May 2024

Report of the statutory auditor on the audit of the compensation report

Opinion
We have audited the compensation report of Santhera Pharmaceuticals Holding AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked “audited” on page 110, pages 112 to 115 and page 117 of the compensation report.
In our opinion, the information pursuant to Art. 734a-734f CO in the compensation report complies with Swiss law and the Company’s articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the compensation report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked ”audited” in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the compensation report
The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation,
and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the compensation report
Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

/s/ Martin Mattes
Licensed audit expert
(Auditor in charge)

/s/ Diana Vejina
ACCA

Corporate Governance Report

Contents

General Information

The Company's corporate governance principles are laid out in its articles of incorporation (**Articles**), the organizational rules (**Organizational Rules**; *Organisationsreglement*), by-laws of the Company's Audit & Compliance, Compensation and Scientific Committees adopted by the Board of Directors (**Board**) and a comprehensive set of Group directives, including insider trading rules that require a trading preclearance for the Board and the Company's officers and employees, as well as an internal control system, and a risk management process. All the above documents can be downloaded from: http://www.santhera.com/investors-and-media/investor-toolbox/governance.

The information published below conforms to the Directive Corporate Governance (**DCG**) of the SIX Swiss Exchange (**SIX**). In order to avoid redundancies, references are inserted to other parts of the financial report. Santhera's website www.santhera.com provides more detailed information.

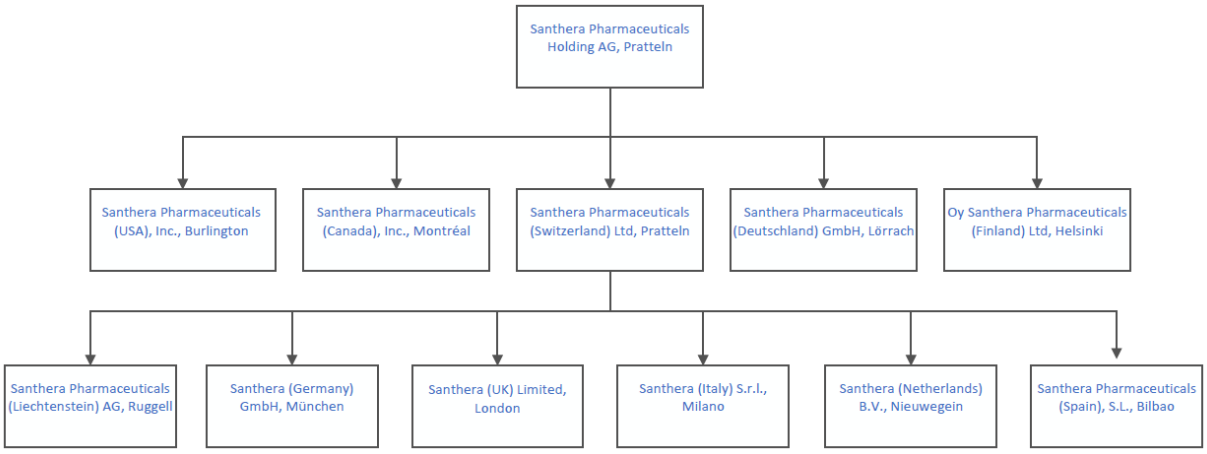
Group Structure and Shareholders (DCG 1)

Group structure (DCG 1.1)

Listed company

Name	Santhera Pharmaceuticals Holding AG (**Company**, together with its affiliates, **Santhera**)
Legal domicile	Hohenrainstrasse 24, 4133 Pratteln, Switzerland
Commercial register number	CHE-105.388.338
Listing	SIX Swiss Exchange
Symbol	SANN
Security ID	127602882
ISIN	CH1276028821
Market capitalization	CHF 124 million (December 31, 2023)
Website	www.santhera.com
Duration of Company	Not limited
Subsidiaries	See following section as well as note 3.2 *"Investments in shareholdings"* to the statutory financial statements of the Company.

Santhera operates through its wholly owned subsidiaries (DCG 1.1.3):



Company	Share capital	Domicile	Activities
Santhera Pharmaceuticals (Schweiz) AG	CHF 125,000	Pratteln, CH	Headquarters; development of pharmaceutical drugs, administrative functions
Santhera Pharmaceuticals (Liechtenstein) AG	CHF 50,000	Ruggell, LI	Logistics/distribution
Santhera (Germany) GmbH	EUR 50,000	München, DE	Pre-commercial activities
Santhera (Netherlands) B.V.	EUR 50,000	Nieuwegein, NL	Pre-commercial activities
Santhera (UK) Limited	GBP 50,000	London, GB	Pre-commercial activities
Santhera (Italy) S.r.l.	EUR 50,000	Milano, IT	Voluntary liquidation completed on March 8, 2024
Santhera Pharmaceuticals (Spain), S.L.U	EUR 50,000	Bilbao, ES	Pre-commercial activities
Santhera Pharmaceuticals (Canada), Inc.	CAD 1,000	Montréal, CA	Voluntary liquidation completed on September 19, 2023
Santhera Pharmaceuticals (USA), Inc.	USD 1,000	Burlington, Massachusetts, US	Pre-commercial activities/advocacy/patient liaison; to be voluntarily liquidated in 2024
Santhera Pharmaceuticals (Deutschland) GmbH	EUR 25,000	Lörrach, DE	Regulatory and development in the EU, logistics and distribution
Oy Santhera Pharmaceuticals (Finland) Ltd	EUR 2,500	Helsinki, FI	Voluntary liquidation completed on December 19, 2023

None of these subsidiaries is listed on a stock exchange (DCG 1.1.2). The development activities are managed by Santhera Pharmaceuticals (Schweiz) AG and are mostly performed in Switzerland, the EU and the U.S. (DCG 1.1.1).

Each subsidiary has exactly one direct parent company which holds 100% of the shares or the quota of such subsidiary.

As a result of the restructuring of its operations following the decision to discontinue the further development of Puldysa in 2020, the majority of this subsidiaries in the EU have become dormant or are being liquidated. As a

consequence of the license granted to Catalyst Pharmaceuticals with respect to the development and commercialization of AGAMREE® (vamorolone) in North America, Santhera Pharmaceuticals (USA), Inc. will be voluntarily liquidated in 2024.

Significant shareholders (DCG 1.2)

See note 4.2 *"Significant Shareholders"* to the statutory financial statements of the Company.

Cross-shareholdings (DCG 1.3)

There are no cross-shareholdings.

Capital Structure (DCG 2)

Ordinary, conditional and authorized capital (DCG 2.1/2.2)

The Company has one class of 12,616,986 registered shares with a nominal value of CHF 0.10 each (**Shares**). As of December 31, 2023, it had the following ordinary, authorized and conditional share capital:

Capital type	Articles of Association	Effectively outstanding Shares		As per Commercial Register		Expiry
Ordinary	3	12,620,376		12,558,845		N/A
Conditional in capital range	3b	6,041,155	47.9%	6,041,155	48.1%	June 26, 2028
Conditional for participation programs	3c	542,450	4.3%	557,300	4.4%	N/A
Conditional for financings	3d	5,500,000	43.6%	5,500,000	43.8%	June 26, 2038
		12,040,314	**95.8%**	**12,098,455**	**96.3%**	

The number of shares entered into the commercial register does not usually reflect the number of shares that are effectively outstanding. The latter change to the extent that instruments such as options, share appreciation rights, convertible bonds, exchangeable notes or other equity-based instruments are exercised/converted. The Company has to report changes in conditional capital on a monthly basis to the SIX Swiss Exchange. These data are available from https://www.six-group.com/de/products-services/the-swiss-stock-exchange/market-data/shares/share-explorer/share-details.CH1276028821CHF4.html#/share-details.

Changes in conditional capital have to be updated in the Company's Articles (and hence in the commercial register) within three months from the end of any financial year. This time delay is the reason why these numbers are usually less accurate than those reported to SIX.

For details with regard to terms and conditions of potential share issues under the Company's capital range and conditional share capitals, see sections 3a, 3b, 3c and 3d of the Company's Articles, which can be downloaded from https://www.santhera.com/investors-and-media/investor-toolbox/governance, and the section on DCG 2.7 below.

For details with regard to the Company's participation plans ESOP, BSOP, ESARP, BSARP, ELTIP and EIP, see note 21 "Equity Rights Plans" to the consolidated financial statements.

Changes in share capital (DCG 2.3)

For changes in capital that occurred in 2021 and 2022, see the Company's Annual Reports for 2021 and 2022, which can be downloaded at https://www.santhera.com/assets/files/financial_reports/2021-Santhera-Annual-Report-10.06.22-Final-for-publication-2x.pdf and https://www.santhera.com/assets/files/financial_reports/2022_SANN_AnnualReport2022.pdf

For changes that took place in 2023, see note 12 "Share Capital" to the consolidated financial statements of the Company.

Shares, participation and dividend right certificates (DCG 2.4/2.5)

As of December 31, 2023, the Company had one single class of registered Shares with a nominal value of CHF 0.10 each. All Shares were fully paid in and are nonassessable. The Company has not issued any participation certificates nor any profit-sharing certificates.

The Company may issue its Shares in the form of uncertificated securities, single certificates or global certificates. The shareholder has no right to demand the printing and delivery of share certificates. However, a registered shareholder may, at any time, request the Company to confirm in writing its shareholding as entered into the share register. The transfer of the Shares is effected via electronic book entry only by the intermediary holding the securities account, usually a bank. The transferability of the Shares is not affected by the changes required by the Foreign Investment Screening Act (**FISA**).

Subject to section 5 in the Company's Articles on share register, transfer restrictions and nominees, each Share carries one vote (see section on DCG 2.6) and is entitled to dividends if the AGM resolves in favor of a dividend payment.

Limitations on transferability and nominee registrations (DCG 2.6)

The Company's Shares are freely transferable, provided that the acquirers declare that they acquired the Shares in their own name and for their own account. There is no percentage limitation (DCG 2.6.1), and accordingly, the Company did not grant any exception (DCG 2.6.2).

The Board may register individual nominees (**Nominees**) with the right to vote in the share register up to 2% of the share capital as set forth in the commercial register. Shares in excess of 2% of the total share capital are entered without voting rights, unless the Nominee discloses the names, addresses and number of Shares of persons for whose account it holds such excess Shares. Nominees are persons who do not explicitly declare to hold Shares for their own account. Groups of persons who are interrelated or otherwise act in concert to circumvent the Nominee provisions are treated as a Nominee (DCG 2.6.3). In the year under review, the Company granted no exception.

The Board delegated the administration of the share register to the Group General Counsel (**GC**) who may cancel a registration of shareholders if such registration was based on false information and if the GC has previously heard such shareholder or Nominee. No statutory privileges of limitations on transferability exist (DCG 2.6.4).

Convertible bonds and warrants/options (DCG 2.7)

For an overview of convertible bonds, see note 13.2 *"Financing arrangements – convertible bonds"*.

Options, warrants

See the statutory financial statements of the Company, note 13.1 *"Equity-linked financing arrangements"*, *note 13.2 "Financing arrangements – convertible bonds" and* note 21 "*Equity Rights Plans*" to the consolidated financial statements.

Board of Directors (DCG 3)

Board and committee memberships (DCG 3.1/3.2/3.3/3.4 and 3.5.2)

Composition of the Board of Directors (**BoD**), the Audit & Compliance Committee (**AC**), the Compensation Committee (**CC**) and the Scientific Committee (**SC**):

	Year of birth	Nationality	First elected	BoD	AC	CC	SC
Thomas Meier[1]	1962	DE	2017	●	○	○	●
Philipp Gutzwiller	1968	CH	2017	○	●		
Bradley C. Meyer[2]			2023	○		●	
Otto Schwarz			2023	○			
Patrick Vink[3]	1963	NL	2017				

● = Chairman ○ = Member

1 Thomas Meier was also Delegate of the Board and CEO of Santhera until November 30, 2019. Thereafter, he remained an employee of the Company until December 31, 2020 and acted as an advisor to the CEO. He was elected as Chairman at the 2022 AGM on June 30, 2022.

2 Before being elected to the Board, Bradley C. Meyer had been a Board observer.

3 Patrick Vink decided not to stand for re-election at the AGM on June 27, 2023.

Thomas Meier

Thomas Meier, born 1962, German citizen, became a Member of Santhera's Board in 2017 and was elected Chairman of the Board at the 2022 AGM. Thomas Meier is a member of the Audit & Compliance Committee, the Compensation Committee and the Scientific Committee.

Thomas Meier holds a PhD in Biology from the University of Basel and qualified as lecturer for neurosciences at the University of Basel before joining the industry. He has close to 25 years' experience as life-science and biotech entrepreneur, executive manager and Board member and is an internationally recognized scientist with a track record in clinical research of orphan diseases.

He is a founder of Santhera and served as Chief Scientific Officer (2004 to 2019) and Santhera's Chief Executive Officer (2011 to 2019). From 2000 to 2004 he was founder and Chief Executive Officer of MyoContract AG, a research company focused on orphan neuromuscular diseases and the first start-up company originating from the Biozentrum, University of Basel.

Currently Thomas Meier is managing partner of Viopas Venture Consulting GmbH, a Swiss consultancy and advisory firm for the healthcare industry. He also is a member of the Board of Directors of the privately held Visgenx Inc. (USA) and public Onconetix Inc. (USA) as well as chairman of privately held Novaremed AG (Switzerland) and SEAL Therapeutics AG (Switzerland). Previously, he acted as chairman of the privately held company Pharmabiome AG (Switzerland) until 2021.

Philipp Gutzwiller

Philipp Gutzwiller, born 1968, Swiss citizen, is a Member of Santhera's Board and its Audit & Compliance Committee since 2017. He is both a non-executive and an independent Board Member.

Philipp Gutzwiller has an MSc (Finance and Economics), University of Basel.

Philipp Gutzwiller was a Managing Director in investment and commercial banking at UBS, Lloyds Banking Group and Mizuho. During his 24 years as a banker, Philipp supported corporate clients in the healthcare and life sciences industry on M&A transactions, corporate finance projects, risk management and capital market transactions.

Prior to joining the Philipp worked in the Corporate Finance Team of F. Hoffmann-La Roche in both operational and transactional roles.

Bradley C. Meyer

Bradley C. Meyer, born 1979, Australian citizen, is a Member of Santhera's Board and the Chairman of the Compensation Committee since 2023. He is both a non-executive and independent Board Member.

Bradley C. Meyer is the founding partner of and a senior advisor at Ducera Partners and has vast experience in M&A, financial and other advisory services. He was a founding member of Millstein & Co and, previously, the managing director of Perella Weinberg Partners, with core competencies in finance and advisory services. From 2003 to 2012, Bradley C. Meyer was a member of the financial restructuring group of Houlihan Lokey. Previous work experience includes Lazard as a member of the M&A group. He is a graduate of Harvard University and currently serves on the board of directors of Aveng Group, AliveDx and Biocartis.

Otto Schwarz

Otto Schwarz, born 1955, Austrian and Swiss citizen, is a Member of Santhera's Board. He is both a non-executive and independent Board Member.

Otto Schwarz, PhD, is the former COO of Actelion Pharmaceuticals Ltd (2008-2017). He is a pharmacist with a PhD from the University of Vienna and was a post-doc at the University of Florida. Currently, he is Managing Director of Concentus Consulting, Switzerland. Prior to Actelion, he was Executive Board Member of Altana Pharma, Germany (2004-2008) and before that spent 16 years at Schering-Plough and 4 years at Eli Lilly. He is currently on the board of privately held Stalicla, Lausanne, and has been a board member of Kiadis Pharma AB/Netherlands and Chairman of the Board of Arvelle Therapeutics/Netherlands until the sale of both companies in 2021. He also served for 3 years as member of the foundation board of the MAX7 Foundation/Germany.

Business connections between Board members and the Company (DCG 3.1.c).

See note 29 "*Transactions with Related Parties*" to the consolidated financial statements.

Other activities and vested interests (DCG 3.2)

Other than described above, none of the members of the Board has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political mandate.

Number of permitted activities (DCG 3.3)

See table in section on DCG 4.3.

Elections and terms of office (DCG 3.4)

According to the Company's Articles, the Board consists of no more than eight members. All members of the Board, including the Chairman in his function as a chairman, are appointed or removed exclusively by a resolution of the shareholders. The Board members are elected on an individual basis for a term of office which must not exceed one year, whereby a year means the period between two AGMs. The terms of the Board members end at the 2024 AGM. There are no rules in the Company's Articles that differ from legal provisions with regard to the appointment of the Chairman, the members of the Compensation Committee and the independent proxy.

Organizational structure/areas of responsibility and information flow (DCG 3.5)

Allocation of tasks within the Board (DCG 3.5.1)

In accordance with the Organizational Rules of the Company, the Chairman convenes and presides over the Board meetings. After consultation with the CEO, the CFO and the GC, who also acts as the Secretary to the Board, he decides on agenda items and motions. The other Board members may request that items be placed on the agenda. In case of urgency, the Chairman may approve transactions and measures on behalf of the full Board. The Board also approves the Company's news releases.

The Board committees (DCG 3.5.2)

The Compensation Committee (CC) consists of two Board members, Bradley C. Meyer (Chairman) and Thomas Meier (member). The members of the CC are elected individually by the AGM for a term of office until the end of the next AGM. The CC's Chairman is elected by the Board.

The Audit & Compliance Committee (AC) consists of two Board members, Philipp Gutzwiller (Chairman) and Thomas Meier (member). Chairman and member of the AC are elected by the Board.

The Scientific Committee consists of one Board member, Thomas Meier (Chairman).

Board - organizational structure and areas of responsibility (DCG 3.5/3.6)

Core tasks of the Board

The Board is entrusted with the ultimate direction of the Company and the supervision of the Executive Management. The Board's nontransferable and inalienable duties include the following:

- The ultimate management of the Company, by determining the strategy of the Company based on discussions with Executive Management, e.g., whether to evaluate, pursue or execute a financing, an M&A or a licensing transaction or the commercialization strategy for AGAMREE.
- The determination of the organizational structure of the Company, in terms of both organization by departments and organization through the legal structure of the Group.
- The oversight of the accounting system, financial control (including the Company's internal control system, risk management as well as financial planning), through structured processes of budgeting/forecasting (both bottom up and top down), variance analyses, regular latest estimates and invoice approvals.
- The appointment, recall and supervision of the Executive Management, the determination of their areas of responsibility and their signing authorities.

The Board is also responsible for the preparation of the Annual Report, AGM and EGMs (if any), carrying out shareholders' resolutions, and notification to the judge in case of overindebtedness of the Company.

The Board has delegated the execution of the strategies defined by it and the day-to-day management of the Company to the Executive Management under the leadership of the CEO. The Executive Team is supported by a management team where major functions are represented (business development, marketing, partnering, communications & investor relations, People & Culture, clinical operations).

Work methods of the Board and its Committees (DCG 3.5.3)

Board

The adoption of resolutions and elections by the Board requires a majority of the votes cast. To validly pass a resolution, more than half of the members of the Board must be present at the meeting. In case of an impasse, the Chairman has a casting vote. In the period under review, all resolutions by the Board were taken unanimously. Meetings may also be held by tele- or videoconference and resolutions may be taken by circular. The latter can be

the case where the BoD is very familiar with the project (e.g., if it has been continuously updated before taking such resolution). In very few instances, e.g., due to the urgency of a situation, the Board has approved a transaction in principle and authorized CEO, CFO, GC and EVP Business Development to negotiate details as long as they remained substantially the same as those presented to it.

Audit & Compliance Committee

The Audit & Compliance Committee (**AC**) reviews, discusses with management and recommends for approval by the BoD the financial statements and the financial information contained in news releases. It reviews and discusses with management significant financial reporting issues, significant changes to the accounting principles, the adequacy of the internal controls, any special audits, and the effect of regulatory and accounting initiatives. The AC can invite the Company's auditors, consultants and legal advisers to any of its meetings and discuss any AC related topic with such parties. The AC monitors the integrity of the financial statements of the Company, assesses the independent audit firm's and its representatives' qualifications, the performance of the Company's internal audit function and independent public accountants, and the compliance of the Company with legal and regulatory requirements.

The AC has the authority to suggest to the whole BoD the appointment or replacement of the auditors. On four occasions, the meetings of the Board and the AC were combined. The duration of such meetings was allocated pro forma 35% to the AC and 65% to the BoD (see table below about meeting duration).

Compensation Committee

The tasks of the Compensation Committee are described in the Compensation Report under "Compensation Governance".

Scientific Committee

The purpose of the SC is to assist the Board in its oversight of the Company's research and development strategy. Due to the size of the Board, the SC did not hold any further meetings since 2022 and will not do so until the Board decides otherwise.

In the past, CEO, CMO and Head Development/Head Medical Affairs, Head Business Development and Secretary to the Board would participate in such meetings. The SC reports its actions and recommendations to the Board at the meeting of the Board following each SC meeting. Its core tasks include to provide strategic advice to the Board regarding current and planned research and development programs and activities, to evaluate the effectiveness of the Company's R&D Operations and activities, to evaluate inlicensing or partnering opportunities and monitor compliance with the Company's standards of scientific integrity.

Meetings in 2023

Corporate Body	In person meetings	Tele- and video-conferences	Circular resolutions	Average duration in hrs
Board of Directors	3	14	11	1-2
Audit & Compliance Committee	4	2	0	1
Compensation Committee	0	7	1	½
Scientific Committee	0	0	0	0

Information and control instruments vis-à-vis the Executive Management (DCG 3.7)

As a rule, all Executives participate in the Board meetings and report to the Board on the current course of business and all significant issues and transactions. Other members of senior management may be invited to attend to

present and discuss certain agenda items covering their area of expertise, for example, to discuss results and progress of clinical studies and submissions to regulatory authorities. From time to time, the Board also invites the Company's auditors and tax, legal or other advisors to its meetings.

In the year under review, the Board discussed the Company's strategy, major projects and risks. It evaluated potential M&A, outlicensing transactions, equity-based and non-dilutive funding with about 40 parties.

Among the key risks identified at the beginning of 2023 were the financial situation and the going concern of the Company, the regulatory risk in the U.S. & Europe with respect to vamorolone, the commercialization of vamorolone (subject to regulatory approval), the negotiations the French authorities about a claw-back, a potential loss of key personnel, compliance (**GxP**, compliance and compliance with respect to interactions with healthcare professionals and qualification and validation of computerized systems). For all these risks, mitigation strategies were put in place.

Extraordinary transactions and issues must be reported by the CEO to the Board immediately. CEO, CFO and GC are in regular contact with the Board. Each member of the Board is entitled to request and receive information on all matters of the Company and has access to the Company's and the Company's subsidiaries' property, records and personnel.

Due to its size, Santhera does not have an internal audit function, but parts of this function have been allocated to its finance department and the manager of quality assurance. In the year under review, the Company has continuously improved certain of its financial processes.

Gender guidelines (DCG 3.8 and 4.5)

The Company has not implemented any gender guidelines but plans to do so in due course of time.

Executive Management (DCG 4 and 3.6)

In 2023, the Executive Management consisted of six Executives[1].

Executive	Function	Nationality	Year of birth
Dario Eklund	Chief Executive Officer (CEO)	AT/FI	1968
Andrew Smith	Chief Financial Officer (CFO)	GB	1962
Shabir Hasham	Chief Medical Officer (CMO)	GB	1970
Günther Metz	Head Business Development, EVP	DE	1958
Oliver Strub	Group General Counsel & Secretary to the Board, EVP	CH	1963
Stephanie Brown[1]	President North America	CA	1960

[1] Until September 30, 2023

Members of the Executive Management are appointed by the Board upon proposal by the CEO with the exception of the CEO who is appointed upon proposal by the Chairman of the Board.

During the Board and Board committee meetings, the CEO reports to the Board and whenever required on an ad hoc basis.

The CEO, together with Executive Management, is responsible for implementation of the strategy and the decisions taken by the Board and its Committees within the approved budget. With the support of the management team - consisting of the members of Executive Management, the Head of Development & Deputy CMO, the Head

People & Culture, the Head Investor Relations & Communications, the Head Global Marketing & Partner Management, the Head Business Development, the Chief of Staff and the Head Clinical Development Operations - he prepares the business strategy and business plan for decision by the Board. The CEO approves material contracts, decides on the Company's intellectual property rights and the handling of lawsuits. He also allocates financial, personnel and other resources within Santhera and supervises the members of the management team. The management team has regular meetings that usually cover the following topics: product revenues, alliance management, development programs and clinical studies, regulatory strategies, resource allocation, business development, competitive situation, risk management and internal control system, corporate affairs including important contracts, supply chain and information on subsidiaries, financing situation and strategies, internal and external financial reporting, financial controlling, public and investor relations, people & culture, taxes, legal and compliance.

Dario Eklund

Dario Eklund, born 1968, Finnish and Austrian citizen, is Santhera's CEO since December 1, 2019.

Dario has an MSc in Economics and graduated from the Swedish School of Economics and Business Administration in Helsinki (Finland).

From 2014 to 2019, Dario Eklund was Chief Commercial Officer of Vifor Pharma. He was a member of Vifor's Corporate Executive Committee and a member of the Board of Directors of the joint venture with Fresenius Medical Care (Vifor Fresenius Medical Care Renal Pharma Ltd.). From 2005 to 2014, he served as Vice President and member of Executive Committee of Organogenesis, a NASDAQ-listed world leading company in regenerative medicine and cell therapy with three approved products. From 2002 to 2004, he was General Manager Switzerland of Sanofi. From 1994 to 2002, he served as Global Commercial Director, Biotechnology (1999 to 2002), Area Director, Eastern Europe & Israel (1997 to 1999) and Area Manager, Eastern European countries (1994 to 1996) of Novartis.

He has no other activities and vested interests.

Andrew Smith

Andrew Smith, born 1962, British citizen, joined Santhera as Chief Financial Officer (**CFO**) on April 1, 2020, and is also responsible for IT.

Andrew is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant. He studied business and accounting at Liverpool John Moores University and Durham University Business School.

He joined Santhera with broad experience in corporate and operational finance in the pharmaceutical and biotech industry and public accounting. Prior to joining Santhera, he was CFO and COO at Allecra Therapeutics GmbH, a clinical-stage biopharmaceutical company developing novel therapies to combat antibiotic resistance (2017-2020). Previously, Andrew was CFO (2015-2017) and VP Finance (2011-2014) of NASDAQ-listed Sucampo Pharmaceuticals Inc., based in the US, and Finance Director (2009-2010) Sucampo UK. Earlier, he served as Director (2006-2009) for Retroscreen Virology Ltd., a contract virology company assisting in development of influenza vaccines, and Finance Director (2004-2006) of Clearlab Europe, following its acquisition of VisionTec CL, contact lens developer, of which he was co-founder and member of its Board of Directors (2001-2004). In addition, between 1989-2001, he held senior financial management positions at Biocompatibles plc, Hydron Ltd and Allergan Inc. and in public accounting from 1981-1989.

Andrew Smith served during the year as a non-executive board member of Arix Bioscience plc, United Kingdom and resigned in February 2024.

Shabir Hasham

Shabir Hasham, born 1970, British citizen, joined Santhera in 2015. Shabir has been appointed as Chief Medical Officer (**CMO**) and Member of the Executive Management Team, effective May 1, 2022.

Shabir completed his medical studies with an MBBS (Bachelor of Medicine and Surgery) degree from St Bartholomew's School of Medicine, equivalent to a Doctor of Medicine (MD) in other jurisdictions. Prior to that, Shabir obtained a Bachelor of Science degree (Hons) in Immunopathology and Basic Medical Science from Imperial College London. After subsequently working as a physician with the UK NHS for a number of years, Shabir augmented his education by completing an MPhil in Bioscience Enterprise (MBE), a Master's degree in biotechnology and strategic models of commercialization, a joint program from University of Cambridge Institute of Biotechnology and The Judge School of Management, for which he was awarded a full scholarship. In 2003, he joined the pharmaceutical industry.

At Santhera, before becoming CMO, he served as Global Development Program Lead & Global Head Medical Affairs (2019-2022) and Head of Medical Affairs EU & RoW (2015-2019). Before joining Santhera in 2015, Shabir held various positions at Novartis (2007-2015) including EU Medical Director (2013-2015) and Global Associate Brand Director (2009-2013) for the Neuroscience franchise at Novartis Pharma, and Senior Medical Manager (2007-2010) at Novartis Oncology, contributing to global and regional clinical development, medical affairs and launch plans for new products. Earlier in his career, Shabir held medical manager and advisor roles within the neuroscience franchise at Biogen Idec (2006-2007) and Pfizer's cardiovascular business (2003-2006).

He has no other activities and vested interests.

Günther Metz

Günther Metz, born 1958, German citizen, is Santhera's Head Business Development, EVP. He has a PhD in Biophysics from University of Freiburg (Germany) and was a post-doctoral fellow at Yale University, New Haven (USA).

Since 2015, he is Head Business Development at Santhera. From 2008 to 2015, he served as Director Business Development at Santhera and from 2004 to 2008, he held various research positions at Santhera. From 1999 to 2004, he was Group Leader Computational Discovery at Graffinity Pharmaceuticals (start-up in Heidelberg, Germany) and from 1994 to 1998 Group Leader Research at Fournier Pharma (Heidelberg, Germany).

He has no other activities and vested interests.

Oliver Strub

Oliver Strub, born 1963, Swiss citizen, joined Santhera in 2006 as Group General Counsel & Secretary to the Board.

Oliver Strub has a MLaw (lic. iur.) from the University of Basel.

From 1995 to 2006, Oliver Strub was with Ciba-Geigy, then Ciba Specialty Chemicals (now part of BASF), Basel, Switzerland, where he was Head Corporate Law and Chief Compliance Officer. From 1990 to 1992, he worked for Crown Obrist AG and M&D Computerberatung where he was writing software and building networks.

He has no other activities and vested interests.

Other activities and vested interests (DCG 4.2)

Other than described above, no member of Executive Management has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political post.

Permitted mandates in other companies (DCG 3.3 and 4.3)

Body	Maximum of mandates on board of listed companies	Maximum of mandates on board of privately held companies
Board members	4	8
Members of Executive Management	2	4

Management contracts (DCG 4.4)

There are no management contracts between the Company and third parties.

Compensation, Shareholdings and Loans (DCG 5)

An extensive description of the compensation system and the amounts paid in the year under review are available in the separate Compensation Report of this Annual Report.

Shareholders' Participation Rights (DCG 6)

Voting rights restrictions and representation (DCG 6.1)

Subject to the provisions with respect to nominees in the Company's Articles (Article 5), there are no voting rights restrictions and no statutory group clauses, and hence no rules on making exceptions. As a consequence, there is neither a procedure nor a condition for their cancellation.

For details, see Section on DCG 2.6.

A shareholder may be represented by his legal representative, the independent proxy or by another shareholder. Shareholders can instruct the independent proxy by completing an instruction form. There are no provisions in the Company's Articles of Incorporation that differ from statutory provisions where the participation of shareholders in the AGM is concerned (DCG 6.1.5).

Quorums required by the Articles of Association (DCG 6.2)

There are no statutory quorums which differ from the applicable legal provisions. Changes - if required by the amended corporate law - will be implemented in due course of time.

Convocation of the general meeting of shareholders (DCG 6.3)

Currently, the Articles of Incorporation require 10% of the share capital to call an extraordinary general meeting. The amended corporate law provides that 5% are sufficient to do so. The Company will propose a respective amendment to the Articles of Incorporation in due course of time.

Inclusion of items on the agenda (DCG 6.4)

The Board decides on agenda items and motions of the AGM. Shareholders with voting rights whose combined holdings represent Shares with a nominal value of at least CHF 1 million or 10% of the Company's share capital may, up to 60 days before the date of the meeting, demand that items be included in the agenda. Such a request must be in writing and must specify the items and the motions to be submitted. The amended corporate law provides that 0.5% of the share capital is sufficient to demand that agenda items be included. The Company will propose a respective amendment to the Articles of Incorporation in due course of time.

Entries in the share register (DCG 6.5)

Shareholders entered into the share register as shareholders on a specific qualifying day designated by the Board (record date), which is usually less than five business days before the AGM, are entitled to attend such AGM and to exercise their votes.

Changes of Control and Defense Measures (DCG 7)

Duty to make an offer (DCG 7.1)

Santhera's shareholders resolved to cancel the opting out provision at the 2019 AGM. As a result, art. 135 FMIA applies, according to which anyone who acquires 33 1/3% of the voting rights of a company must make an offer to acquire all listed equity securities of such company.

Clauses on changes of control (DCG 7.2)

The ESOP 2004, 2008, 2010, 2015, the BSOP 2011 and 2015, the BSARPs, ESARPs and ELTIPs, under which most options, SARs (share appreciation rights), PSUs (performance share units) and RSUs (restricted share units) have been granted, contain clauses according to which all instruments granted under these plans vest immediately upon a sale of more than 50% of the Shares. As soon as RSUs vest, the restriction period is waived. As soon as PSUs vest, all performance criteria are deemed to be fulfilled. As soon as another instrument vests, all conditions are deemed fulfilled and any restriction is waived.

Other than that, as of December 31, 2023, agreements and plans from which members of the Board and/or the Executive Management or other members of senior management benefit or may benefit contain no clauses on changes of control.

Auditors (DCG 8)

Duration of the mandate and term of office of the lead auditor (DCG 8.1)

Ernst & Young, Basel, assumed the existing auditing engagement for Santhera's predecessor company MyoContract in 2002 (DCG 8.1.1). The Shareholders' Meeting elects the Company's auditors for a term of office of one year. The auditor in charge is Martin Mattes. He assumed his responsibility in 2022 (DCG 8.1.2).

Auditing fees and additional fees (DCG 8.2/8.3)

The following fees were charged in the 12-month period ended December 31 for professional services rendered by Ernst & Young (audit-related fees have been incurred in connection with capital increases and related comfort letters and review procedures):

In CHF thousands	2023	2022
Audit services	789	829
Audit related services	68	180
Other services	80	-

Audit services are defined as the standard audit work that needs to be performed each year in order to issue an opinion on the consolidated financial statements of Santhera and to issue reports on the local statutory financial

statements. It also includes services that can only be provided by the Group auditor and includes the verification of the implementation of new or revised accounting policies and from reporting periods 2007 onwards the audit of the Company's internal control system and risk management. Audit-related services include those other services provided by auditors but not restricted to those that can only be provided by the auditor signing the audit report. They comprise services in relation to general accounting matters. For reasons of good corporate governance, Santhera contracted the provision of tax and internal control system/risk management services to a company other than Ernst & Young.

Information instruments pertaining to the external audit (DCG 8.4)

The Board performs its supervisory and control functions towards the external auditors. In particular, the Board or the Audit & Compliance Committee meets with the auditors at the end of an audit or review to discuss in depth the audit procedures, any findings made and recommendations proposed. The auditor's reports to the Board are also extensively discussed. All Board and Board Committee minutes, together with any pre-reads, are shared with the auditors. Material contracts are also shared, together with internal memos that are relevant for the auditors. In addition, the auditors have access to certain finance applications, receive legal letters from law firms and documents that contain representations of Board and Executive Management.

Information Policy (DCG 9)

Santhera reports to its shareholders, employees, business partners and other public stakeholders in an open, transparent and timely manner. Equal treatment of all stakeholders is the guiding principle behind its partnership-based approach. In doing so, Santhera is able to promote an understanding of its objectives, strategy and business activities, and to ensure an increasing degree of awareness about Santhera. The Company has adopted a comprehensive disclosure policy to protect Santhera's interests and assets, to release material information in a timely and controlled manner, to observe the legal requirements and rules and in particular to also distinguish competencies and responsibilities of corporate and strategic disclosure and those applicable in marketing and sales or development.

The most important information tools are news releases, the AGMs, the Annual Report, the Interim Report and the website www.santhera.com. In addition, Santhera communicates on social media, including LinkedIn, X (formerly Twitter), Facebook and Instagram.

Investors and other parties interested in subscribing to the Company's news service may do so by registering themselves on www.santhera.com/news-subscriptions.

For contact details, see www.santhera.com/contact.

Corporate events 2024

The 2024 Annual General Meeting will be held on June 18, 2024 in Pratteln. See also www.santhera.com/corporate-calendar.

Quiet Periods (DCG 10)

The Company has a policy according to which every Santhera director, officer and employee must obtain pre-clearance from the Group General Counsel before engaging in a transaction with respect to any Santhera security (e.g. Santhera shares and Convertible Bonds). During quiet periods, no pre-clearance request shall be granted.

Quiet periods begin two weeks before the public release of Santhera's financial statements and end at the close of business one day after such release. For the 2023 Annual Report, the quiet period started on April 10, 2024 and ended on April 26, 2024, at close of business. As of the date of this report, no decision has been made on subsequent reporting dates; therefore, it is not possible to determine the related quiet periods.

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About Santhera

Santhera Pharmaceuticals (SIX: SANN) is a Swiss specialty pharmaceutical company focused on the development and commercialization of innovative medicines for rare neuromuscular and pulmonary diseases with high unmet medical need. The Company has an exclusive license from ReveraGen for all indications worldwide to AGAMREE® (vamorolone), a dissociative steroid with novel mode of action, which was investigated in a pivotal study in patients with Duchenne muscular dystrophy (DMD) as an alternative to standard corticosteroids. AGAMREE for the treatment of DMD is approved in the U.S. by the Food and Drug Administration (FDA), in the EU by the European Medicines Agency (EMA), and in the UK by the Medicines and Healthcare products Regulatory Agency (MHRA). Santhera has outlicensed rights to vamorolone for North America to Catalyst Pharmaceuticals, Inc. and for China to Sperogenix Therapeutics. For further information, please visit www.santhera.com.

AGAMREE® is a trademark of Santhera Pharmaceuticals.

Forward-Looking Statements

This Annual Report expressly or implicitly contains certain forward-looking statements concerning Santhera Pharmaceuticals Holding AG and its business. Such statements involve certain known and unknown risks, uncertainties and other factors, which could cause the actual results, financial condition, performance or achievements of Santhera Pharmaceuticals Holding AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. There can be no guarantee that any of the development projects described will succeed or that any new products or indications will be brought to market. Similarly, there can be no guarantee that Santhera Pharmaceuticals Holding AG or any future product or indication will achieve any particular level of revenue. In particular, management's expectations could be affected by, among other things, uncertainties involved in the development of new pharmaceutical products, including unexpected clinical trial results; unexpected regulatory actions or delays or government regulation generally; the Company's ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing and other political pressures. Santhera Pharmaceuticals Holding AG is providing the information in this Annual Report as of the date of the publication and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

Their future. Our Focus.

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