2013

Interim Report
January to June 2013

santhera
Pharmaceuticals

Report on the Six Months Ending June 30, 2013, and Interim Consolidated Financial Statements

Content

Santhera Successfully Concludes Restructuring in First Half Year of 2013

Santhera reported the implementation of the strategy endorsed by the last Shareholders' Meeting. In the first six months of 2013 net cash burn was significantly reduced to CHF 4.7 million. Sales of Catena® amounted to CHF 1.1 million, resulting in a net loss of CHF 3.2 million. As of June 30, 2013, Santhera had cash reserves of CHF 7.6 million. The Company continues to explore strategic options and to secure additional financing.

Main achievements in 2013:

- Shareholders' Resolution supports continuation of business and evaluation of strategic options including product licensing or sale and merger.
- Collaboration with the European Vision Institute Clinical Research Network (EVICR.net) to assess the natural course of Leber's Hereditary Optic Neuropathy (LHON). Data to be included in a marketing authorization application (MAA) for Raxone® planned for early 2014.
- Exclusive license from the National Institutes of Health (NIH) to a US patent for the use of idebenone for the treatment of primary progressive Multiple Sclerosis (ppMS). The NIH is currently investigating Catena® in ppMS in a Phase II study.

In line with the strategy approved by our shareholders, Santhera achieved substantial milestones in strengthening its assets and in exploring strategic alternatives. The Company signed an important collaboration with EVICR.net to collect natural history data in LHON to be included in a revised MAA to be filed in the first quarter of 2014. Santhera also signed an agreements with the NIH under which the Company secured global rights to Catena® in ppMS.

Cash burn down to a quarterly CHF 2.4 million due to significantly reduced expenses

As of June 30, 2013, Santhera had cash and cash equivalents of CHF 7.6 million (end of 2012: CHF 12.3 million). Net change in cash in the first half year of 2013 was again substantially reduced to CHF –4.7 million (2012: CHF –7.2 million) in line with management guidance. Total equity amounted to CHF 9.0 million by mid-year 2013 (end of 2012: CHF 11.4 million). The Company also resolved previous finance lease liabilities.

In the first six months of 2013, net sales of Catena® reached CHF 1.1 million (2012: CHF 1.7 million). The majority of sales (CHF 0.9 million) were generated in Canada by the end of April 2013, when the product was voluntarily withdrawn from the market. Sales under named patient and special access programs in Europe and the rest of the world increased to CHF 0.3 million (2012: CHF 0.2 million).

Operating expenses were reduced to CHF 6.0 million (2012: CHF 7.1 million) as a result of the refocused and reduced operations. Expenses for development accounted for CHF 3.2 million, while expenses for marketing and sales amounted to CHF 0.8 million. General and administrative expenses amounted to CHF 2.0 million. The lower expenses resulted in a reduced operating result of CHF –4.8 million (2012: CHF –5.5 million). For the first half of 2013, Santhera reports a net result of CHF –3.2 million (2012: CHF –5.5 million).

Outlook

The focus of Management's attention remains on securing additional funds in order to reach critical future regulatory and development milestones. Santhera is continuing the discussions concerning financing, business combination or sale of certain assets to interested third parties. To date, no such agreement has been signed and there can be no guarantee that any transaction can be realized or that such transaction would generate sufficient funds to finance further operations.

Operationally, Santhera focuses on its three core development programs:

i) the MAA for Raxone® in LHON with the European Medicine Agency, which the Company expects to file in the first quarter of 2014;

ii) ii) the DELOS Phase III study in DMD with top line data of the first cohort anticipated to be available in the second quarter of 2014; and

iii) iii) the collaboration with the NIH for the development of Catena® in ppMS.

Interim Consolidated Balance Sheet (Unaudited)

in CHF thousands	Notes	June 30, 2013	December 31, 2012 Restated[1]
Assets			
Tangible assets		58	81
Intangible assets	6	4,238	4,714
Financial assets long-term		85	362
Noncurrent assets	10	**4,381**	**5,157**
Prepaid expenses and accrued income		273	179
Inventories		0	27
Trade and other receivables		249	639
Cash and cash equivalents	7	7,572	12,283
Current assets		**8,094**	**13,128**
Total assets		**12,475**	**18,285**
Equity and liabilities			
Share capital	8	3,677	3,677
Capital reserves and share premium		274,659	274,441
Retained earnings		−262,734	−259,509
Employee benefit reserve	5	146	−409
Treasury shares	8	−177	−177
Other components of equity		−6,588	−6,658
Total equity		**8,983**	**11,365**
Long-term finance lease liabilities	9	0	2,171
Pension liabilities	5	1,338	1,821
Total noncurrent liabilities		**1,338**	**3,992**
Trade and other payables		571	674
Short-term finance lease liabilities	9	0	36
Accrued expenses		1,583	2,218
Total current liabilities		**2,154**	**2,928**
Total liabilities		**3,492**	**6,920**
Total equity and liabilities		**12,475**	**18,285**

[1] Some amounts have been restated, see note 5 *"Adoption of IAS 19R Employee Benefits."*

Interim Consolidated Income Statement (Unaudited)

for the half year ended June 30, in CHF thousands	Notes	2013	2012 Restated[1]
Net sales	10	1,127	1,697
Cost of goods sold		−127	−165
Gross profit		**1,000**	**1,532**
Other operating income	11	155	23
Development	5,12,13	−3,155	−3,517
Marketing and sales	12,13	−754	−1,117
General and administrative	12,13	−2,048	−2,432
Other operating expenses	12,13	0	−20
Operating expenses	12,13	**−5,957**	**−7,086**
Operating result		**−4,802**	**−5,531**
Financial income	9	1,680	230
Financial expenses		−111	−296
Result before taxes		**−3,233**	**−5,597**
Income taxes		7	131
Net result		**−3,226**	**−5,466**
Basic and diluted loss per share (in CHF)		**−0.88**	**−1.49**

[1] Some amounts have been restated, see note 5 *"Adoption of IAS 19R Employee Benefits."*

Interim Consolidated Statement of Comprehensive Income (Unaudited)

for the half year ended June 30, in CHF thousands	2013	2012 Restated[1]
Net result	**−3,226**	**−5,466**
Items never to be reclassified subsequently to net income in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans	**555**	**−280**
Items to be reclassified subsequently to net income in subsequent periods:		
Currency translation differences	**71**	**−268**
Other comprehensive result	**626**	**−548**
Total comprehensive result	**−2,600**	**−6,014**

[1] Some amounts have been restated, see note 5 *"Adoption of IAS 19R Employee Benefits."*

Interim Consolidated Statement of Cash Flows (Unaudited)

for the half year ended June 30, in CHF thousands	Notes	2013	2012 Restated[1]
Result before taxes		**–3,233**	**–5,597**
Depreciation of tangible assets		23	51
Amortization and impairment of intangible assets		548	38
Expenses for share options	12,13	218	178
Change in pension liabilities	5	72	134
Settlement of finance lease liabilities		–1,262	0
Taxes paid		–4	–5
Change in net working capital		1,099	–2,001
Total financial result		–1,569	67
Interest received		2	28
Interest paid		–13	–16
Cash flow from operating activities		**–4,119**	**–7,123**
Investments in tangible assets		0	–17
Investments in intangible assets		0	–14
Repayment of other financial assets		276	0
Cash flow from investing activities		**276**	**–31**
Capital increases	8	0	4
Amortization of finance lease		–9	–18
Settlement of finance lease liabilities		–900	0
Cash flow from financing activities		**–909**	**–14**
Effects of exchange rate changes on cash and cash equivalents		41	–11
Net increase/(decrease) in cash and cash equivalents		**–4,711**	**–7,179**
Cash and cash equivalents at January 1		12,283	23,406
Cash and cash equivalents at June 30		**7,572**	**16,227**

[1] Some amounts have been restated, see note 5 *"Adoption of IAS 19R Employee Benefits."*

Interim Consolidated Statement of Changes in Equity (Unaudited)

in CHF thousands	Notes	Share capital	Capital reserves and share premium	Retained earnings	Employee benefit reserve	Treasury shares	Translation differences	Total
Balance at January 1, 2012		**3,673**	**274,012**	**−228,104**	**0**	**−177**	**−6,420**	**42,984**
Restatement due to change in accounting policies (IAS 19R)	5	0	0	0	−525	0	0	−525
Balance at January 1, 2012 (Restated[1])		**3,673**	**274,012**	**−228,104**	**−525**	**−177**	**−6,420**	**42,459**
Net result		0	0	−5,466	0	0	0	−5,466
Other comprehensive income		0	0	0	−280	0	−268	−548
Total comprehensive result for the period		**0**	**0**	**−5,466**	**−280**	**0**	**−268**	**−6,014**
Share-based payment transactions	12,13	0	178	0	0	0	0	178
Capital increase from options exercised	8	4	0	0	0	0	0	4
Balance at June 30, 2012		**3,677**	**274,190**	**−233,570**	**−805**	**−177**	**−6,688**	**36,627**
Balance at January 1, 2013		**3,677**	**274,441**	**−259,552**	**0**	**−177**	**−6,659**	**11,730**
Restatement due to change in accounting policies (IAS 19R)	5	0	0	44	−409	0	0	−365
Balance at January 1, 2013 (Restated[1])		**0**	**274,441**	**−259,508**	**−409**	**−177**	**−6,659**	**11,365**
Net result		0	0	−3,226	0	0	0	−3,226
Other comprehensive income		0	0	0	555	0	71	626
Total comprehensive result for the period		**0**	**0**	**−3,226**	**555**	**0**	**71**	**−2,600**
Share-based payment transactions	12,13	0	218	0	0	0	0	218
Balance at June 30, 2013		**3,677**	**274,659**	**−262,734**	**146**	**−177**	**−6,588**	**8,983**

[1] Some amounts have been restated, see note 5 *"Adoption of IAS 19R Employee Benefits."*

Notes to the Unaudited Consolidated Financial Statements

1 General Information

Santhera Pharmaceuticals Holding AG (the **Company** together with its subsidiaries **Santhera** or **Group**) is a specialty pharmaceutical company focused on the development and commercialization of products for the treatment of neuromuscular and mitochondrial diseases, an area which includes many orphan and niche indications with no current therapy.

The Company, having its primary listing of its registered shares (**Shares**) on the SIX Swiss Exchange, 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 Hammerstrasse 49 in CH-4410 Liestal, Switzerland.

The consolidated interim financial statements were approved for publication by the Board of Directors (**Board**) on August 29, 2013.

2 Summary of Significant Accounting Policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations as of January 1, 2013, as noted below.

Basis of preparation

These unaudited consolidated interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended December 31, 2012.

The presentation currency is Swiss Francs (CHF). All figures included in these financial statements and notes to the financial statements are rounded to the nearest CHF 1,000 except where otherwise indicated.

Material uncertainties and ability to continue operations

Santhera's current funding is not sufficient to support the going concern assumption and the Company depends on further financing to ensure the continuation of its operations through the fourth quarter of 2013 and to execute its strategy as outlined below.

Having filed a Marketing Authorization Application (**MAA**) with the European Medicines Agency's (**EMA**) Committee for Medicinal Products for Human Use (**CHMP**) in Leber's Hereditary Optic Neuropathy (**LHON**) in 2011, Santhera received a negative opinion on its MAA in January 2013 and withdrew its intent to apply for re-examination for strategic reasons in March 2013. Santhera plans to file a new application based on emerging clinical evidence further evaluating the efficacy of Raxone® in the treatment of LHON.

The ability to file a revised MAA and to continue business operations until the CHMP reaches a decision on this new filing is contingent on the availability of sufficient financial resources. As a consequence, the Company has implemented restructuring measures to further reduce its workforce operational costs and its financial liabilities in connection with the lease of its premises and other obligations.

In addition, Management has initiated measures to secure additional financing by exploring possibilities of a merger, sale or licensing of its assets. Santhera has received expression of interest (non-binding letters of intent) from third parties for financial support of the Company. Nevertheless, shareholders should note that whilst the Management and Board continue to apply best efforts to evaluate available options and take the steps described, there can be no guarantee that any transaction can be realized or that such transaction would generate sufficient funds to finance further operations.

The access to additional funds is decisive for Santhera and its ability to continue operations and the absence of such a transaction would make it impossible for the Company to continue as a going concern. Under such circumstances, the Company would have to discontinue its business operations and could no longer apply the going concern assumption in preparing its financial statements for 2013.

On May 13, 2013, on the occasion of the Annual Shareholders' Meeting (**ASM**), shareholders supported the then proposed business continuation as well as the evaluation of all strategic options. In line with this mandate, Santhera explores product licensing or sale and the possibility of a merger and continues to implement its ongoing financial and operational restructuring measures.

The Board believes in the Company's chances in securing additional financing with the possibilities for a merger, sale or licensing of its assets before the end of the third quarter 2013 with the objective to be able to meet all of its obligations for a further 12 months. Hence, the interim consolidated financial statements have been prepared on a going concern basis.

Changes in accounting policies

Santhera has adopted various standards and interpretations of the International Financial Reporting Standards (**IFRS**) that have been revised or were introduced with effective date January 1, 2013. Changes relevant for this interim report are the following:

- IAS 19 Employee Benefits – Revised (effective January 1, 2013): The IASB has issued various amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group has changed its accounting policy in 2013 and will start to recognize actuarial gains and losses in other comprehensive income. The amended standard impacts the net benefit expense as the expected return on plan assets is calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. Consequently the previously published financial statements were restated and are disclosed (see note 5 *"Adoption of IAS 19R Employee Benefits"*).

The following standards were adopted but did not have any impact or lead to additional disclosures but may affect the accounting for future transactions or arrangements:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective July 1, 2012): The amendments to IAS 1 changed the grouping of items presented in the other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time, e.g., exchange differences on translation of foreign operations are presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans). The amendment affected presentation only and had no impact on the Group's financial position or performance.

3 Seasonality

The operating result is not subject to significant seasonal variations during the financial year.

4 Exchange Rates of Principal Currencies

	Income statement in CHF (average)		Balance sheet in CHF (as of period end)	
	Six months ended June 30, 2013	Six months ended June 30, 2012	**June 30, 2013**	Dec. 31, 2012
1 euro (**EUR**)	**1.2295**	1.2048	**1.2292**	1.2075
1 US dollar (**USD**)	**0.9365**	0.9288	**0.9449**	0.9136
1 Canadian dollar (**CAD**)	**0.9221**	0.9230	**0.8981**	0.9166

5 Adoption of IAS 19R Employee Benefits

The effects from the adoption of IAS 19R on the respective positions in the statements concerned are as follows:

Consolidated balance sheet

in CHF thousands	Dec. 31, 2012 (audited)	Restatement	Restated Dec. 31, 2012 (unaudited)
Total equity	11,730	–365	11,365
Pension liabilities	1,456	365	1,821

Interim consolidated balance sheet (unaudited)

in CHF thousands	June 30, 2012	Restatement	Restated June 30, 2012
Total equity	37,392	–765	36,627
Pension liabilities	1,359	765	2,124

Interim consolidated income statement (unaudited)

six months ended June 30, in CHF thousands	2012	Restatement	Restated 2012
Development	–3,539	22	–3,517
Marketing and sales	–1,119	2	–1,117
General and administrative	–2,448	16	–2,432

Interim consolidated statement of cash flows (unaudited)

six months ended June 30, in CHF thousands	2012	Restatement	Restated 2012
Change in pension liabilities	174	–40	134

Basic and diluted loss per share was not affected.

6 Intangible Assets

IAS 36 requires assets not available for use to be tested for impairment on an annual basis and additionally when noting triggering events by comparing the carrying value to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. Management considered the negative opinion from the CHMP received in January 2013 and the current market capitalization as triggering events and performed an impairment test as of June 30, 2013.

Impairment testing of intangible assets

In line with IAS 36, Santhera applies the method of value in use to calculate the asset's recoverable amount. Management used the risk-adjusted Net Present Value (**rNPV**) model which is a customary model for the valuation of pharmaceutical intangibles. The rNPV model considers the net cash flows over the expected lifetime of the products based on the lifetime of the underlying intellectual property or the market exclusivity granted through orphan drug protection. For the purpose of estimating these cash flows, Santhera made estimates about the expected revenues based on estimated market size and patient numbers, expected market penetration rates, product pricing and project- or product-related costs.

Based on the negative opinion received from the CHMP on the MAA, Santhera withdrew the MAA for strategic reasons and hence plans to refile the application in LHON. The assumptions in the rNPV model were amended to reflect the new circumstances (e.g., delay of reaching market and additional expenses). The other underlying key assumptions remained unchanged. The impairment test of the recoverable amount of the intangible assets performed resulted in a decrease of the carrying value by CHF 0.5 million to CHF 4.2 million as per June 30, 2013. Consequently, Santhera recorded an impairment charge of CHF 0.5 million as development expenses in the interim income statement.

A material uncertainty remains as to whether enough funds can be generated in order to enable a revised filing of a MAA and a successful market registration can be achieved for LHON. A risk of future adjustments to the carrying amount of the Catena®/Raxone® projects remains should the company fail to obtain such finances and registrations (see note 2 *"Material uncertainties and ability to continue operations"*).

7 Cash and Cash Equivalents

in CHF thousands	June 30, 2013	December 31, 2012
Cash at banks and on hand		
in CHF	5,267	4,836
in EUR	1,382	2,148
in USD	277	336
in CAD	646	1,463
Short-term money market deposits		
in CHF	0	3,500
Total at period end	**7,572**	**12,283**

In accordance with Santhera's treasury management policies, cash and cash equivalents in foreign currencies are to a large extent kept in line with planned expenses over the relevant planning horizon.

8 Share Capital

Ordinary share capital

During the reporting period ending June 30, 2013, no Shares were issued out of conditional share capital upon the exercise of stock options. In the same period for 2012, 3,975 Shares were issued. As a result the issued nominal share capital remained unchanged at CHF 3,677,538, divided into 3,677,538 Shares as of June 30, 2013.

On May 13, 2013, on the occasion of the ASM, shareholders supported the proposal of the Board in opting-out of the mandatory offer rules and related obligations (in particular minimum price rules) pursuant to the Swiss Stock Exchange and Securities Trading Act.

9 Long- and Short-Term Finance Lease Liabilities

In April 2013, Santhera Pharmaceuticals (Switzerland) AG agreed with its landlord on a one-time payment of CHF 0.9 million in order to settle the finance lease liabilities (short- and long-term). The difference between the financial liability of CHF 2.2 million and the settlement amount of CHF 0.9 million has been recorded as finance income.

The commitment for operating leases of office space in Liestal (Switzerland), Montréal (Canada) and Lörrach (Germany) is as follows (as per June 30, 2013):

in CHF thousands	June 30, 2013	June 30, 2012
Within 1 year	138	431
1 year through 5 years	0	180
Total at period end	**138**	**611**

10 Segment and Geographic Information

Segment information

Santhera operates in one business segment, namely development and commercialization of products for the treatment of neuromuscular and mitochondrial diseases. The Board, the Executive Management and the Management Team, being the chief operating decision makers, assess the reporting data and allocate resources as one segment on an aggregated consolidated level according operating expenses by function. Santhera generates revenue from sales of Catena®, until April 30, 2013, primarily for the treatment of Friedreich's Ataxia mainly in Canada, but also some revenues by prescriptions for Duchenne Muscular Dystrophy and LHON patients. Geographic revenue information is based on location of the customer.

In February 2013, Santhera announced the voluntarily withdrawal of Catena® from the Canadian market effective April 30, 2013. This decision followed consultation with Health Canada.

Geographic information

Net sales

six months ended June 30, in CHF thousands	**2013**	**2012**
North America	873	1,544
Europe	254	153
Total	**1,127**	**1,697**

Noncurrent assets (excluding financial instruments and deferred tax assets)

in CHF thousands	**June 30, 2013**	**December 31, 2012**
EU	3,600	3,992
Switzerland	696	803
Total	**4,296**	**4,795**

11 Other Operating Income

This amount results primarily from reimbursements for a scientific program as well as income from disposal of assets.

12 Operating Expenses by Function

six months ended June 30, in CHF thousands	2013	2012 (restated)
Development	−3,155	−3,517
of which non-cash-relevant expenses for share-based payments	*−73*	*−94*
of which non-cash relevant expenses relating to impairment of intangibles	*−545*	*0*
Marketing and sales	−754	−1,117
of which non-cash-relevant expenses for share-based payments	*−19*	*−28*
General and administrative	−2,048	−2,432
of which non-cash-relevant expenses for share-based payments	*−126*	*−56*
Other operating expenses	0	−20
Total operating expenses	**−5,957**	**−7,086**

The reduction in operating expenses is mainly due to the phasing out of clinical studies, termination of sales in North America and cost cutting measures.

13 Operating Expenses by Nature

six months ended June 30, in CHF thousands	2013	2012 (restated)
External development expenses	−1,218	−1,710
Patent and license expenses	−255	−313
Marketing expenses	−323	−687
Employee expenses	−2,487	−3,312
of which non-cash-relevant expenses for share-based payments	*−218*	*−178*
General and administrative expenses	−929	−777
Depreciation, amortization and impairment	−571	−57
Lease expenses	−174	−210
Other operating expenses	0	−20
Total operating expenses	**−5,957**	**−7,086**

14 Stock Option Plans

Santhera has established employee stock option plans (**ESOP**), the ESOP 2004, the ESOP 2008, the ESOP 2010, the 2006 Executive Incentive Plan (**EIP**) and the 2011 Board stock option plan (**BSOP**) to align the long-term interests of the Board, the Executive Management, employees and consultants. Options granted under these stock option plans are equity settled. New grants are only possible currently under the ESOP 2010 and BSOP.

In the reporting period ended June 30, 2013, a total of 3,500 options with exercise prices between CHF 3.56 and CHF 4.04 were granted. This compares to 76,500 options granted in the period ending June 30, 2012, at exercise prices between CHF 4.41 and CHF 6.34.

The fair value of stock options is determined at each grant date by using the Hull-White option pricing model. For the calculation of the fair value of stock options granted during the reporting period in 2013, the same range of valuation parameters as disclosed in the financial statements as of December 31, 2012, was applied, except for the CHF risk-free interest rate (between 0.75% and 0.79%). The non-cash relevant expenses for all unvested stock options in the reporting period 2013 amounts to TCHF 218 compared to TCHF 178 in the same period in 2012.

Options outstanding

six months ended June 30, number of options	2013	2012
At January 1	**425,348**	**501,061**
Granted[1]	3,500	76,500
Forfeited	−46,176	−4,925
Expired	−43	−175
Exercised	0	−3,975
At June 30[2]	**382,629**	**568,486**

[1] The weighted average fair value of the stock options granted during the reporting period in 2013 was CHF 2.09 (CHF 2.43 in the comparative reporting period 2012).

[2] Based on the closing price of CHF 2.25 of the Santhera shares on June 30, 2013, a total of 57,945 stock options were in the money, whereof all were vested.

15 Contracts for Clinical Development

Santhera has entered into contracts for clinical development with, e.g., clinical research organizations and clinics. Santhera compensates these service providers for their services usually on a monthly basis. It has the right to terminate such agreements at any time at its sole discretion. In case of early termination, Santhera has to pay for all cost which is incurred by the respective counterparty. The expected payments for these contracts are as follows:

as of June 30, in CHF thousands	2013	2012
Within 1 year	629	1,658
1 year through 5 years	20	1,355
After 5 years	0	0
Total at period end	**649**	**3,013**

16 Related Party Transactions

During the reporting period 2013, a total of 3,500 options were granted to members of the Board. In the same period in 2012, a total of 9,000 options were granted to members of the Board and 15,000 options were granted to a member of the Executive Management.

17 Contingent Liabilities

In June 2013, Santhera announced that it has obtained an exclusive license from the National Institutes of Health, Bethesda/Maryland, United States (**NIH**), to its rights on a patent granted in the US for the use of idebenone for the treatment of primary progressive Multiple Sclerosis. Under the terms of the agreement, Santhera would have to make certain milestone payments to the NIH not exceeding USD 1.4 million in total. Furthermore the NIH is eligible to a royalty fee of 3% on net sales and 15% of considerations received in case Santhera sublicenses the program.

18 Subsequent Events

There were no subsequent events.

Report on the Review of Interim Condensed Consolidated Financial Statements

Introduction

As independent auditors we have reviewed the interim condensed consolidated financial statements (balance sheet, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity and explanatory notes) of Santhera Pharmaceuticals Holding AG for the period from January 1, 2013, to June 30, 2013 (pages 5 to 17). The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting." Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting."

Emphasis of Matter

We draw attention to note 2 to the interim condensed consolidated financial statements, which indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern as well as note 6 to the financial statements, which describes a material uncertainty regarding the valuation of the intangible assets. Our conclusion is not qualified in respect of these matters.

Ernst & Young AG

André Schaub	David Haldimann
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Forward-Looking Statements

This Interim 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 Interim 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.

Santhera Pharmaceuticals Holding AG
Hammerstrasse 49
4410 Liestal
Switzerland
Phone +41 61 906 89 50
Fax +41 61 906 89 51
www.santhera.com

Contact
Thomas Meier
Chief Executive Officer
Phone +41 61 906 89 50
thomas.meier@santhera.com