



September 8, 2004
Release at 1 AM EST September 8th

Santhera Pharmaceuticals AG

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**GRAFFINITY PHARMACEUTICALS AG AND MYOCONTRACT AG MERGE
TO FORM SANTHERA PHARMACEUTICALS AG**

New Biopharmaceutical Company Focused on Neuromuscular and Metabolic Diseases

Heidelberg, Germany and Basel / Liestal, Switzerland – September 8, 2004 – Privately held Graffinity Pharmaceuticals AG and MyoContract AG today announced that the companies have merged to form Santhera Pharmaceuticals AG. Santhera Pharmaceuticals will focus on the discovery, development and commercialization of small molecule drugs in the areas of neuromuscular and metabolic diseases. Financial details of the all-share transaction were not disclosed.

The new company will be headquartered in Liestal (Basel), Switzerland, with research and development operations in both Liestal and Heidelberg, Germany.

Dr. Klaus Schollmeier, Chief Executive Officer of Graffinity Pharmaceuticals, will be Chief Executive Officer of Santhera Pharmaceuticals and Dr. Thomas Meier, Founder and Chief Executive Officer of MyoContract will serve as the new company's Chief Scientific Officer.

The members of the board of directors will be Mark Clement (Merlin BioSciences), Dr. Ruedi Gygax (Novartis Venture Fund), Dr. Michael Lytton (Oxford Bioscience Partners), Prof. Dr. Bernd Seizinger (GPC Biotech), Dr. Tim Rink (formerly CEO of Aurora Biosciences), and Dr. Peter Wolf (Consultant).

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Santhera's drug pipeline comprises an advanced clinical program in a neuromuscular disease, which will enter pivotal trials by early 2005, and three advanced preclinical programs in diabetes, cachexia/anorexia, and Duchenne muscular dystrophy. Santhera's proprietary drug discovery technology and process, which was developed in-house, has the capability to expedite drug discovery programs. Proprietary technologies, a team of highly talented scientists and experienced drug hunters, and management with a proven track record of discovering, developing, and commercializing pharmaceutical products, make Santhera a leading biotechnological enterprise in Europe.

"I am extremely pleased to announce this merger of two companies with complementary strengths. The formation of this exciting new company, which --with one product about to enter phase III clinical trials and an advanced preclinical pipeline -- is clearly focused on commercializing the scientific assets that each of the two predecessor companies has developed," said Dr. Klaus Schollmeier, Chief Executive Officer of Santhera Pharmaceuticals. "The combination of Graffinity's and MyoContract's expertise in the discovery and development of innovative therapies creates a formidable pharmaceutical company in the highly attractive niche market of innovative drugs for neuromuscular diseases with further growth opportunities in major metabolic disease markets." Dr. Schollmeier stated that, as part of its growth strategy, Santhera would seek to partner some of its more advanced, preclinical stage programs.

"I am equally delighted to see our two companies joining forces at this time," said Dr. Thomas Meier, Chief Scientific Officer of Santhera Pharmaceuticals. "The formation of Santhera Pharmaceuticals comes from a shared vision of growth and a dedication to the development of novel small molecule pharmaceuticals -- and therefore represents a logical next step for both companies. In particular, the merger provides us with the unique opportunity to create a stronger company with vastly improved resources -- both financial and operational -- to enable us to reach our goals of bringing products to market."

Dr. Kristina Schmidt, Chief Operating Officer of Graffinity Pharmaceuticals, who will become General Manager of Graffinity's Technology business, commented, "Graffinity has developed a unique drug-fragment based discovery platform which has been fully operational since 2002 and has been successfully applied to many in-house targets as well as in collaborations with pharmaceutical companies. I look forward to further expanding our technology-access business, which is a highly valuable and complementary element to other drug discovery strategies. 'Graffinity Technology' will be run as an independent business unit of Santhera Pharmaceuticals."

In conjunction with the merger, Santhera Pharmaceuticals raised an additional Euro 7 million (approximately US\$ 8.4 million), which will provide the new company with total funding of more than Euro 20 million to last until late 2006. Santhera is backed by a number of leading biotechnology investors including Merlin Biosciences Limited, Oxford Bioscience Partners, 3i Group plc, Carnegie Asset Management, The Novartis Venture Fund, Heidelberg Innovation,

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Varuma AG, GIMV, Clariden Bank, The Dow Chemical Company, TechnoStart, tbG, and the Swiss Foundation for Research on Muscle Diseases.

"The completion of the merger and the recent financing is a testament to the strength of the combined entity's core competencies in drug discovery and development, and the Company's future potential for success," said Mark Clement, Chief Executive of Merlin Biosciences and a member of Santhera's supervisory board. "Santhera Pharmaceuticals now stands at the threshold of a new era, with the opportunity to significantly expand its partnership and drug development opportunities and to build upon its resources as a more mature product-focused company. We continue to have the utmost confidence that the new company will generate significant value via its R&D process and strong product pipeline in the future going forward."

Peter Wolf, Chairman of the Board of MyoContract since 2000 and a member of Santhera's supervisory board, stated, "This is an important day for both MyoContract and Graffinity Pharmaceuticals, whose management teams have banded together to create a unique biopharmaceutical company with superior technological capabilities, a solid product pipeline and a strong, international investor base. In particular, it is very encouraging to witness MyoContract, a startup from the Biozentrum at the University of Basel about four years ago, expand beyond Switzerland, giving the new company much broader recognition among investors and potential new business partners, alike."

About Santhera Pharmaceuticals AG

Privately-held Santhera Pharmaceuticals AG, headquartered in Switzerland, has operations in Liestal, Switzerland (near Basel), and in Heidelberg Germany, as well as a business development office in Boston, MA, USA. It is a drug discovery and development business which was formed in August 2004 through the merger of MyoContract AG and Graffinity Pharmaceuticals AG. The Company is focused on the discovery, preclinical and clinical development, and commercialization of pharmaceuticals for neuromuscular and metabolic diseases. The Company's drug pipeline consists of one product in Phase II/III clinical development for an orphan indication in a neuromuscular disease -- as well as an advanced preclinical pipeline, including calpain inhibitors for Duchenne Muscular Dystrophy, MC4-receptor antagonists for cancer cachexia and Dipeptidyl-peptidase 4 inhibitors for Type 2 diabetes. Through its Graffinity Technology division, Santhera offers access to its proprietary small molecule drug fragment micro-array screening platform. The Company's collaboration partners and customers include Genentech, Serono, Novartis, Icos, and Eli Lilly, among others. Santhera Pharmaceuticals currently has 76 employees

About MyoContract

MyoContract, founded in 2000 by senior researchers from the Biozentrum at the University of Basel, Switzerland, has focused on the discovery and development of novel pharmaceuticals for the prevention and treatment of severe neuromuscular diseases, general muscle wasting and other muscle related disorders. The Company's development pipeline includes one product in advanced clinical development for an orphan drug indication, and two advanced preclinical programs in muscle dystrophy and cachexia.

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About Graffinity

Graffinity Pharmaceuticals, founded in 1998, has been a leading drug discovery and pre-clinical development company with a pipeline of proprietary preclinical candidates. The Company uses its proprietary drug-fragment based screening process (RAISE®, Rapid Affinity Informed Structural Evolution) to enable small molecule drug discovery on large numbers of targets, including those previously intractable by conventional techniques. Among its advanced in house preclinical products are inhibitors of dipeptidyl-peptidase 4 for treatment of Type 2 diabetes. Graffinity also has ongoing drug discovery partnerships with Serono and Genentech.

For further information, please visit www.santhera.com.

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