Full Year Financial Report
January 1 - December 31, 2022

HERANTIS PHARMA

Developing a disease-modifying therapy to address the unmet clinical need in Parkinson's disease and other neurodegenerative diseases

Business highlights January – December 2022

- Submission of clinical trial application (CTA) for a Phase 1a study of HER-096 in December.

- Selected for European Innovation Council (EIC) grant in December, of €2.5 million through their prestigious EIC Accelerator, with the option to receive additional funding through an equity investment, pending negotiation.

- In December, Nasdaq Stockholm AB approved Herantis' delisting application regarding the secondary listing on the Nasdaq First North Growth Market Sweden.

- Antti Vuolanto appointed as the CEO in July. He has acted as the Chief Operating Officer of Herantis since 2018.

- Successful fundraising
    - Directed issue, raised gross proceeds of 1.46 MEUR in April
    - Fully subscribed rights issue, raised gross proceeds of 7.25 MEUR in May

- Data from preclinical pharmacology and toxicology studies strengthen the preclinical dataset of HER-096.

Events after the reporting period

- February 20, 2023, Finnish Medicines Agency, Fimea and the ethics committee approved the Clinical Trial Application (CTA). Herantis will initiate the Phase 1 study with the aim to demonstrate evidence of HER-096 safety and blood-brain penetration in humans. The Phase 1 study will be conducted in Finland.

Key figures:

EUR thousands	July - December		Full Year	
	2022	2021	2022	2021
Other operating income	135	0	135	0
Payroll and related expenses	1 086	961	2 649	2 246
Depreciation and amortization	80	80	160	160
Other operating expenses	2 593	3 244	5 319	6 644
Loss for the period	-3 660	-4 908	-9 324	-23 576
Cash flow from operating activities	-3 427	-4 172	-8 944	-9 064

	July - December		Full Year	
	2022	2021	2022	2021
Equity ratio %	-0.9	8.0	-0.9	8.0
Basic and diluted loss per share EUR	-0.22	-0.46	-0.64	-2.31
Number of shares at end of period	16 912 394	11 103 568	16 912 394	11 103 568
Average number of shares	16 911 708	10 654 735	14 654 149	10 205 901

EUR thousands	31-Dec-22	31-Dec-21
Cash and securities[1) 2)]	5 991	6 615
Equity	-60	554
Balance sheet total	6 232	6 918

1) 2022: Cash = 5 036' and Securities = 955' 2021: Cash = 5 630' and Securities 985'

2) Cash from subsidiary Laurantis Pharma not included. Will be included in 2H 2023.

Formulas used to calculate key figures:
Equity ratio = Equity/balance sheet total

Earnings per share = Profit for the period/average number of shares

Average number of shares = Weighted average number of shares.

The number of shares weighted by the number of days each share has been outstanding during the review period

CEO Antti Vuolanto commented: "We made good progress in 2022 achieving encouraging preclinical results and submitting clinical trial application (CTA) for HER-096. The compelling preclinical data supports the potential of HER-096 to be a disease-modifying therapy for Parkinson's disease with a unique mechanism of action. We look forward to the first HER-096 human dose in 1H 2023 and creating additional value in 2023 through early clinical development and by pursuing partnering opportunities for HER-096. In December 2022, Herantis was selected to receive financing from European Innovation Council Accelerator program: a grant of €2.5 with the option to receive additional funding through an equity investment. Qualifying for this highly competitive funding scheme is a great recognition of our HER-096 development."

Review of operations
January 1 – December 31, 2022

Herantis Pharma Plc is an innovative biotech company developing disease modifying therapies for Parkinson's disease. Herantis' current development program focuses solely on HER-096, which is a peptidomimetic molecule designed to retain the biological activity of the neuroprotective CDNF protein.

HER-096 has demonstrated to have a multimodal mechanism of action mimicking CDNF and to improve functional recovery of damaged neurons in preclinical models. Importantly, HER-096 has been shown to readily penetrate the blood brain barrier in preclinical studies allowing convenient subcutaneous dosing. Thanks to its multimodal mechanism of action, Herantis' HER-096 has the potential to stop the progression of Parkinson's disease and significantly improve patients' quality of life.

During the year, Herantis has performed HER-096 preclinical pharmacology and toxicology studies and has reported the following outcomes:

- Pharmacokinetic and distribution studies consistently showed brain exposure at therapeutic levels (i.e., penetration of blood-brain barrier) in multiple animal species

- Subcutaneous dosing for five weeks in an alpha-synuclein mouse model showed:
    - Target pathway modulation in the target brain area
    - Improvement of motor symptoms
    - Significant protection of dopamine neurons associated with reduced level of protein aggregates and neuroinflammation

- 28-day repeated dose toxicology studies with subcutaneous administration successfully completed in rat and dog:
    - No systemic toxicities were observed
    - Some local adverse effects at the injection sites, as we expected
    - No anti-drug antibodies in rat

These data strengthen the preclinical dataset of HER-096 as a promising new drug candidate for the treatment of neurodegenerative diseases like Parkinson's disease.

From the CDNF phase 1 study performed in 2020; cerebrospinal fluid (CSF) analysis concluded in 2022, identified 3 biomarkers that seemed to respond to CDNF infusion into the brain. Information obtained from this analysis will be used in further development of HER-096.

Results from intranasal formulation development in 2022 showed that nose-to-brain administration of CDNF protein is feasible, and it is possible to reach therapeutic concentration of CDNF in the brain. In addition, preparation of CDNF nanoparticles smaller than 200 nm while retaining the biological activity of the protein was successfully done. Despite the positive outcome of these projects, as HER-096 provides major advantages over CDNF (blood-brain barrier penetration, longer patent protection, and lower manufacturing cost) and both CDNF and HER-096 target the same mechanisms, the company has decided that intranasal CDNF will no longer be developed.

By submitting the clinical trial application (CTA) end of 2022, Herantis demonstrated the substantial progress made in advancing the HER-096 program including conducting the good laboratory practices (GLP) preclinical safety studies and Good Manufacturing Practice (GMP) manufacturing. We expect to start dosing the first healthy volunteer in 1H 2023.

About Parkinson's disease

Parkinson's disease is an incurable, progressive brain disorder estimated to affect over eight million patients worldwide. It is caused by the degeneration of dopamine-producing neurons in the brain. The underlying reasons that trigger degeneration of dopamine-producing neurons in Parkinson's disease remain poorly understood. However, the symptoms are a consequence of reduced brain levels of dopamine, a neurotransmitter in the brain. The typical motor symptoms include tremor, slowness of movement, muscle

stiffness and impaired balance. Various non-motor symptoms, including problems with cognition, sleep and speech, depression, and severe constipation, may occur. As the disease progresses symptoms worsen and become debilitating. Available treatments for Parkinson's disease do not cure the disease or even slow down its progression because the pathological processes resulting in degeneration and death of dopamine-producing neurons are not affected by the treatment. Current standard-of-care treatments are mainly pharmaceuticals, which can increase dopamine levels in the brain. The efficacy of these treatments is typically gradually lost with disease progression as an increasing amount of the dopamine-producing neurons have degenerated.

Parkinson's disease is associated with a significant societal economic burden in addition to the immense human suffering. The main costs are not linked to treatments but, for instance, the loss of productive years and the increased need for supported living arrangements for disabled patients. In 2010 the societal costs of Parkinson's disease in Europe alone totalled approximately EUR 14 billion. The household costs per patient per year are estimated to be EUR 20,000.[1)]

[1)]Source: Parkinsons Foundation www.parkinsons.org, Fortune Business Insights. Retrieved from https://www.fortunebusinessinsights.com/industry-reports/neurodegenerative-diseases-drugs-market-100661 on 22 March 2022.

Business strategy

The strategy of Herantis is:

- Create value in preclinical & early clinical development; and
- Pursue partnering opportunities for HER-096.

Employees, Management, Board of Directors, Scientific Advisory Board and Nomination Committee

During this reporting period, the company's Board of Directors comprised of chairman Timo Veromaa, Frans Wuite, Hilde Furberg, Jim Phillips, Aki Prihti; and Mats Thorén.

The number of employees at the end of the review period on December 31, 2022, was 10 (13).

On January 20, 2022, Herantis Pharma's Board of Directors appointed board member Frans Wuite, as interim CEO of the company following previous CEO Craig Cook's departure. Wuite also continued in his role as board member of Herantis' Board of Directors. Antti Vuolanto was appointed as the CEO in July, 2022. He has acted as the Chief Operating Officer of Herantis Pharma since 2018.

Per end of 2022, the management team consisted of CEO Antti Vuolanto DSc, CSO Dr. Henri Huttunen, VP Clinical Development Dr. MD Charlotte Videbæk and CFO Tone Kvåle. Dr. MD Charlotte Videbæk will act as a clinical consultant for the company in 2023.

Herantis Scientific Advisory Board (SAB) consists of four globally leading experts in the development of therapies for Parkinson's disease from industry and academia. The SAB members are Dr. Anders Gersel Pedersen (ex- EVP R&D Lundbeck), Dr. Daniele Bravi M.D. (ex- VP Lundbeck), Prof. David Dexter, PhD (Imperial College, London) and Prof. Alberto Espay M.D. MSc (Univ. of Cincinnati). The SAB is chaired by Dr. Pedersen.

Herantis Pharma's Shareholders' Nomination Committee consists of four members, of which three represent the company's shareholders. The Chairman of Herantis Pharma's Board of Directors will serve as the fourth member of the Nomination Committee. The Shareholders' Nomination Committee prepares and presents to the Annual General Meeting proposals on the remuneration, the number and members of the Board of Directors. The following members have been appointed to Herantis Pharma's Shareholders' Nomination Committee: Kyösti Kakkonen, representing Joensuun Kauppa ja Kone Oy (Chairman), Pia Gisgard, representing Swedbank Robur, Timo Syrjälä representing himself and Acme Investments SPF S.à.r.l., and Timo Veromaa, the Chairman of Herantis Pharma's Board of Directors.

Summary and outlook for 2023

Herantis submitted a Clinical Trial Application (CTA) end of 2022 to the Finnish Medicines Agency Fimea, the national competent authority for regulating pharmaceuticals. The Phase 1a study, which includes assessment of safety, tolerability, and blood-brain barrier penetration in healthy volunteers, will be carried out in Finland. Successful completion of the study would represent a significant milestone for Herantis.

Near-term milestones for HER-096 are:

- Phase 1a clinical trial application (CTA) regulatory approval (targeted 1H/2023) – *achieved February 20, 2023*
- First HER-096 human dose in Phase 1a study (targeted 1H/2023)
- Phase 1a read-out: Evidence of HER-096 safety and blood-brain barrier penetration in humans (targeted 2H/2023)

Financial review
January 1 – December 31, 2022

(Figures in brackets = same period 2021 unless stated otherwise)

The company has no longer control over Laurantis Pharma (previous subsidiary) due to decision to file for bankruptcy of Laurantis Pharma in October 2022, after closing of the Lymfactin development program. The company has no additional subsidiaries and consolidated financial statements will not be prepared anymore. Therefore, the parent company financial statements are the official financial statements for the company.

Accounting principles

Herantis prepares financial statements in accordance with Finnish Accounting Standards (FAS). The figures in the financial statements are unaudited. The figures are individually rounded from exact figures.

Statement of Profit & Loss

Herantis had EUR 135 thousands (EUR 0) in other operating income in 2022 related to final tranche received from the European Union-funded TreatER project. Payroll and related expenses increased to EUR 2.6 million (EUR 2.2 million) due to CEO transitions during the year. Other operating expenses decreased from 2021 to 2022 with EUR 1.3 million, due to decision to focus only on development of HER-096.

The R&D expenses for the 2022 were EUR 5.0 million (EUR 6.2 million), recorded in the income statement as other operating and payroll and related expenses for the period. Depreciation and amortization for the period was EUR 0.160 million (EUR 0.160 million).

Finance income and expenses totalled EUR -1.3 million (EUR -14.5 million). The financing expenses for 2022 were mainly related to fundraising costs in 1H 2022, interests on loans to Business Finland and reduction in value of current assets securities. Finance expenses for 2021 mainly related to write-down of shares and internal loans in Herantis' subsidiary, Laurantis Pharma, due to impairment of the asset Lymfactin®.

Statement of Profit & Loss	**July - December**		**Full Year**	
EUR thousands	**2022**	**2021**	**2022**	**2021**
Revenue	**0**	**0**	**0**	**0**
Other operating income	135	0	135	0
Payroll and related expenses	1 086	961	2 649	2 246
Depreciation and amortization	80	80	160	160
Other operating expenses	2 593	3 244	5 319	6 644
Total operating expenses	3 759	4 285	8 128	9 050
Operating profit (loss)	**-3 624**	**-4 285**	**-7 993**	**-9 050**
Finance income	1	0	1	0
Finance expenses	37	623	-1 332	-14 527
Total finance income and expenses	-36	-623	-1 331	-14 527
Profit (loss) before taxes	**-3 660**	**-4 908**	**-9 324**	**-23 576**
Profit (loss) for the financial period	**-3 660**	**-4 908**	**-9 324**	**-23 576**
Profit (loss)	**-3 660**	**-4 908**	**-9 324**	**-23 576**
Loss per share	**-0.22**	**-0.46**	**-0.64**	**-2.31**
Basic and diluted loss per share, EUR	-0.22	-0.46	-0.64	-2.31

Statement of financial position (balance sheet)

As of December 31, 2022, Herantis' balance sheet amounted to EUR 6.2 million (EUR 6.9 million). The balance sheet includes short-term debt in the amount of EUR 1.9 million (EUR 1.9 million) and long-term debt in the amount of EUR 4.4 million (EUR 4.5 million). Majority of the total liabilities are loans from Business Finland related to the CDNF development project. No R&D expenses were capitalized during the review period.

EUR thousands Statement of financial position	31 December 2022	31 December 2021
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	0	160
	0	160
Total non-current assets	**0**	**160**
Current assets		
Short-term		
Other debtors	198	84
Prepayments and accrued income	43	59
	241	143
Securities	955	985
Cash in hand and at banks	5 036	5 630
Total current assets	**6 232**	**6 758**
TOTAL ASSETS	**6 232**	**6 918**

Statement of financial position	31 December 2022	31 December 2021
LIABILITIES		
Capital and reserves		
Subscribed capital		
Subscribed capital	80	80
	80	80
Other reserves		
Free invested equity reserve	75 239	66 530
Retained loss	-66 055	-42 479
Loss for the financial year	-9 324	-23 576
Total equity	**-60**	**554**
Debt		
Long-term		
Loan from credit institutions	4 391	4 469
	4 391	4 469
Short-term		
Loans from credit institutions	150	222
Trade creditors	660	788
Other creditors	27	53
Accruals and deferred income	1 064	831
	1 901	**1 895**
Total liability	**6 292**	**6 364**
LIABILITIES TOTAL	**6 232**	**6 918**

Statement of cash flow

As of December 31, 2022, cash and cash equivalents for Herantis amounted to EUR 5.0 million (EUR 5.6 million). This amount does not include securities of EUR 955' (EUR 985') or cash from subsidiary Laurantis Pharma where the control was lost, due to bankcruptcy proceeding started in 2022. Herantis is one of the main debtors of Laurantis Pharma and thus expects to obtain some cash after the bankruptcy proceedings are completed in 2H 2023. The cash flow from operating activities in 2022 was EUR -8.9 million (EUR -9.1 million). Herantis completed a successful fundraising in 1H 2022 and raised gross proceeds of EUR 1.46 million in April, through a directed issue and raised additional gross proceeds of EUR 7.25 million in May in a fully subscribed rights issue.

Statement of Cash flow	**July - December**		**Full Year**	**Full Year**
EUR thousands	**2022**	**2021**	**2022**	**2021**
Cash flow from operating activities:				
Profit (loss) before income taxes	-3 660	-4 908	-9 324	-23 576
Adjustments:				
Depreciation according to plan	80	80	160	160
Other financial income and expenses	36	623	1 331	14 526
Cash flow before change in working capital	**-3 544**	**-4 205**	**-7 833**	**-8 890**
Change in working capital:				
Increase(-)/decrease(+) in short term interest free receivables	-13	-87	-98	-34
Increase(-)/decrease(+) in short term interest free liabilities	142	362	79	150
Cash flow from operations before financial items and taxes	**-3 415**	**-3 931**	**-7 853**	**-8 774**
Interest paid and other financial expenses from operation	-13	-242	-1 092	-291
Interest received	1	0	1	0
Cash flow from operations before income taxes	-3 427	-4 172	-8 944	-9 064
Cash flow from operating activities (A)	**-3 427**	**-4 172**	**-8 944**	**-9 064**
Cash flow from investments:				
Loans to subsidiary	-34	-381	-210	-1 054
Cash flow from investments activities (B)	**-34**	**-381**	**-210**	**-1 054**
Cash flow from financing:				
Gross proceeds from equity issue	0	4 039	8 710	4 039
Short term loan repayments	-145	0	-150	-5
Cash flow from financing activities (C)	**-145**	**4 039**	**8 560**	**4 034**
Change in cash and cash equivalents (A+B+C) incr. (+)/decr.(-)	-3 605	-514	-594	-6 084
Cash and cash equivalents at beginning of period	8 641	6 145	5 630	11 715
Cash and cash equivalents at end of period [1) 2)]	**5 036**	**5 630**	**5 036**	**5 630**

1) Reclassification of securities (fund) of EUR 955' in 2022 including EUR 985' in 2021 figures. Not reported as cash and cash equivalents.

2) Cash from subsidiary Laurantis Pharma not included. Will be included in 2H 2023.

Equity statement

Equity per December 31, 2022 was EUR -0.06 million (EUR 0.6 million).

Currency EUR		
Equity Statement	**January - December 2022**	**January - December 2021**
Restricted equity		
Share equity at the start of the period	80,000.00	80,000.00
Share equity at the start of the period	80,000.00	80,000.00
Restricted equity, total	**80,000.00**	**80,000.00**
Unrestricted equity		
Invested unrestricted equity reserve at the beginning of period	66,529,776.60	62,490,276.60
Issue of shares	8,709,639.12	4,039,500.00
Invested unrestricted equity reserve at the end of period	75,239,415.72	66,529,776.60
Loss from previous period, at the beginning of the period	-66,055,471.86	-42,479,237.11
Loss at the end of the previous period	-66,055,471.86	-42,479,237.11
Loss for the period	- 9,324,225.33	- 23,576,234.75
Unrestricted equity, total	- 140,281.47	474,304.74
Equity December 31	**- 60,281.47**	**554,304.74**

Share based incentive program

Herantis has five stock option programs: Stock option program 2010, 2014 I, 2018 I, 2021 I and 2022 I. The Board of Directors decided on April 13, 2022, to grant a maximum of 183,041 option rights entitling to shares to certain members of the management team and other employees under the option rights program 2021 I. The option rights were offered without consideration. Each option right entitles to subscribe for one ordinary share in Herantis for a subscription price of EUR 2.60 per share. The subscription price corresponds to 126% of the volume weighted average share price during 10 trading days preceding the grant date of April 13, 2022 (30 March 2022–12 April 2022). Granted share options shall vest and become exercisable over a three-year period, with 1/3 becoming exercisable from 13 April 2023, with an annual vesting of 1/3 during the second year after the grant date, and with an annual vesting of 1/3 during the third year after the grant date. The options expire on 13 April 2027 or earlier subject to customary conditions.

The Annual General Meeting in April 2022 resolved to authorise the Board of Directors to decide on the issuance of option rights of a maximum of 200,000 share options. The Board of Directors of Herantis Pharma Plc decided 12 September 2022 on a new option rights program 2022 I based on the authorization granted by the Annual General Meeting held April 2022. Under the new option rights program 2022 I, an aggregate up to 200,000 option rights entitling to shares may be issued to the CEO of Herantis, management team members, and other key personnel. 50,000 stock options were issued in September 2022 and 150,000 stock options were issued in December 2022.

June 15, 2022, an employee exercised 2,400 stock options under the 2010 stock option program.

Stock option program	Subscription price per share	Maximum amount of option rights outstanding	Options exercised in 2022	Subscription period
2010	0.00005	31,600	2,400	August 2011 - June 2024
2014 I	0.00005	7,200		March 2014 - January 2024
2018 I	5.85	42,000		August 2018 - December 2024
2021 I	3.44	556,211		April 2022 - 2026
2021 I	2.60	150,000		April 2023 - 2027
2022 I	2.49	50,000		September 2023 - 2027
2022 I	2.21	150,000		December 2023 - 2027
TOTAL		**987,011**		

Shareholder structure

During 2022 the company's shares have been listed at Nasdaq First North Growth Market Finland with ticker symbol "HRTIS" and Nasdaq First North Growth Market Sweden (Nasdaq FN GM Sweden) with ticker symbol "HRNTS". In December the company applied for delisting of the Herantis share from Nasdaq FN GM Sweden. When adopting the decision on applying for the delisting, the Board of Directors considered the development of trading since the company listed its shares on Nasdaq FN GM Sweden in 2019, noting the low level of trading volumes as well as the small number of current shareholders holding their shares through Euroclear Sweden AB. The company has also considered the additional costs related to maintaining this secondary listing for a company of its size as well as the administrative burden of complying with the listing rules of another market in addition to its home market in Finland. Nasdaq Stockholm AB approved the application and the last day of trading in the shares of Herantis on Nasdaq FN GM Sweden was January 31, 2023.

The market capitalization of Herantis Pharma at the end of the review period on December 31, 2022, was approximately EUR 28 million. The closing price of the company's shares in the Nasdaq First North Growth Market Finland end of period, was 1.65 euros. The highest share price during the review period was 2.44 euros, lowest 1.49 euros, and average 1.87 euros. According to Herantis' shareholder register dated December 31, 2022, the company had 3,474 registered shareholders. Members of Herantis' Board of Directors and the management are holding in aggregate 137,494 (106,636) shares or 0.8 (1.0) percent of the company's shares. Information on managers' transactions with the company's shares is published through company releases.

A total of 975,000 and 4,831,426 shares were subscribed for respectively in the direct issue in April and the rights issue in May. The total number of shares in Herantis per December 31, 2022 is 16,912,394.

	Shareholders December 31, 2022	Numbers of shares	%
1	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)	2,697,247	15.9%
2	JOENSUUN KAUPPA JA KONE OY	1,709,569	10.1%
3	CITIBANK EUROPE PLC	1,178,829	7.0%
4	NANOFORM FINLAND OYJ	1,165,404	6.9%
5	SIJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	852,620	5.0%
6	PENSIONSFÖRSÄKRINGSAKTIEBOLAGET VERITAS	596,522	3.5%
7	HELSINGIN YLIOPISTON RAHASTOT	572,678	3.4%
8	OP FIN SMALL CAP	554,497	3.3%
9	NORDEA NORDIC SMALL CAP FUND	325,080	1.9%
10	KALONIEMI MARKKU PETTERI	299,920	1.8%
11	SYRJÄLÄ TIMO KALEVI	298,594	1.8%
12	KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	293,163	1.7%
13	KAKKONEN KARI HEIKKI ILMARI	284,757	1.7%
14	EUROCLEAR BANK SA/NV	254,262	1.5%
15	SUOTUULI OY	199,233	1.2%
16	ALAKORTES ILKKA ANTERO	189,883	1.1%
17	SÄÄSTÖPANKKI ITÄMERI -SIJOITUSRAHASTO	186,071	1.1%
18	INNOVESTOR KASVURAHASTO I KY	174,456	1.0%
19	SIEMENTILA SUOKAS OY	170,000	1.0%
20	SAARMA MART	159,000	0.9%
	Top 20 largest shareholders	**12,161,785**	**71.9%**
	Others	**4,750,609**	**28.1%**
	Total numbers of shares	**16,912,394**	**100.0%**

Decisions by the Annual General Meeting

Herantis Pharma Plc's ("Herantis") Annual General Meeting was held in Helsinki on Thursday, 21 April 2022. Shareholders participated in the meeting and exercised their rights only by voting in advance, in addition to which they could make counterproposals and present questions in advance.

Adoption of the annual accounts, loss for the financial year and resolution on discharge from liability

The Annual General Meeting adopted the consolidated financial statements and the parent company's financial statements for the financial year 1 January 2021 – 31 December 2021 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided that, as proposed by the Board of Directors, no dividend be paid for the financial year 1 January 2021 - 31 December 2021 and that the loss for the financial year shall be transferred to accumulated losses.

Resolution on the remuneration, number and election of the members of the Board of Directors

The Annual General Meeting resolved, in accordance with the proposal by the Shareholders' Nomination Committee, that the remuneration of the Board of Directors shall be as follows:

- The remuneration payable to the members of the Board of Directors shall be EUR 18,000 annually for each member of the Board except for the Chairman of the Board who shall be paid EUR 30,000 annually. The remuneration remains unchanged from the previous year. However, the Board of Directors will no longer elect a Vice Chairman of the Board from among its members, and thus the previously paid annual remuneration of EUR 24,000 related to the position will no longer be paid.
- The Chairman of the Audit Committee shall receive a fixed annual fee of EUR 8,000 and each member of the Audit Committee a fixed annual fee of EUR 4,000.
- The Chairman of the Remuneration Committee shall receive a fixed annual fee of EUR 4,000 and each member of the Remuneration Committee a fixed annual fee of EUR 2,000.
- Board members are also reimbursed reasonable travel expenses related to the duties of the Board of Directors.

In accordance with the proposal of the Shareholders' Nomination Committee, the Annual General Meeting resolved that the number of members of the Board of Directors shall be six (6). In accordance with the proposal of the Shareholders' Nomination Committee, all current members of the Board of Directors, i.e., Timo Veromaa, Mats Thorén, Frans Wuite, James Phillips, Aki Prihti, and Hilde Furberg were re-elected as members of the Board of Directors.

Resolution on the remuneration and election of auditor

The Annual General Meeting resolved, in accordance with the proposal by the Board of Directors, that the Auditor shall be paid reasonable remuneration in accordance with the invoice approved by the company. The Annual General Meeting resolved, in accordance with the proposal by the Board of Directors, to elect the firm of authorised public accountants PricewaterhouseCoopers Oy as auditor until the end of the next Annual General Meeting. PricewaterhouseCoopers Oy has notified the company that APA Panu Vänskä will act as the responsible auditor.

Authorization of the Board of Directors to decide on issuing option rights

The Annual General Meeting resolved to authorise the Board of Directors to decide on the issuance of option rights pursuant to Chapter 10 of the Companies Act as follows: A maximum of 200,000 share options and shares may be issued under the authorization, provided however that the number of share options so issued may not together with any option rights granted on the basis of the authorization from the 2021 Annual General Meeting exceed 975,000 option rights in total.

Eligibility

New employees are eligible for option grants upon joining the company. Employees will be eligible for an annual option award on a discretionary basis, taking into account overall performance, competitiveness of terms, work responsibility, importance of retention, organization level, and position. The Board of Directors will exercise discretion as to who will receive an equity award in any given year, based on recommendations made by the Remuneration Committee. The Board of Directors intends to grant awards under the plan, on an annual basis. Board members are not eligible to participate.

Grant size and exercise price

The Remuneration Committee shall recommend to the Board the size of the overall option grant. The grant schedule will be determined, and reviewed, on the basis of market competitiveness of the equity component of the compensation package and the overall size of the available option and share pool approved by shareholders. The exercise price will correspond to 126 per cent. of the volume weighted average share price of the Company's share during 10 trading days preceding the grant date. However, in no event shall the exercise price be lower than the subscription price of the company's share in the company's latest share issue against consideration (excluding share subscriptions based on option rights) preceding the option grant date.

Employee vesting schedule

Granted share options shall vest and become exercisable over a three-year period, with 1/3 on the first anniversary of the grant date, with an annual vesting of 1/3 during the second year after the grant date, and

with an annual vesting of 1/3 during the third year after the grant date. The options expire five years after the grant date. In the case of termination of employment, the employee will not vest further share options beyond notice of termination. Unless special circumstances dictate otherwise, the terminated employee can, as a general rule, exercise vested options no later than the expiry of the first exercise period following the notice of termination (unless a later date has been resolved by the Board). Options not exercised prior to the above deadline will lapse.

The Board of Directors is authorized to resolve on all other terms for the issuance of the option rights entitling to shares. The authorization does not invalidate any earlier authorizations entitling the Board of Directors to decide on issues of special rights entitling to shares. The authorization is valid until the close of next annual general meeting, however, no longer than until 30 June 2023.

Authorization of the board of directors to decide on a rights issue

The Annual General Meeting resolved to authorise the Board of Directors to decide of shares as follows:
The shares issued under the authorization may be new shares or treasury shares. Under the authorization, a maximum of 4,831,500 shares may be issued (which corresponds to approximately 40 per cent of all of the shares issued and outstanding). The shares may be issued in one or more tranches.

The shareholders have a pre-emptive right to the new shares in the same proportion as they hold shares in the Company on the record date of the share issue. However, shares not subscribed by shareholders may be offered on a secondary basis for subscription by other shareholders or by other persons. The Board of Directors is entitled to decide to whom the shares that remain unsubscribed will be offered. Subscriptions would be paid in cash.

The Board of Directors is authorized to resolve on all other terms and conditions of the share issue. The proposed authorization does not invalidate any earlier authorizations entitling the Board of Directors to decide on share issues or issues of special rights entitling to shares. The authorization is valid until the close of next annual general meeting, however, no longer than until 30 June 2023.

Decisions of the constitutive meeting of the Board of Directors

In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Timo Veromaa as Chairman of the Board. The Board of Directors also resolved on the composition of the Board Committees in its constitutive meeting. Aki Prihti was elected as the Chairman, and Mats Thorén and Hilde Furberg were elected as members of the Audit Committee. Timo Veromaa was elected as the Chairman, and Frans Wuite and James Phillips were elected as members of the Remuneration Committee.

Risk and uncertainties

Herantis focuses on disease modifying therapies for debilitating neurodegenerative diseases and have or will have assets in preclinical and clinical development.

Key risk factors:

- The company's products and business operations are in a research and development stage and the company may fail to reach profitability.
- The company may face difficulties in obtaining further financing with competitive terms and conditions, or at all, and this may affect the continuity of the company's operations.
- The company's strategy is development of new pharmaceutical products, drugs, which involves a lengthy and expensive process with uncertain outcomes.
- The business of Herantis is highly dependent on the success of its current or potential future drug candidates, which will require significant high-risk product development.
- Uncertain global economic and financial market conditions as well as geopolitical situation could have a material adverse effect on Herantis.
- Herantis is exposed to risks of operating in a highly competitive industry.
- Herantis is exposed to risk of relying upon third parties for pre-clinical projects, clinical trials and manufacturing.
- The company may be unsuccessful in protecting or enforcing its intellectual property rights.
- Herantis may not be able to enter into or maintain partnership agreements.
- Due to the novelty of Herantis' drug candidate HER-096, the risks associated with its development, or development of any other novel drug candidates Herantis may have in the future, can be considered greater than the risks typically associated with drug development, which also apply to the company's operations.
- The company's insurance cover may prove insufficient, and its business involves the risk of liability claims in the event that the use or misuse of Herantis' current or potential future drug candidates results in injury or death.

General risks and uncertainties present in drug development also apply to Herantis. For instance, the production, stability, safety, efficacy, and regulatory aspects of drug candidates involve risks, the realization of which can render the commercialization of the drug candidate impossible or significantly delayed. One common challenge in drug development is that preclinical disease models may not accurately simulate the real disease. Promising preclinical results do therefore not guarantee that the drug candidate is efficacious in humans. Further, the company has not commercialized any drug candidates, it does not have any history of profitable operations, and it has not so far closed any commercialization agreements pursuant to its strategy.

Drug development requires significant investments. Since Herantis is a pre-revenue company it must finance its drug development programs from external sources such as grants, R&D loans, or equity investments from investors and existing shareholders. Factors such as delays in the company’s development programs, lack of share authorization or a weak financial market can impact the company’s ability to raise funding and continue its operations.

Even if the safety and efficacy of a drug candidate was established in clinical studies its commercialization involves risks such as pricing or reimbursement, organizing a sales network, competition from other emerging treatments, unexpected adverse events in long-term use, strength of the company's patents, patent infringement claims raised against the company and other factors. The success, competitive position and future revenues will depend in part on the company's ability to protect intellectual property and know-how. Competitors may claim that one or more of the company's product candidates infringe upon their patents or other intellectual property.

Impairment of part or all of capitalized development expenses or assets may have a material adverse effect on the company's business, financial condition, results of operations and future prospects as well as on the value of the company. Resolving a patent or other intellectual property infringement claim can be costly and time consuming and may require the company to enter into royalty or license agreements, and the company cannot guarantee that it would be possible to enter into such agreements on commercially advantageous terms or at all. Unusual business risks and uncertainties are also relevant to the operations of Herantis, such as data protection risks, dependencies on subcontractors and other third parties, and the ability to recruit and keep a qualified senior team and other employees.

Herantis strategy is to continuously identify, minimize and mitigate potential risks, and risk assessment and management are an integrated part of Herantis' operations. Herantis has protected its operations against risks to its best ability and is not aware of any such risks or uncertainties, which would essentially differ from the usual risks and uncertainties in its business.

Environmental factors

Herantis works purposefully and systematically to reduce the environmental impact and strives not to pollute the external environment. All production and distribution activities are outsourced. Herantis' quality instructions and practices consider the environment and for example encourage the use of public transportation, limit travelling to strictly necessary business needs, and endorse the use of virtual meetings where possible. Printing and waste are minimized, and recycling is organized appropriately.

Financial information

These financial statements release, and its appendices are published in Finnish and in English on March 2, 2023, at 8:00 EET/7:00 CET on the company's website at www.herantis.com. In case of any discrepancies between the language versions, the Finnish version shall prevail.

Certified Advisor: UB Securities Ltd, Finland: +358 9 25 380 225
Company website: www.herantis.com

Financial calendar

2H and FY 2022 Financial reporting	March 2, 2023
Annual report 2022	March 28, 2023
Annual General Meeting	April 20, 2023
1H 2023 financial reporting	August 24, 2023

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Forward-looking statements

This company release includes forward-looking statements which are not historical facts but statements regarding future expectations instead. These forward-looking statements include without limitation, those regarding Herantis' future financial position and results of operations, the company's strategy, objectives, future developments in the markets in which the company participates or is seeking to participate or anticipated regulatory changes in the markets in which the company operates or intends to operate. In some cases, forward-looking statements can be identified by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should" or "will" or the negative of such terms or other comparable terminology. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and are based on numerous assumptions. The company's actual results of operations, including the company's financial condition and liquidity and the development of the industry in which the company operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this company release. Factors, including risks and uncertainties that could cause these differences include, but are not limited to risks associated with implementation of Herantis' strategy, risks and uncertainties associated with the development and/or approval of Herantis' drug candidates, ongoing and future clinical trials and expected trial results, the ability to commercialize drug candidates, technology changes and new products in Herantis' potential market and industry, Herantis' freedom to operate in respect of the products it develops (which freedom may be limited, e.g., by competitors' patents), the ability to develop new products and enhance existing products, the impact of competition, changes in general economy and industry conditions, and legislative, regulatory and political factors. In addition, even if Herantis' historical results of operations, including the company's financial condition and liquidity and the development of the industry in which the company operates, are consistent with the forward-looking statements contained in this company release, those results or developments may not be indicative of results or developments in subsequent periods.