HERANTIS PHARMA

Annual Report 2021

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Herantis in Brief

Development of **disease-modifying treatment** to address the unmet clinical need in Parkinson's disease

Lead asset is **HER-096, a small peptidomimetic with a unique mechanism of action and an easy route of administration**

Experienced board and management team. 13 employees. 5 PhD's.

Scientific advisory board with **globally leading experts** in Parkinson's disease from industry and academia

Founded in Helsinki, Finland in 2008 with **scientific discoveries** out of University of Helsinki

IPO in 2014 and 2019 at First North Nasdaq Helsinki and Stockholm, respectively

Largest shareholders: Swedbank Robur, Nanoform and AP4 Fonden

Herantis focuses on disease modifying, Cerebral dopamine neutrophic factor (CDNF)-based therapies for Parkinson's disease that aim to restore proteostasis, body's natural neuronal protective mechanism. A failure in proteostasis results in pathological accumulation of protein aggregates, neuroinflammation and various forms of cellular stress that is widely implicated in the development of neurodegenerative diseases such as Parkinson's and Alzheimer's disease. CDNF is a protein that occurs naturally in the body. Its role is to protect neurons by balancing proteostasis, thereby preventing and counteracting disease generating mechanisms.

Herantis' development focus is on the CDNF-based; HER-096 (a synthetic peptidomimetic). A peptidomimetic, is a small protein-like chain designed to mimic the function of the large protein CDNF. 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, in an initial animal model, HER-096 has been shown to readily penetrate the blood brain barrier allowing for convenient subcutaneous dosing. Thanks to its multimodal mechanism of action, Herantis' HER-096 molecules have the potential to stop the progression of Parkinson's disease and significantly improve patients' quality of life.

Highlights January-December 2021

Significant progress has been made with HER-096:

Selection of HER-096 as the lead candidate for development based on efficacy, safety, pharmacokinetic, pharmacodynamic and stability criteria

Demonstration of HER-096 crossing the blood brain barrier and entering the brain in therapeutic concentrations after a single subcutaneous administration in rodents

Confirmation of a unique and broad mechanism of action, similar to CDNF, resulting in a significant reduction of α-synuclein deposition, neuroinflammation, and remarkable restoration of dopaminergic neurons in preclinical disease models

Identification of novel biomarker candidates in the Phase 1 Cerebral Dopamine Neurotrophic Factor (CDNF) study aimed at supporting future clinical development of HER-096

Other operational highlights:

A collaboration with Nanoform Finland Plc. was agreed to investigate the feasibility of applying the nanoforming process to rhCDNF. In 2021, we established that nanoformed rhCDNF nanoparticles retain their stability and activity

Formation of Herantis Scientific Advisory Board (SAB), consisting of leading experts in the development of therapies for Parkinson's disease from industry and academia: Dr.Anders Gersel Pedersen M.D. (chair), Dr. Daniele Bravi M.D., Prof. David Dexter, PhD, and Prof. Alberto Espay M.D. MSc

Hilde Furberg, MSc, an experienced biopharma executive, was elected to the Board of Directors

Completion of a private placement exceeding EUR 4.0 million

Herantis published several papers and scientific posters in scientific media and conferences during 2021

Events after year end

On January 20th, 2022, Herantis Pharma's Board of Directors appointed Frans Wuite, MD, MBA, as the interim CEO, effective immediately. Wuite is also the Vice Chairman of Herantis' Board of Directors and will continue in this role. Herantis' CEO until January 20th, 2022, Dr. Craig Cook, left the company following the Board of Directors' decision. A search for a permanent CEO will be launched. In connection with the CEO transition and following strong preclinical data in 2021, Herantis' Board of Directors has decided to focus a significant majority of the company's development efforts to advance HER-096, a small, synthetic peptidomimetic molecule derived from the active site of CDNF. HER-096 combines the unique mode of action of CDNF protein to target Parkinson's disease with the ease of subcutaneous administration.

CEO's statement

An important milestone for Herantis in 2021 was the selection of HER-096, a small synthetic peptidomimetic, as the lead preclinical development candidate for the treatment of Parkinson's disease. This was done by a rigorous process based on extensive preclinical and CMC-data. During 2021 we also validated HER-096's unique mechanism of action, its passage into the brain in therapeutic concentrations upon simple subcutaneous administration and the efficacy of a convenient three times per week dosing regimen in preclinical studies. In addition, we have identified biomarkers in the Phase 1b CDNF study in patients that can support our clinical development programme. Furthermore, a cost-effective manufacturing process of HER-096 has been established. Due to the rapid progress in development and encouraging data, we shall now prioritize the development of HER-096 within Herantis portfolio and concentrate our efforts on getting it into clinic as soon as possible.

Demonstrating a broad mechanism of action

Preclinical data show that HER-096 possesses similar disease modifying potential for the treatment of Parkinson's disease as CDNF. By restoring proteostasis and the unfolded protein response (UPR), HER-096 and recombinant CDNF counteract several important pathophysiological mechanisms underlying Parkinson's disease.

To confirm the broad mechanism of action of HER-096, we have demonstrated that it markedly reduces damaging neuro-inflammation processes, the toxic accumulation of alpha-synuclein, and significantly increases dopamine neuron survival.

Reaching the brain following subcutaneous administration

In a carefully monitored animal model the brain concentration reaches over 20% of the concentration in plasma after subcutaneous administration. This is 20-50 fold higher than what is typically seen with therapies such as monoclonal antibodies against α-synuclein. Thus, pharmacologically active levels in the brain can easily be reached following a single injection.

Identifying biomarkers for clinical development

Another important achievement in 2021 was the identification of several biomarkers from the rhCDNF Phase 1 study concluded in 2020. We observed that certain biomarkers in Cerebrospinal Fluid (CSF) changed in response to CDNF treatment in some patients and in these patients were observed improvements in motor function and dopamine brain signals. These biomarkers may help us in the HER-096 clinical development program.

Development program guided by Industry and Academic leaders

In the fourth quarter, we announced the formation of a Scientific Advisory Board (SAB), consisting of renowned global industry and academic leaders in the treatment of Parkinson's disease. They share our belief in the potential of our assets and will provide guidance to our development program.

Our focus in 2022 is to generate a data package required for the Clinical Trial Application (CTA) of the Phase 1 study to demonstrate the safety and brain penetration of HER-096 in human. We are excited about the prospect to demonstrate blood brain barrier penetration by HER-096 in humans next year, as our industry is actively looking for assets reaching this milestone.

Frans Wuite, MD, MBA

Interim CEO of Herantis Pharma Plc

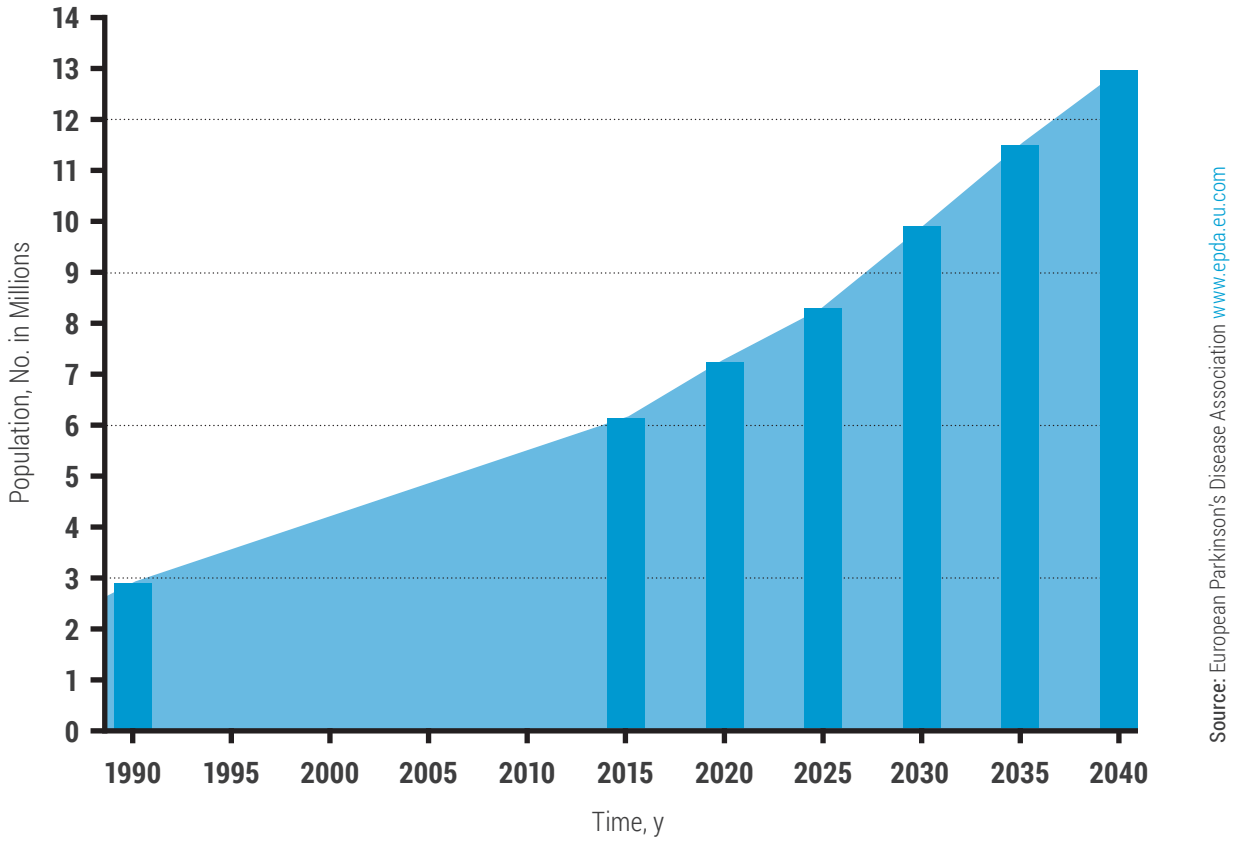
Parkinson's Disease is the 2nd most common neurodegenerative disorder

Neurological disorders are the leading cause of disability globally, and Parkinson's disease (PD) is the fastest growing neurological disorder in the world and a massive burden to society. Today more than 8 million people suffer from Parkinson's disease worldwide. This number is projected to increase to over 12 million by 2040. Parkinson's disease is estimated to cost EUR 14 billion annually in the EU alone with household costs amounting to EUR 20,000 per patient per year.*

Parkinson's disease is a neurodegenerative condition that develops slowly. Typical clinical features involve a movement disorder consisting of slowness of movement, resting tremor, and stiffness, with lack of stability or steadiness occurring at a later stage. Over time, even simple movements become difficult. The cause of PD is not known, but genetic risk factors have now been characterized, as well as several genes which cause rare familial forms of PD. Environmental influences have been claimed to alter the risk of PD development, although their role remains unclear. The movement disorder arises due to the loss of dopaminergic neurons in certain area of the brain, with the pathological hallmark being aggregates of α-synuclein in neural cells. Several processes have been implicated in PD, including mitochondrial dysfunction, neuroinflammation, defective proteostasis and unfolded protein response. It is now generally believed that a broad mechanism of action is necessary for true disease-modifying therapy in Parkinson's disease.

* Source: Parkinsons Foundation www.parkinsons.org, Fortune Business Insights https://www.fortunebusinessinsights.com/industry-reports/neurodegenerative-diseases-drugs-market-100661,Parkinson's Disease Treatment Market. (n.d.). Retrieved from https://www.marketsandmarkets.com/Market-Reports/parkinson-disease-treatment-market-47265247

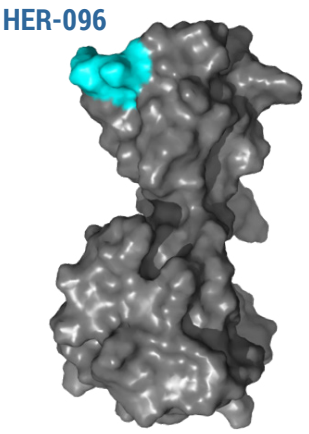
Estimated and Projected Number of Individuals with Parkinson's Disease, 1990-2040



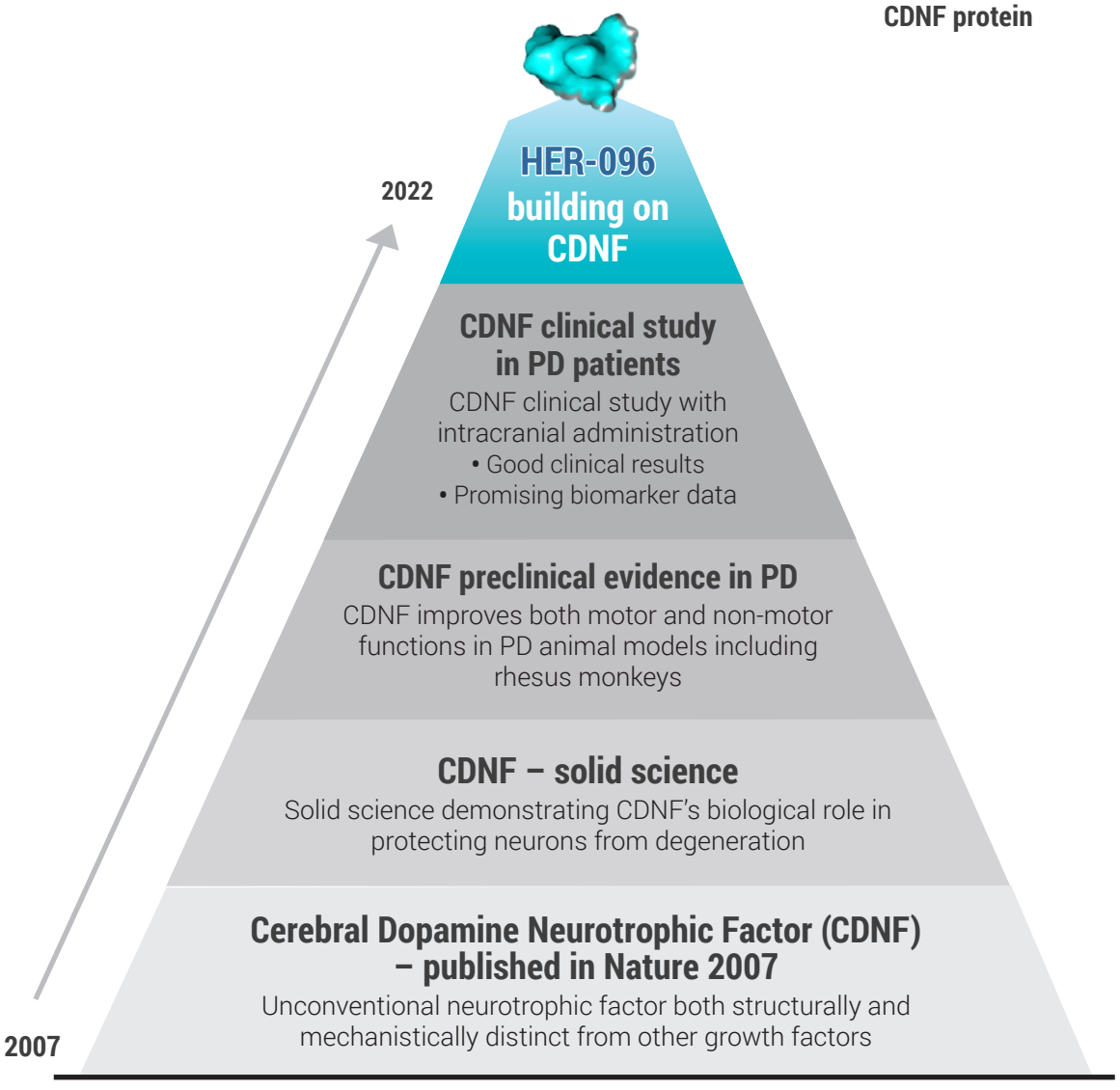
Source: European Parkinson's Disease Association www.epda.eu.com

HER-096 – lead asset for delaying progression of PD

- HER-096 is a small synthetic peptidomimetic designed based on the neuroprotective CDNF protein
- HER-096 shares the mechanism of action with CDNF protein
- HER-096 reaches the brain upon a simple subcutaneous administration, unlike the CDNF protein that requires intracranial administration
- HER-096 first-in-human clinical study is expected to commence in 2023

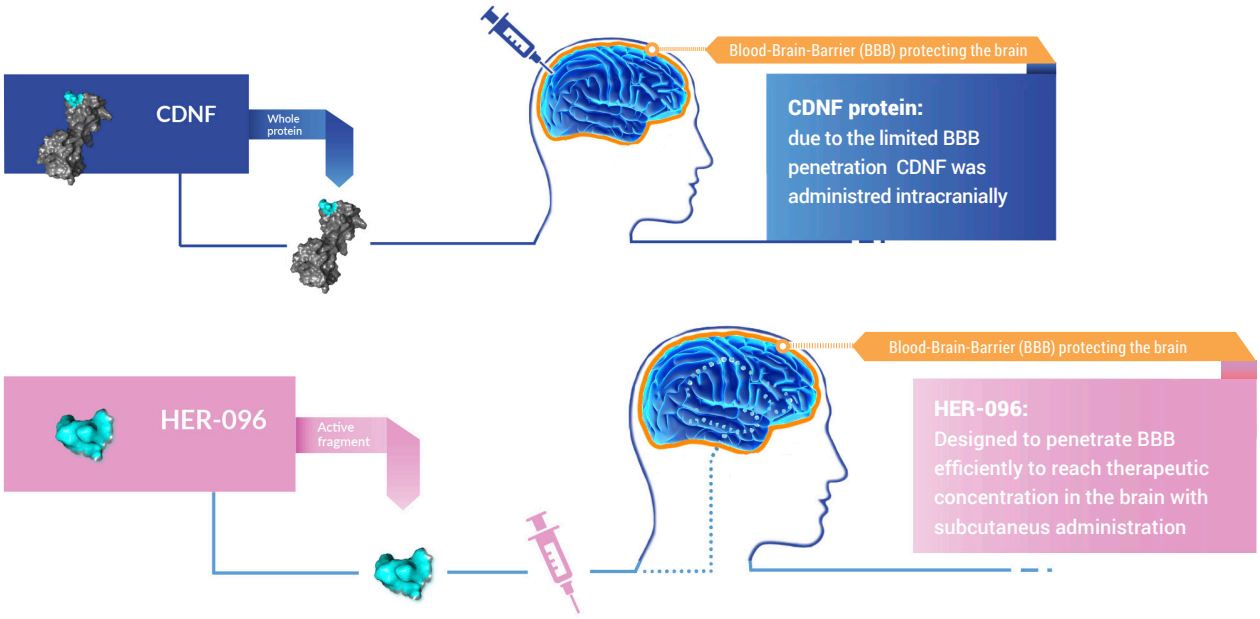


CDNF protein



HER-096 is designed to penetrate the brain following a simple subcutaneous injection

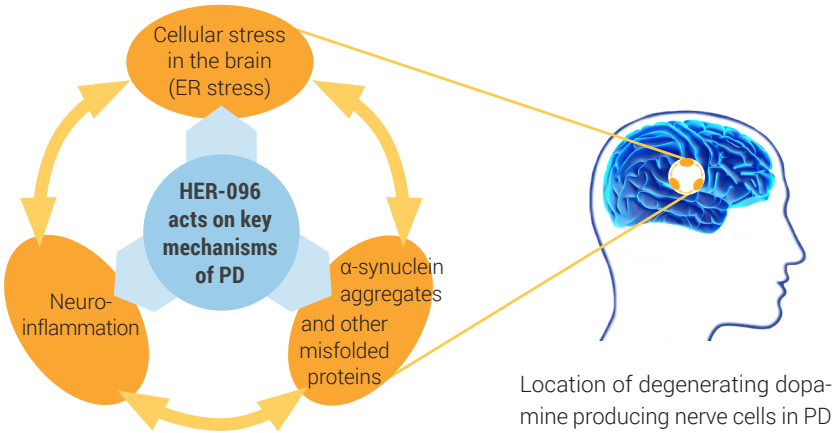
The Blood–Brain Barrier (BBB) protects the brain from harmful substances – it is also a major hurdle for the development of pharmaceuticals



- Pharmaceuticals need to reach a therapeutic concentration in the brain to be effective
- BBB blocks entry of most substances from reaching the brain
- Most pharmaceuticals do not penetrate the BBB, especially biologicals
- Herantis' HER-096 penetrates the BBB in therapeutic concentrations in healthy rats
- We aim to demonstrate this in humans in 2023
- Herantis is currently studying intranasal administration of CDNF protein to evaluate if a therapeutic concentration could be reached by this simple route of administration

HER-096 has a unique disease modifying Mechanism of Action

While the root cause of Parkinson's disease remains unknown, the brain pathology is marked by a vicious cycle where chronic cellular stress in the brain increases the buildup of misfolded proteins (e.g., α-synuclein) and neuroinflammation, which in turn add to the stress cells experience and escalates the disease process. CDNF and HER-096 have been shown to act against these key mechanisms of PD.



Location of degenerating dopamine producing nerve cells in PD

Management team

Frans Wuite MD, MBA is interim CEO since January 2022 and has been a Herantis Board member since 2014, and vice chairman since April 2020. He has a long international career with a track record of successfully commercializing and growing pharmaceutical and biotech businesses. Frans Wuite was CEO of Acesion Pharma ApS until 2020. Prior to this, he was CEO and President of Oncos Therapeutics Oy, COO of Warren Pharmaceuticals Inc, Co-founder and Board Director of Araim Pharmaceuticals Inc, and member of Amgen's European management team, where he was in charge of establishing and launching Amgen's anaemia franchise. Before Amgen, he was President of Pharmacia-Leiras BV, a joint venture for marketing products with novel dose delivery technologies for women's healthcare in Europe. Frans is also a current board director of Healthcap VII GP SA and Nukute Oy.

COO **Antti Vuolanto**, DSc, joined Herantis Pharma Plc in February 2018. He has vast experience in biological drug development, in-vitro diagnostics, and building start-up companies. Antti has in-depth knowledge of gene therapy-based drug development including scientific, CMC, and clinical trial expertise. Previously he served as COO at Valo Therapeutics, as Executive Vice President at Targovax ASA, and COO and co-founder at Oncos Therapeutics Ltd that merged with Targovax in 2015. He has also held senior management positions at other biotech companies. Dr. Vuolanto graduated as Doctor in Science in Technology at Aalto University, Finland, in 2004 in bioprocess engineering.

CFO **Tone Kvåle** joined Herantis in October 2020 and she has more than 25 years of experience from the biotech and life sciences industry. She was CFO at Nordic Nanovector, a publicly listed company in Norway, for 7 years, and prior to that, she held CFO roles at NorDiag (publicly listed company), Kavli Holding, Dynal Biotech, as well as senior management positions at Invitrogen/Life Technologies, in US, now part of Thermo Fisher. In these roles, she helped raise over EUR 200m in financing, was involved in IPO's and M&A's and was responsible for financial reporting under various reporting standards including US GAAP and IFRS. She is currently board director and chair of the audit committee of Bonesupport AB, Sweden. Tone has a diploma in finance and administration from UiT, The Arctic University of Norway, Harstad. She has completed the prescribed course of study and the examination for Advanced Programme in Corporate Finance at The Norwegian School of Economics, NHH.

CSO **Henri Huttunen** co-founded Herantis Pharma Plc. in 2008 and served as the company's founding CEO for the first two years. Dr. Huttunen is currently the Chief Scientific Officer of Herantis. Dr. Huttunen has previously held research positions at the University of Helsinki, Orion Pharma, and Massachusetts General Hospital, Harvard Medical School (USA). Dr. Huttunen has a PhD in biochemistry from the University of Helsinki and 25 years of experience in neuroscience research. While he was an adjunct professor, Dr. Huttunen lead an academic research group focusing on molecular mechanisms of neurodegenerative diseases at the Neuroscience Center, University of Helsinki.

Head of Regulatory Affairs and Compliance, **Sigrid Booms** has been at Herantis since August 2011. Mrs. Booms has more than 25 years of experience in global development of pharmaceuticals for human use, with previous positions in regulatory affairs at Orion Pharma and at a global clinical CRO as Director, Regulatory Affairs. During her career, she was involved in several drug development projects in the CNS therapeutic area, including leading CDNF through the Phase 1-2 clinical study in Parkinson's disease for Herantis. Over the years she has become a specialist in regulatory aspects for nonclinical and early phase clinical development. Mrs. Booms holds a Licentiate in Pharmacy from the University of Utrecht in the Netherlands.

Board of Directors

Timo Veromaa MD, PhD, eMBA, has been a Herantis board member since 2012 and chairman since April 2020. He is also the former executive chairman of Domainex Ltd and was the CEO and President of Biotie Therapies Corp., from 2005 until its acquisition by Acorda Therapeutics in 2016. He is also the Chairman of Finnish BioBanks FINBB from 2017 and was Chairman of Finnish Bioindustries FIB 2012-2018. During the beginning of his career, he was Medical Director of Schering Ltd. in Finland, Senior Scientist and Project Director of Collagen Corp. and a Postdoctoral Fellow at Stanford University. Timo Veromaa has a PhD in immunology from the University of Turku and Special Competence in Pharmaceutical Medicine from the Finnish Medical Association.

Frans Wuite MD, MBA has been a Herantis Board member since 2014 and vice chairman since April 2020. He has a long international career with a track record of successfully commercializing and growing pharmaceutical and biotech businesses. Frans Wuite was CEO of Acesion Pharma ApS until 2020. Prior to this, he was CEO and President of Oncos Therapeutics Oy, COO of Warren Pharmaceuticals Inc, Co-founder and Board Director of Araim Pharmaceuticals Inc, and member of Amgen's European management team, where he was in charge of establishing the anaemia franchise. Before Amgen, he was President of Pharmacia-Leiras BV, a joint venture for marketing products with novel dose delivery technologies for women's healthcare in Europe. Frans is also a current board director of Healthcap VII GP SA and Nukute Oy.

Hilde Furberg was elected to the Herantis Pharma board in 2021. She brings 30+ years of experience in sales, marketing, strategy and management in Pharma / Biotech, most recently as European Head of Rare Disease Europe/ General Manager and Senior Vice President Rare Diseases EMEA at Genzyme/ Sanofi Genzyme. Hilde was also the General Manager at Pharmalink and Baxter Healthcare. Since 2005, Hilde has also worked as non-executive director and Board member of Probi, Pronova, Clavis, Bergenbio, Algeta, Tappin and Combigene, and was CoB at Blueprint Genetics. She holds a Master of Science from the University of Oslo. She is currently an industrial advisor to Investinor and Board member of Bio-me, OncoZenge, PCI Biotech and Calliditas.

Aki Prihti has been a Herantis Board member since 2014. Currently he is CEO of Aplagon Oy and CFO and board member of Medtentia International Ltd Oy. He was previously the chairman of Laurantis Pharma Ltd from 2010–2014. Aki Prihti is one of the founding partners of the venture fund management company Inveni Capital and currently serves as a board member in Dassiet Oy and Rokote Laboratories Finland Oy. Prior to transitioning to life science venture capital, he worked in the corporate finance arm of Salomon Brothers in London.

Jim (James) Phillips MD, MBA has been a board member of Herantis since 2014. He is currently CEO of PAION AG a commercial stage pharmaceutical company. Jim Phillips previous roles included CEO of Imevax GmbH, CEO for Midatech Pharma PLC, President of EUSA Pharma Europe (prior to its sale in 2012 to Jazz Pharma), and CEO & founder in Talisker Pharma (acquired by EUSA in 2006). Prior to that he worked at Johnson & Johnson and Novartis as a senior executive in pharmaceutical development & commercialisation.

Mats Thorén, has been a Herantis Board member since 2020. Currently CEO of Vixco Capital. He was one of the founding partners of Catella Healthcare, an investment firm in the Healthcare business. Mats Thorén has been a first-ranked equity research analyst in Sweden with SEB and the Head of Swedish Healthcare with SHB Markets Corporate Finance. He currently serves on the Board of Arcoma AB, Xbrane Biopharma AB and FluoGuide A/S.

Scientific Advisory Board (SAB):

Anders Gersel Pedersen, MD spent nineteen years at Lundbeck from 2000 to 2019, seven years of which he lead the R&D organization as Executive Vice President of Research & Development from 2013 – 2019. Anders is currently a member of the board of Hansa Biopharma, where he also is Chairman of the scientific committee. He has served since 2003 on the board of Genmab (previously as Chairman), a leading biotechnology company focused on development and specialisation of antibody products and he has served since 2009 on the board of Bavarian Nordic (currently as Deputy Chairman), a biotechnology company specialized in vaccines. In November 2020, he joined Aelis Farma as Chairman of the Board. He previously also served for more than 10 years (2000-2011) on the board of TopoTarget and for twelve years on the board of ALK-Abelio (2005-2018. Other notable positions included working for Eli Lilly for eleven years as a director overseeing worldwide clinical research in oncology. Dr. Pedersen received his medical degree and a doctoral degree in neuro-oncology from the University of Copenhagen and a B.Sc. in Business Administration from Copenhagen Business School. He is a member of the Danish Society of Internal Medicine.

Alberto Espay, M.D., MSc. is the director, professor and endowed chair of the University of Cincinnati James J. and Joan A. Gardner Family Center for Parkinson's Disease and Movement Disorders (OH, USA). Dr. Espay has published more than 300 peer-reviewed research articles, 30 book chapters and seven books. His research efforts focus on the measurement of motor and behavioral phenomena in — and clinical trials for — Parkinson's disease as well as in the understanding and management of functional movement disorders. Dr. Espay has served as chair of the Movement Disorders Section of the American Academy of Neurology; associate editor of Movement Disorders, the official journal of the International Parkinson and Movement Disorder Society (MDS); and in the executive committee of the Parkinson Study Group. He currently serves as chair of MDS Technology Task Force and as president-elect of the Pan-American Section of the MDS. Dr. Espay is also an honorary member of the Mexican Academy of Neurology. He trained in neurology at Indiana University as well as in clinical and electrophysiology of movement disorders at the University of Toronto, where he obtained a master's degree in clinical epidemiology and healthcare research.

David Dexter Ph.D. is the Associate Research Director of Parkinson's UK and visiting Professor of Neuropharmacology at Imperial College London. Over the last four years, he has helped develop the funding strategy for the largest patient-led charity for Parkinson's in Europe, funding drug discovery to late-stage clinical trials. Professor Dexter started his professional career at Imperial College London, initially as a Lecturer, progressing to Professor in 2012 and Deputy Head of the Division of Brain Sciences in 2014. He founded the Parkinson's UK Brain Bank in 2002, an internationally acclaimed tissue resource advancing our understanding of Parkinson's and helping drug development. He has played a key role in drug discovery, identifying three of the six recognised processes which are thought to cause Parkinson's, and clinically testing iron chelators to slow Parkinson's. Since joining Parkinson's UK, he has successfully transformed the peer review processes for grant applications, and is the biology lead for the Parkinson's virtual biotech a unique funding model for fast-tracking drug development. He received his Ph.D. in Neuropharmacology on the role of iron and oxidative stress in the aetiology of Parkinson's disease.

Daniele Bravi, M.D. is associate professor at the Movement Disorder research center, S. Raffaele Institute, Rome, looking after clinical research activities about Parkinson's disease and related disorders. He has 30+ years of experience in executive management and drug development within pharma industry. Previous roles includes Vice President Parkinson's Disease Strategy at Lundbeck R&D, CMO and VP Drug Development Lundbeck USA, CSO at the Lundbeck Institute and VP, Clinical Development Centre Europe, Latin America and Canada at Lundbeck Pharma in Copenhagen. He has contributed to the development and commercialization of drugs in CNS (Depression, Schizophrenia, Parkinson and Alzheimer), Diabetes, Endocrinology, Oncology and Bone diseases. He has been member of the EFPIA Clinical Development Group, a Speaker of the European School for Scientific and Regulatory Affairs and published several papers in the field of Neuroscience.

HERANTIS PHARMA

Board of Directors' Report and Financial Statements

January 1–December 31, 2021

1 Review of operations January 1–December 31, 2021

Neurological disorders are the leading cause of disability globally, and Parkinson's disease (PD) is the fastest growing neurological disorder in the world and a massive burden to society. Today more than 8 million people suffer from Parkinson's disease worldwide. This number is projected to increase to over 12 million by 2040. Parkinson's disease is estimated to cost EUR 14 billion annually in the EU alone with household costs amounting to EUR 20,000 per patient per year.*

Parkinson's disease is a neurodegenerative condition that develops slowly. Typical clinical features involve a movement disorder consisting of slowness of movement, resting tremor, and stiffness, with lack of stability or steadiness occurring at a later stage. Over time, even simple movements become difficult. The cause of PD is not known, but genetic risk factors have now been characterized, as well as several genes which cause rare familial forms of PD. Environmental influences have been claimed to alter the risk of PD development, although their role remains unclear. The movement disorder arises due to the loss of dopaminergic neurons in certain area of the brain, with the pathological hallmark being aggregates of α-synuclein in neural cells. Several processes have been implicated in PD, including mitochondrial dysfunction, neuroinflammation, defective proteostasis and unfolded protein response. It is now generally believed that a broad mechanism of action is necessary for true disease-modifying therapy in Parkinson's disease. The preclinical data generated in 2021 demonstrated that HER-096 and rhCDNF both have this kind of multi-modal mechanism of action.

The two molecules under development for Parkinson's disease in 2021 were:

1. HER-096, an advanced small and synthetic chemical peptidomimetic version of the active parent rhCDNF protein. It combines the compelling mechanism of action of the rhCDNF protein with the ability to be delivered to the brain via a simple subcutaneous injection.
2. rhCDNF, a biological protein that has been used safely in a Phase 1 study (intracranial administration via surgery) in patients with Parkinson's disease and studied for intranasal brain administration via a simple nasal spray.

In March 2021, Herantis announced inconclusive Phase 2 study clinical results for Herantis' gene therapy, Lymfactin®, targeting Breast Cancer Related Lymphedema (BCRL). Upon comprehensive review of its programs the company subsequently decided to focus its development efforts and resources exclusively on developing its CNS assets.

* Source: Parkinsons Foundation www.parkinsons.org, Fortune Business Insights https://www.fortunebusinessinsights.com/industry-reports/neurodegenerative-diseases-drugs-market-100661, Parkinson's Disease Treatment Market. (n.d.). Retrieved from https://www.marketsandmarkets.com/Market-Reports/parkinson-disease-treatment-market-47265247

rhCDNF (recombinant human Cerebral Dopamine Neurotrophic Factor)

After showing safety and tolerability in a Phase 1 study of intracranial administration of rhCDNF in patients with Parkinson's disease, Herantis decided to study the feasibility of developing more patient-friendly modes of delivery such as subcutaneous injection or administration via a simple nasal spray.

HER-096

In May 2021, Herantis announced selection of HER-096 as the lead candidate for further preclinical development in Parkinson's disease, a significant milestone for the company.

HER-096 was selected based on clear and compelling preclinical data including:

- Effective Blood-Brain-Barrier penetration
- Potent protection of neurons and restoration of their functional characteristics
- Significant reduction of aggregation of the toxic protein alpha-synuclein and associated neuroinflammation
- Restoration of proteostasis

The current assumption is that HER-096 will be administered by simple subcutaneous injection given three times per week.

Biomarker Program

Biomarkers are important for the development of therapies in CNS-diseases, as they provide an early window into the onset of diseases, their progression, and response to therapy. This makes a rapid and more efficient assessment of drug effects possible. Also regulators give significant consideration to biomarkers, in addition to clinical observations. The biomarkers in Parkinson's disease are comprised of imaging, kinetic and liquid biomarkers. During 2021, Herantis has studied the effects of its assets on biomarkers, both in animals and in humans. In the Phase 1 study in Parkinson's disease biomarkers in Cerebrospinal Fluid (CSF) changed in response to rhCDNF treatment in some patients. Moreover, improvements in motor function and biological dopamine signals were observed in these patients. The biomarker signature from the Phase 1 study notably suggests modulation of proteostasis in response to rhCDNF treatment, thus confirming its broad mechanism-of-action. In addition, independent research confirmed that there is a direct molecular interaction with alpha-synuclein aggregates, which is key in the pathology of Parkinson's disease and a manifestation of failing proteostasis mechanisms.

Pre-clinical experiments with Herantis' lead candidate HER-096 continue to show strong effects on biomarkers of Parkinson's disease, with an almost complete eradication of alpha-synuclein aggregates, a hallmark of Parkinson's disease pathology. Also, a significant reduction of cell death following

HER-096 treatment was shown in studies with improvement of neuronal survival by almost 70% versus controls in some experiments. A similar effect was seen on neuroinflammation, which is another key cause of damage in Parkinson's disease. These effects were observed in both preventative models of disease as well as therapeutic models of disease. Importantly, they correlated with a significant increase in dopamine levels.

Scientific posters and papers published during 2021

- Poster presentation at AD/PD™ 2021 Conference, titled: Phase I-II First-In-Man Clinical Trial of Intraputamenal CDNF in Parkinson's Disease: Exploratory Fluid-Based Biomarker Endpoints of the 12-Month Treatment Period"
- Research paper published in journal, Molecular Therapy, titled: Cerebral dopamine neurotrophic factor reduces α-synuclein aggregation and propagation and alleviates behavioral alterations in vivo
- Poster at MDS Congress 2021, titled: First-in-Man Clinical Trial of Intraputamenal CDNF in Parkinson's Disease Finds a Consorted Biomarker Response in a Subgroup of Subjects
- Paper published in the Journal Genes, titled: Genetically Targeted Clinical Trials in Parkinson's Disease: Learning from the Successes Made in Oncology

Covid-19 impact

The company has not experienced any material impact on its operations or plans as a result of the Covid-19 pandemic during the year. Drug development activities of the company such as the planning and preparations for preclinical and clinical projects have continued as planned. These activities have involved international collaborators whose ability to provide services have been impacted by the on-going situation. As such, there have been minor delays in individual subprojects.

Summary and outlook for 2022

In 2022, Herantis' focus is on completing the HER-096 manufacturing for clinical use, pre-clinical and safety toxicology programs required for the submission of a Clinical Trial Application for the Phase 1 study with HER-096 by the end of the year. This is required to obtain regulatory approval for the first-in-human study with HER-096 that is planned to start in 2023.

This study aims to demonstrate safety of HER-096 and to provide evidence of pharmaceutically active concentrations of HER-096 reaching the brain after simple subcutaneous administration. This would represent a major de-risking milestone in the development of HER-096.

2 Financial review January 1–December 31, 2021

(Figures in brackets = same period 2020 unless stated otherwise)

Accounting principles

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

Consolidated income statement

Herantis Group did not have material revenues in the review period or in the corresponding period previous year. The R&D expenses for the 2021 were EUR 6.2 million (EUR 4.4 million), recorded in the income statement as other operating and payroll expenses for the period. The R&D expenses relate to preclinical and CMC activities for CDNF and HER-096 and follow up expenses from the completed CDNF and Lymfactin® clinical studies. Depreciation and amortization for the period were EUR 2.7 million (EUR 0.9 million) whereof EUR 2.2 million relates to the write-down of Lymfactin® development expenses in H1 2021. According to Finnish Accounting Standards (FAS) entities are required to conduct impairment tests where there is an indication of impairment of an asset. An impairment test has been performed after the company reported inconclusive data from the Lymfactin® Phase II clinical study and the strategic decision was to focus only on assets for CNS (central nervous system). The company has unsuccessfully pursued a process to find a partner for Lymfactin® during 2021. The Board has therefore decided to halt further activities related to this program.

Finance income and expenses totalled EUR -0.3 million (EUR -1.1 million). The financing expenses were mainly related to fundraising costs and interests on loans to Business Finland. The loss for the review period was EUR -12.8 million (EUR -9.1 million).

Consolidated balance sheet

As of December 31, 2021, Herantis Group's balance sheet amounted to EUR 7.8 million (EUR 16.4 million). The consolidated balance sheet included short-term debt in the amount of EUR 2.6 million (EUR 2.9 million) and long-term debt in the amount of EUR 6.3 million (EUR 5.9 million). Majority of the total liabilities are loans from Business Finland related to development projects. No R&D expenses were capitalized during the review period. Consolidated equity was EUR -1.1 million (EUR 7.6 million), and respectively EUR 0.6 million (EUR 20.1 million) for the parent company.

Consolidated cash flows

As of December 31, 2021, cash, cash equivalents and securities for Herantis Group amounted to EUR 7.4 million (EUR 13.3 million). The consolidated cash flow from operating activities in the review period was EUR -9.9 million (EUR -8.6 million). Cash flow from financing activities relates to the directed issue in September 2021 and was EUR 4.0 million (EUR 14.9 million). The Company issued a total of 1,346,500 shares in a directed share issue at a subscription price of EUR 3.00 per share. The total number of issued shares after the issue is 11,103,568. The subscription price was recorded in the invested unrestricted equity reserve.

The issue was carried out based on offers received in an accelerated book building and based on the authorisation given to the board of directors by the Company's extraordinary general meeting of 2 December 2020.

Consolidated and parent company equity

Consolidated equity was EUR -1.1 million (EUR 7.6 million), and respectively EUR 0.6 million (EUR 20.1 million) for the parent company. The loss for the period for the parent company of EUR -23.6 million (EUR -7.0 million) was mainly due to the write-down of shares and internal loans in Herantis' subsidiary, Laurantis Pharma, due to impairment of the asset Lymfactin®. According to Finnish Accounting Standards (FAS), entities are required to conduct impairment tests where there is an indication of impairment of an asset. An impairment test has been performed after the company reported inconclusive data from the Lymfactin® Phase II clinical study and after the strategic decision to focus only on assets for CNS (central nervous system).

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

During the review period, the company's Board of Directors comprised of Timo Veromaa, M.D., PhD, eMBA (Chairman), Frans Wuite, M.D., MBA (Vice Chairman), Hilde Furberg, MSc (since April 15, 2021), Jim Phillips, M.D., MBA, Aki Prihti and Mats Thorén.

The number of employees at the end of the review period on December 31, 2021, was 13 (13). In 2021, the management team consisted of CEO Dr. Craig Cook, COO Antti Vuolanto DSc, CSO Dr. Henri Huttunen, Head of Regulatory Affairs and Compliance Sigrid Booms and CFO Tone Kvåle. On January 20, 2022, Herantis Pharma Board of Directors appointed Frans Wuite, MD, MBA, as interim CEO of the company. Wuite will also continue in his role as Vice Chairman of Herantis' Board of Directors. Herantis' previous CEO, Dr. Craig Cook, left the company following the Board of Directors' decision. A search for a permanent CEO will be launched.

In April, Hilde Furberg, MSc, a senior biopharma executive with experience from, e.g., Baxter, Genzyme and Sanofi Genzyme, was elected to the Board of Directors.

In October, Herantis Pharma announced the formation of a Scientific Advisory Board (SAB), consisting of four globally leading experts in the development of therapies for Parkinson's disease from industry and academia. They share our excitement and belief in the potential of our assets and will play an important role in shaping Herantis' chances of success. Each SAB member brings unique experience and an impeccable track record in clinical development of human CNS therapeutics to the board, which will be invaluable to guide us in the development of our assets. 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 and members of the Board of Directors. The following members have been appointed to Herantis Pharma's Shareholders' Nomination Committee: Marko Berg, Helsinki University Funds (HYR) (Chairman), Pia Gisgård, Swedbank Robur, Aki Prihti, Inveni Life Sciences Fund I Ky, and Timo Veromaa, the Chairman of Herantis Pharma's Board of Directors.

Decisions by the Annual General Meeting

Herantis Pharma Plc's ("Herantis") Annual General Meeting was held in Helsinki on Thursday, April 15, 2021. 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. The Annual General Meeting was arranged in accordance with an exceptional meeting procedure based on temporary legislation approved by the Finnish Parliament on October 2, 2020 to limit the spread of the Covid-19 pandemic.

The Annual General Meeting adopted the consolidated financial statements and the parent company's financial statements for the financial year January 1, 2020 to December 31, 2020, 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 January 1 to December 31, 2020, and that the loss for the financial year shall be entered in the account for profit and loss.

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 and the Vice Chairman of the Board who shall be paid EUR 24,000 annually. The remuneration proposed above remains unchanged from the previous year, but it has been presented on an annual basis
- 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) and all current members of the Board of Directors, i.e., Timo Veromaa, Mats Thorén, Frans Wuite, James Phillips, and Aki Prihti were re-elected as members of the Board of Directors. Hilde Furberg was also elected as a new member of the Board of Directors. The Annual General Meeting resolved, in accordance with the proposal by the Board of Directors, that the Auditor 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 authorized 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.

The Annual General Meeting resolved to authorize the Board of Directors to resolve on issues of option rights pursuant to Chapter 10 of the Companies Act as follows:

- The Board of Herantis seeks authorization from shareholders at the Annual General Meeting to issue a maximum of 975,000 of share options and shares (representing not more than 10% of the Company's outstanding shares at any time) in total.
- The authorization covers planned future grants of options.
- The Board of Directors of Herantis believes that any option rights program created pursuant to the authorization would increase and strengthen the employees' dedication to Herantis' operations and improve loyalty to the company and that such program would be beneficial to both the shareholders and Herantis.

The authorization is valid until the close of next annual general meeting, however no longer than until June 30, 2022. Please see section "Share based incentive programs" for eligibility, grant size, exercise price and vesting schedule of options issued under the authorization.

The Annual General Meeting resolved to authorize the Board of Directors to resolve on issues of shares as follows:

- The shares issued under the authorization may be new shares or treasury shares. Under the authorization, a maximum of 975,000 shares, which corresponds to approximately 10 per cent. of all of the shares currently issued and outstanding, may be issued. The shares may be issued in one or more tranches.
- Under the authorization, the Board of Directors may resolve upon issuing new shares to the Company itself. However, the Company, together with its subsidiaries, may not at any time hold more than 10 per cent. of all its registered shares.
- The Board of Directors is authorized to resolve on all terms of the share issue. The Board of Directors is authorized to resolve on a directed share issue in deviation from the shareholders' pre-emptive rights, provided that there is a weighty financial reason for the Company to do so.
- 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 June 30, 2022.

In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Timo Veromaa as Chairman of the Board and Frans Wuite as Vice 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.

Share based incentive programs

The Herantis has four stock option programs: Stock option program 2010, 2014 I, 2018 I and 2021 I. The Board of Directors decided on April 19, 2021, to grant a maximum of 961,221 option rights entitling to shares to management team members and other key personnel under a new option rights program 2021 I. The new option rights program is based on the authorization granted by the Annual General Meeting held on April 15, 2021. There is a weighty financial reason to issue the option rights as they will be offered to management team members and other key personnel to increase their commitment towards long-term contribution to growing shareholder value in Herantis.

The option rights are offered without consideration. Under the new option program each option right entitles to subscribe for one ordinary share in Herantis for a subscription price of EUR 3.44 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 19, 2021 (April 1-16, 2021). Granted share options shall vest and become exercisable over a three-year period, with 1/3 becoming exercisable from April 19, 2022, 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 April 19, 2026, or earlier subject to customary conditions. Any shares to be subscribed for based on the option rights of the program 2021 I, will not represent more than 10% of the company's outstanding shares.

The main details of the stock option programs are listed in the table below:

Stock option program	Maximum number of shares[1]	Subscription price per share	Decision on the stock option program made by
2010	31,600	0.00005	General Meeting 26.8.2010
2014 I	7,200	0.00005	General Meeting 20.3.2014
2018 I	100,000	5.85	General Meeting 9.4.2015, Board Meeting 28.8.2018
2021 I	961,221	3.44	General Meeting 15.4.2021
TOTAL	**1,100,021**	**-**	**-**

[1] The maximum number of shares to be subscribed by stock options.

Shareholder structure

The company's shares are listed at Nasdaq First North Growth Market Finland with ticker symbol "HRTIS" and Nasdaq First North Growth Market Sweden with ticker symbol "HRNTS". The market capitalization of Herantis Pharma Plc at the end of the review period on December 31, 2021, was approximately EUR 27 million. The closing price of the company's shares in the Nasdaq First North Growth Market Finland on December 31, 2021, was 2.40 euros. The highest share price during the review period was 5.90 euros, lowest 2.32 euros, and average 3.13 euros. The trading volume of the company's share in 2021 was 3,439,397 shares, corresponding to approximately 31% of all shares in the company.

According to Herantis' shareholder register dated December 31, 2021, the company had 3,581 registered shareholders. On December 31, 2021, the members of Herantis' Board of Directors and the management held in aggregate 109,036 (107,036) shares or 1.0 (1.0) percent of the company's shares. Information on managers' transactions with the company's shares is published through company releases.

	Shareholders December 31, 2021	Numbers of shares	%
1	Swedbank Robur Fonder	1,065,978	9.6%
2	Nanoform Finland Oyj	832,432	7.5%
3	Fjärde AP Fonden	689,926	6.2%
4	Danske Bank AS Helsinki branch	610,079	5.5%
5	Inveni Life Sciences Fund I Ky	528,134	4.8%
6	University of Helsinki Funds	515,483	4.6%
7	Pensionförsäkringsaktiebolaget Veritas	426,068	3.8%
8	Joensuun kauppa ja kone Oy	341,481	3.1%
9	Innovestor Kasvurahasto I Ky	328,500	3.0%
10	OP Finland small companies	275,891	2.5%
11	Euroclear Bank SA/NV	260,888	2.3%
12	Sijoitusrahasto Säästöpankki Pienyhtiöt	260,000	2.3%
13	Nordea Nordic Small cap	232,200	2.1%
14	Mutual pension insurance company Ilmarinen	209,403	1.9%
15	Saarma Mart	159,000	1.4%
16	Castrén Eero Hemminki	155,000	1.4%
17	Kaloniemi Markku Petteri	153,512	1.4%
18	Argonius Oy	145,000	1.3%
19	Rauvala Heikki Matti Eemeli	140,000	1.3%
20	Holdix Oy AB	138,514	1.2%
	Top 20 largest shareholders	**7,467,489**	**67.3%**
	Others	**3,636,079**	**32.7%**
	Total numbers of shares	**11,103,568**	**100.0%**

Risk and uncertainties

Herantis focuses on disease modifying therapies for debilitating neurodegenerative diseases and have or will have assets in preclinical and clinical development. 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. Since Herantis develops drugs based on novel scientific research and their mechanisms differ from known drugs, the risks and uncertainties can be considered greater than in the development of conventional drugs. 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. Herantis has cash runway into 2023 and is exploring financial sources available. The company believes it will be able to secure sufficient cash inflows to continue its activities.

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 company maintains clinical trial liability insurance, but the existing program may not be sufficient to cover claims and such insurance may not be available in the future on acceptable terms, if at all. 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. A thorough assessment of the risks of Herantis is presented in the English-language information memorandum published on the company's website on 11 November 2019.

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.

Going concern

The company has performed a going concern review according to Finnish Accounting Standards (FAS). Detailed financial forecasts and cash flows looking beyond 12 months from December 31, 2021 have been prepared, and in these forecasts, the company has made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecasted period. It is estimated that the cash held by the company will be sufficient to support the current level of activities into the first quarter of

2023. Herantis has cash runway into 2023 and is exploring financial sources available. The company believes it will be able to secure sufficient cash inflows to continue its activities, and has therefore prepared the financial statements on a going concern basis. The additional funding is not committed, and the current cash held by the company is sufficient until early first quarter of 2023, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as going concern.

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.

3 Events after the review period

On January 20th, 2022, Herantis Pharma's Board of Directors appointed Frans Wuite, MD, MBA, as the interim CEO, effective immediately. Wuite is also the Vice Chairman of Herantis' Board of Directors and will continue in this role. Herantis' CEO until January 20th, 2022, Dr. Craig Cook, left the company following the Board of Directors' decision. A search for a permanent CEO will be launched. In connection with the CEO transition and following strong preclinical data in 2021, Herantis' Board of Directors has decided to focus a significant majority of the company's development efforts to advance HER-096, a small, synthetic peptidomimetic molecule derived from the active site of CDNF. HER-096 combines the unique mode of action of CDNF protein to target Parkinson's disease with the ease of subcutaneous administration.

4 Outlook for 2022

In 2022, Herantis' focus is on completing the HER-096 manufacturing for clinical use, pre-clinical and safety toxicology programs required for the submission of a Clinical Trial Application for the Phase 1 study with HER-096 by the end of the year. This is required to obtain regulatory approval for the first-in-human study with HER-096 that is planned to start in 2023.

This study aims to demonstrate safety of HER-096 and to provide evidence of pharmaceutically active concentrations of HER-096 reaching the brain after simple subcutaneous administration. This would represent a major de-risking milestone in the development of HER-096.

5 The Board's proposal for the use of distributable funds

The parent company of Herantis Pharma group is Herantis Pharma Plc whose distributable equity was EUR 0.3 million according to the balance sheet December 31, 2021. Herantis Pharma Plc had no essential revenue in 2021. The financial result of the parent company for 2021 was EUR -23.6 million whereof EUR 13.8 relates to the write-down of shares and internal loans in Herantis' subsidiary, Laurantis Pharma, due to impairment of the asset Lymfactin®. The Board of Directors propose to the Annual General Meeting convening on April 21, 2022 that no dividend shall be paid for the financial period January 1 - December 31, 2021.

6 Key figures consolidated

EUR thousands	2021	2020
Revenue	0	0
Payroll and related expenses	2,246	2,035
Depreciation and amortization	2,720	927
Other operating expenses	7,495	5,199
Profit/loss for the period	-12,767	-9,153
Cash flow from operating activities	-9,934	-8,561
Equity ratio %	-14.6	46.2
Basic and diluted loss per share EUR	-1.25	-1.24
Number of shares at end of period	11,103,568	9,757,068
Average number of shares	10,205,901	7,394,001

EUR thousands	31-Dec-21	31-Dec-20
Cash and cash equivalents	7,424	13,324
Equity	-1,140	7,587
Balance sheet total	7,762	16,420

Formulas used in calculating key figures

Equity ratio = $\frac{\text{Equity}}{\text{Balance sheet total}}$

Earnings per share = $\frac{\text{Profit for period}}{\text{Average number of shares}}$

Average number of shares = Weighted average number of shares. The number of shares is weighted by the number of days each share has been outstanding during the review period.

7 Accounting principles

Herantis' financial statements have been prepared according to prepared according to Finnish Accounting standards (FAS). The figures in the financial statements are audited. The figures are individually rounded from exact figures.

8 Governance

Herantis Pharma Plc is a public Finnish limited liability company, which complies with the Finnish Companies Act, Securities Market Act, Finnish Accounting standards (FAS), the rules of Nasdaq First North Growth Market, and the company's Articles of Association.

8.1 Annual General Meeting

The Annual General Meeting is Herantis Pharma's highest decision-making body. The company's Board of Directors invites the Annual General Meeting within six months after the end of the financial year. The Annual General Meeting decides on adopting the financial statements and on distribution of the result shown in the balance sheet, grants the discharge of the Board of Directors and the CEO from liability, decides the number of the members of the Board of Directors, and the remuneration of the Board of Directors and the auditors. The Annual General Meeting also elects Board members and auditors, as well as deals with any other matters on the agenda. General meeting documents are kept on the company's website for a period of no less than five years from the general meeting.

8.2 Board of Directors

The Board of Directors is responsible for the administration of the company and the appropriate organization of its operations. According to the Articles of Association the Board of Directors consists of four to eight ordinary members. The term of the Board member shall begin from the General Meeting where he or she has been elected and last until the closing of the following Annual General Meeting. The Board of Directors shall elect a Chairperson and, if it finds it warranted, a Vice-Chairperson from among its members for one term at a time.

All Board members of Herantis Pharma are deemed to be independent of the company. With the exception of Mr. Aki Prihti all Board members are also deemed to be independent of any significant shareholders. Mr. Aki Prihti is not independent of Inveni Life Sciences Fund I Ky, a significant shareholder of Herantis Pharma, based on his position as Partner at Inveni Capital.

The Board of Directors has implemented a written charter for its work. An Audit Committee and Remuneration Committee have been established and the main duties and operating principles of each committee are included in a written charter.

A Shareholders' Nomination Committee has also been established. A written charter has been implemented regulating the nomination and composition of the Nomination Committee and defining the tasks and duties thereof. The following members have been appointed to the Shareholders' Nomination Committee:

- Marko Berg, Helsinki University Funds (HYR) (Chairman);
- Pia Gisgård, Swedbank Robur;
- Aki Prihti, Inveni Life Sciences Fund I Ky; and
- Timo Veromaa, the Chairman of Herantis Pharma's Board of Directors.

The Shareholders' Nomination Committee consists of four members, of which three represent the company's shareholders. The Chairman of Herantis Pharma's Board of Directors serves as the fourth member of the committee. The committee prepares and presents to the Annual General Meeting proposals on the remuneration, number and members of the Board of Directors.

8.3 CEO

CEO manages the day-to-day operations in accordance with guidelines and rules set out by the Board of Directors and actively looks after the interests of the company. CEO is appointed and removed from office by the Board of Directors, to whom he reports e.g. on the company's financial position, business environment, and other significant issues. CEO guides and supervises the company and its businesses and is responsible for the daily operational management of the company as well as strategy implementation.

8.4 Management team

Along with the CEO, Herantis' Management Team includes the Head of Regulatory & Compliance, Chief Scientific Officer (CSO), Chief Operational Officer (COO), and Chief Financial Officer (CFO).

8.5 Internal Controls and Risk Management

The risks of Herantis Pharma are mainly drug development related, such as clinical, technical, biological, regulatory, and strategic decision-making risks, and financial, such as budgeting, accounting, funding and other financial control risks.

With its internal control policies and practices Herantis Pharma aims to ensure that appropriate financial information is available timely and accurately for any decision making and other needs, and that its financial reports are reliable, complete, and timely. Further, they aim to ensure that the company's operations are efficient and implement the strategy of the company. Also, they aim to ensure that the company is in compliance with all applicable laws and regulations.

8.6 Certified Advisor

The shares of Herantis Pharma Plc are listed for trading on the Nasdaq First North Growth Market Finland with ticker

symbol "HRTIS" and Nasdaq First North Growth Market Sweden with ticker symbol "HRNTS". The First North Growth Markets require the nomination of a Certified Advisor. The Certified Advisor is responsible for ensuring that the company complies with the rules and regulations of First North Growth Market.

UB Securities Ltd, a company residing at Aleksanterinkatu 21A, FI-00100 Helsinki, Finland, is the Certified Advisor to Herantis Pharma Plc. UB Securities' phone number is +358 9 25 380 225 in Finland, and +358 40 5161400 in Sweden.

8.7 Remuneration

8.7.1 Remuneration of the directors

Herantis' Board members were paid in total 139,499.97 euros as remuneration during the financial year 1 Jan 2021 – 31 Dec 2021. During the same period the board members of other companies of the Herantis group were not paid any remuneration.

On 15 April 2021 the General Meeting of Herantis resolved that 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 and the Vice Chairman of the Board who shall be paid EUR 24,000 annually. The remuneration proposed above remains unchanged from the previous year, but it has been presented on an annual basis.

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.

The board members are also reimbursed reasonable travel expenses related to Board of Director's duties.

None of the members of the Board of Directors had an employment relationship during 2021.

8.7.2 Remuneration of the management team members

The Board of Directors is responsible for appointing the CEO, and for approving the remuneration of the CEO and other management team members. The Remuneration Committee prepares decision proposals to the Board of Directors regarding said matters. The Board of Directors considers the interests of shareholders when deciding on the remuneration. The remuneration of the CEO and other management team members comprises fixed basic salary, fringe benefits (such as company phone), a performance-based bonus, and a stock option plan. The bonus payments are assessed and decided upon annually by the Board of Directors, and a possible bonus is paid in January of the following year. The maximum bonus for the CEO is 50% and for other management team members 33% of fixed annual compensation.

In 2021, the total salary of the CEO including fringe benefits and performance-based bonus was EUR 433,971.79, and for the management excluding CEO, EUR 774,541.03.

The CEO contract may be terminated by the company or by the CEO with a six-month notice period. If terminated by the company the CEO is entitled to severance payment equal to 6 months base salary.

The CEO is entitled to statutory pension benefits. The company makes a contribution to the pension premium of 10% of salary, as per Swiss rules for corporate contribution.

8.8 Persons discharging managerial responsibilities and their holdings

The company voluntarily maintains a public list of its persons discharging managerial responsibilities, as well as a list showing changes that have occurred in their own security holdings as well as in the holdings of their closely associated persons. The list of holdings by persons discharging managerial responsibilities is provided below. A list of transactions is also available on the web site of the company.

The Board of the Directors of the company has approved an Insider Policy, which aims to ensure compliance with Finnish law, EU regulations and directives, and the rulebook of the Nasdaq First North Growth Market.

Holdings of persons discharging managerial responsibilities in the company at the end of the review period, compared to the previous:

Insider holdings	31 Dec 2021	31 Dec 2020
Timo Veromaa (Chairman)	8,900	8,900
Frans Wuite (Vice chairman)	6,280	6,280
James Phillips (Board member)	5,706	5,706
Aki Prihti (Board member)	0	0
Mats Thorén (Board member)	0	0
Hilde Furberg (Board member)	2,000	0
Craig Cook (Chief Executive Officer)	0	0
Sigrid Booms (Head of Regulatory Affairs)	2,400	2,400
Henri Huttunen (Chief Scientific Officer)	78,050	78,050
Antti Vuolanto (Chief Operating Officer)	1,100	1,100
Tone Kvåle (Chief Financial Officer)	4,600	4,600

8.9 Auditing

The external audit is to verify that the financial statements give a true and fair view of the company's financial performance and financial position for the fiscal year. The company's auditor gives the company's shareholders the statutory auditor's report on the annual financial statements. The audit performed during the financial period is reported to the Board of Directors. The auditor and the Board of Directors will meet at least once a year.

The Annual General Meeting elects the auditor. The auditor's term of office includes the current financial year and ends at the end of the following Annual General Meeting.

Herantis Pharma's auditor is authorized public accountants PricewaterhouseCoopers Oy (Business ID 0486406-8), principal auditor is APA Panu Vänskä.

8.10 Public Disclosure policy

Herantis complies with the disclosure obligations as outlined and defined in the Market Abuse Regulation ((EU) No 596/2014) and in the First North Nordic Rulebook, which states that the company is required to disclose information to the public in a timely and consistent manner.

8.10.1 Disclosure channels

In addition to company announcements, the most important disclosure channel for information related to the company's activities and financial situation is on the company's website www.herantis.com.

Herantis Pharma publishes its company announcements through Nasdaq Helsinki Ltd and Nasdaq Stockholm, in the most relevant public media and on the company's website in both English and Finnish. Herantis Pharma publishes any essential materials that have been presented in public events, such as result presentations and conference attendance, on its website as simultaneously as possible.

8.10.2 Disclosure principles

The information made public by the company shall be accurate and complete and give a true and fair picture of the company's operations. The information is disclosed as soon as possible as set forth in the applicable regulations.

The company's announcements are issued to give information on matters that could likely have a significant effect on the price of the company's financial instruments. The timing of their publishing shall be defined based on applicable regulations and when otherwise deemed relevant by the company.

The following situations and/or activities are considered as inside information to be disclosed and are reviewed regularly on a case-by-case basis and take into consideration the stage of the company's development projects:

- Any significant activities related to clinical development projects, such as their launch, completion, and end results;
- Information related to new collaboration agreements with pharmaceutical companies;
- Significant decisions made by regulatory or other relevant authorities relevant to the company's clinical development projects;
- Information on significant financing transactions;
- The status of the company's clinical research project changes significantly compared to previously disclosed information or otherwise announced expectations the company will inform of deviations;
- If the company's financial performance or liquid cash position significantly deviates from what can be justifiably concluded on the basis of the information previously reported by the company, the company shall issue a profit warning.

The company regularly assesses the potential effect of the various facts on the price of its financial instruments. The assessment shall be made from the point of view of whether a reasonable investor would be likely to use the information as part of the basis of his/her investment decisions.

The company adheres to a standard thirty (30) calendar days silent period prior to publication of its half-yearly reports and other financial results. During the silent period, the company does not organize or attend private meetings with the media, analysts or investors. The company may, however, during the silent period, answer questions in relation to its known business operations and publicly available information.

As a general policy, the company does not comment on market rumors, stock price trends, actions of competitors or customers, analyst estimates, or confidential and unfinished business unless the company deems it relevant to correct clearly incorrect information. If inside information regarding the company has leaked to public the company shall issue a related company announcement.

8.10.3 Spokespersons

The designated authorized persons to make public statements on behalf of Herantis Pharma are its CEO and Chairperson of the Board. The CEO is responsible for the company's communications.

8.10.4 Approval of the disclosure policy

The Board of Directors of Herantis Pharma has approved this disclosure policy on 14 December 2021.

8.11 Information for the shareholders

Annual General Meeting 2022

Shareholders of Herantis Pharma Plc are invited to attend the Annual General Meeting of the Company on Thursday, April 21, 2022. The Annual General Meeting will be carried out through advance voting pursuant to temporary legislation. No meeting with the possibility to attend in person will take place. Herantis Pharma welcomes all shareholders to exercise their voting rights at the Annual General Meeting through advance voting as is further instructed in the notice to the meeting.

The Annual Report is available on the company's web site www.herantis.com no later than March 29, 2022.

Financial releases

Financial results of the first half of 2022 are expected to be released on Thursday, 25 August 2022.

Where discrepancies exist between the language versions of this Report by the Board of Directors, the Finnish-language text shall prevail.

9 Financial Statement

Consolidated income statement

Currency EUR	2021	2020
Revenue	**0**	**0**
Other operating income	44.73	90,000.00
Payroll and related expenses	-2,245,898.01	-2,035,061.57
Depreciation and amortization	-2,719,705.00	-927,705.00
Other operating expenses	-7,495,294.51	-5,199,080.22
Total operating expenses	-12,460,852.79	-8,161,846.79
Operating profit (loss)	**-12,460,852.79**	**-8,071,846.79**
Finance income	2,110.23	1,296.38
Finance expenses	-308,358.41	-1,082,361.77
Total finance income and expenses	-306,248.18	-1,081,065.39
Profit (loss) before taxes	**-12,767,100.97**	**-9,152,912.18**
Profit (loss) for the financial year	**-12,767,100.97**	**-9,152,912.18**
Consolidated profit (loss)	**-12,767,100.97**	**-9,152,912.18**

Consolidated balance sheet

Currency EUR	31.12.21	31.12.20
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	159,705,15	2,879,410.15
Intangible rights	0	0
Intangible assets total	159,705,15	2,879,410.15
Tangible assets		
Machinery and equipment	0	0
Total non-current assets	**159,705.15**	**2,879,410.15**
Current assets		
Debtors		
Short-term		
Other debtors	118,365.76	174,337.35
Prepayments and accrued income	58,931.70	42,029.13
	177,297.00	216,366.48
Securities	985,243.95	985,243.95
Cash in hand and at banks	6,439,496.22	12,339,264.59
Total current assets	**7,602,037.63**	**13,540,875.02**
ASSETS TOTAL	**7,761,742.78**	**16,420,285.17**
LIABILITIES		
Capital and reserves		
Subscribed capital	80,000	80,000
	80,000	80,000
Other reserves		
Free invested equity reserve	66,529,776.60	62,490,276.60
Retained loss	-54,982,932.07	-45,830,019.90
Loss for the financial year	-12,767,100.97	-9,152,912.18
Total equity	**-1,140,256.44**	**7,587,344.52**
Creditors		
Long-term		
Loan from credit institutions	6,288,422.00	5,940,968.65
	6,288,422.00	5,940,968.65
Short-term		
Loans from credit institutions	911,895.00	1,265,011.00
Trade creditors	788,505.52	716,085.24
Other creditors	52,975.66	89,356.30
Accruals and deferred income	860,199.39	821,519.45
	2,613,575.57	2,891,971.99
Total liability	**8,901,999.22**	**8,832,940.64**
LIABILITIES TOTAL	**7,761,742.78**	**16,420,285.17**

Consolidated cash flow statement

Currency EUR	1.1.–31.12.21	1.1.–31.12.20
Cash flow from operating activities		
Profit (loss) before income taxes	-12,767,100.97	-9,152,912.18
Adjustments:		
Depreciation according to plan and amortization	543,705	927,705.00
Depreciation from consolidation differences	2,176,000	0
Other financial income and expenses	306,248.18	1,082,361.77
Cash flow before change in working capital	-9,741,147.79	-7,142,845.41
Change in working capital:		
Increase(-)/decrease(+) in short term interest free receivables	39,069.02	45,472.06
Increase(-)/decrease(+) in short term interest free liabilities	74,719.58	-380,965.53
Cash flow from operations before financial items and taxes	-9,627,359.19	-7,478,338.88
Interest paid and other financial expenses from operation	-308,358.41	-1,083,658.15
Interest received	2,110.23	1,296.38
Cash flow from operations before income taxes	-9,933,607.37	-8,560,700.65
Cash flow from operating activities (A)	**-9,933,607.37**	**-8,560,700.65**
Cash flow from investments:		
Proceeds from sale of tangible assets	0	3,691.16
Cash flow from investments activities (B)	**0**	**3,691.16**
Cash flow from financing:		
Gross proceeds from equity issue	4,039,500.00	14,889,243.98
Long term loans drawn	0	0
Short term loan repayments	-5,661.00	-5,661.00
Cash flow from financing activities (C)	**4,033,839.00**	**14,883,582.98**
Change in cash and cash equivalents (A+B+C) incr. (+)/decr.(-)	-5,899,768.37	6,326,573.49
Cash and cash equivalents at beginning of period[1)]	12,339,264.59	6,012,691.16
Cash and cash equivalents at end of period	**6,439,496.22**	**12,339,264.65**

1) Reclassification of securities (fund) of EUR 985,000 in 2021 including 2020 figures.

Parent income statement

Currency EUR	2021	2020
Revenue	**0**	**0**
Other operating income	0	90,000.00
Payroll and related expenses	-2,245,898.01	-2,035,061.57
Depreciation and amortization	-159,705.00	-159,705.00
Other operating expenses	-6,644,225.00	-3,885,067.42
Total operating expenses	-9,049,828.01	-6,079,833.99
Operating profit (loss)	**-9,049,828.01**	**-5,989,833.99**
Finance income	309.32	16.80
Finance expenses	-14,526,716.06	-1,057,271.77
Total finance income and expenses	-14,526,406.74	-1,057,254.97
Profit (loss) before taxes	**-23,576,234.75**	**-7,047,088.96**
Profit (loss) for the financial year	**-23,576,234.75**	**-7,047,088.96**

Parent balance sheet

Currency EUR	31.12.21	31.12.20
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	159,705.15	319,410.15
Intangible rights	0	0
Intangible assets total	159,705.15	319,410.15
Tangible assets		
Machinery and equipement	0	0
Tangible assets total	0	0
Investments		
Holdings in group undertakings	0	6,781,225.84
Investments total	0	6,781,225.84
Total non-current assets	**159,705.15**	**7,100,635.99**
Current assets		
Debtors		
Short-term		
Other debtors	83,810.11	67,144.56
Prepayments and accrued income	58,931.70	42,029.13
	142,741.81	109,173.69
Long-term		
Amounts owned by group undertakings	0	6,400,890.87
	0	6,400,890.87
Securities	985,243.95	985,243.95
Cash in hand and at banks	5,630,419.71	11,714,700.82
Total current assets	**6,758,405.47**	**19,210,009.33**
TOTAL ASSETS	**6,918,110.62**	**26,310,645.32**

Currency EUR	31.12.21	31.12.20
LIABILITIES		
Capital and reserves		
Subscribed capital		
Subscribed capital	80,000.00	80,000.00
	80,000.00	80,000.00
Other reserves		
Free invested equity reserve	66,529,776.60	62,490,276.60
Retained loss	-42,479,237.11	-35,432,148.15
Loss for the financial year	-23,576,234.75	-7,047,088.96
Total equity	**554,304.74**	**20,091,039.49**
Creditors		
Long-term		
Loan from credit institutions	4,468,823.65	3,666,468.65
	4,468,823.65	3,666,468.65
Short-term		
Loans from credit institutions	222,495.00	1,030,511.00
Trade creditors	788,035.00	715,470.40
Other creditors	52,975.66	89,356.30
Accruals and deferred income	831,476.57	717,799.48
	1,894,982.23	2,553,137.18
Total liability	6,363,805.88	6,219,605.83
LIABILITIES TOTAL	**6,918,110.62**	**26,310,645.32**

Parent cash flow statement

Currency EUR	1.1–31.12.2021	1.1–31.12.2010
Cash flow from operating activities		
Profit (loss) before income taxes	-23,576,234.75	-7,047,088.96
Adjustments:		
Depreciation and amortization according to plan and amortization	159,705.00	159,705.00
Other financial income and expenses	14,526,406.74	1,057,254.97
Cash flow before change in working capital	-8,890,123.01	-5,830,112.19
Change in working capital:		
Increase(-)/decr.(+) in short-term interest-free receivables	-33,568.12	-50,054.03
Increase(+)/decr.(-) in short-term interest-free liabilities	149,861.05	-431,531.17
Cash flow from operations before financial items and taxes	-8,773,830.08	-6,311,714.19
Interest paid and other financ. exp. from operat.	-290,531.78	-1,057,271.77
Interest received	309.32	16.80
Cash flow from operations before income taxes	-9,064,052.54	-7,368,969.16
Cash flow from operating activities (A)	**-9,064,052.54**	**-7,368,969.16**
Cash flow from investments:		
Granted loans	0.00	2,491.95
Loans repayments	-1,054,067.57	-1,495,455.08
Cash flow from investment activities (B)	**-1,054,067.57**	**-1,492,963.13**
Cash flow from financing:		
Gross proceeds from equity issue	4,039,500.00	14,889,243.98
Long-term loans drawn	0	0
Short-term loan repayments	-5,661.00	-5,661.00
Cash flow from financing activities (C)	**4,033,839.00**	**14,883,582.98**
Change in cash and cash equivalents(A+B+C) incr.(+)/decr.(-)	6,084,281.11	6,021,667.49
Cash and cash equivalents at beginning of period[1)]	11,714,700.82	5,693,050.13
Cash and cash equivalents at end of period	**5,630,419.71**	**11,714,700.82**

1) Reclassification of securities (fund) of EUR 985,000 in 2021 including 2020 figures.

Notes to the financial statements

Domicile: Helsinki, Finland

Note information concerning the preparation of the financial statement

Evaluation principles and methods

Going concern

The company has performed a going concern review according to Finnish Accounting Standards (FAS). Detailed financial forecasts and cash flows looking beyond 12 months from December 31, 2021 have been prepared, and in these forecasts, the company has made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecasted period. It is estimated that the cash held by the company will be sufficient to support the current level of activities into the first quarter of 2023. Herantis has cash runway into 2023 and is exploring financial sources available. The company believes it will be able to secure sufficient cash inflows to continue its activities, and has therefore prepared the financial statements on a going concern basis. The additional funding is not committed, and the current cash held by the company is sufficient until early first quarter of 2023, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as going concern.

Valuation of non-current assets

The balance sheet value of tangible and intangible assets is their original acquisition cost, less the depreciation and amortization, according to the plan discussed below.

The book value of investments is their original acquisition cost except for subsidiary shares held by Herantis Pharma Plc whose original acquisition cost was written down in the financial year 2015 by a total of 7,349,333.33 euro due to a weaker than expected result in a dry eye study. In 2021, a total of 6,781,225.84 euro where written down due to impairment of the asset Lymfactin® in Herantis' subsidiary, Laurantis Pharma after reporting inconclusive data from the clinical study.

Valuation of current assets

Loans and other receivables marked as financial assets are valued at their nominal value, or a lower expected value.

Financial assets securities are valued at their acquisition cost or a lower expected net realisable value.

Allocation principles and methods

Depreciations

The acquisition cost of non-current intangible and tangible assets is depreciated or amortized, in accordance with the pre-prepared plan. Depreciation and amortization for the financial year is recorded as an expense in taxation, depending on the method of depreciation, to the corresponding amount of the maximum straight line or reducing balance method of depreciation.

Assets with the probable economic life of less than three years, as well as minor acquisitions, are recorded in full as expenses for the acquisition accounting period.

Depreciation plan	
Intangible assets	
• Development expenses	straight line amortization 10 yr.
• Intangible rights	straight line amortization 10 yr.
• Consolidated goodwill	straight line amortization 5 yr.
Tangible assets	
• Machinery and equipment	25% reducing balance method of depreciation

The depreciation plan for development expenses is a straight line amoritsation in 10 years, which is appropriate, as the typical duration of a drug development project is 10-15 years, from the start of the development work to when the drug product is ready for the markets.

Comparability of the reported financial year and the previous year

For cash flow statement the cash and cash equivalents included securities of EUR 985 thousand in 2020 financial statements whereas those are excluded in 2021 financial statements both for the current and comparative period.

Transactions in foreign currency

Exchange rate gains and losses arising from foreign-currency sales or purchases are recorded as adjustments to income and expenses.

Foreign currency translation

Assets denominated in foreign currency are translated into euros using the exchange rates of European Central Bank in effect on the balance sheet date.

Note information concerning the preparation of consolidated financial statements

Principles for preparation of consolidated financial statements

Mutual shareholdings

The ownership of the subsidiary shares within the group has been eliminated, using the acquisition cost method. The amount paid of the subsidiary shares exceeding the share of equity of the acquired shares has been activated in the consolidated balance sheet as goodwill. In the consolidated balance sheet 31.12.2021, the remaining 159,705.15 euros relates to CDNF development costs.

Inter-company transactions and margins

The group's inter-company transactions, receivables and liabilities, internal distribution of profits, as well as the group's internal margins are eliminated.

Note information concerning subsidiary and associated companies

Consolidated companies

Name	Domicile	Combined shareholding
Laurantis Pharma Oy	Helsinki, Finland	100%

Note information concerning income statement

Interest incomes and interest expenses, total amounts

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2021**	**1.1.–31.12.2020**	**1.1.–31.12.2021**	**1.1.–31.12.2020**
Interest income	42.06	16.80	2,110.23	1,279.58
Interest expenses	47,001.18	47,101.18	64,827.81	72,191.18
	46,959.12	**47,101.18**	**62,717.58**	**70,911.60**

Note information concerning the balance sheet assets

Non-current assets

Intangible assets

Development costs

Parent company

Development expenses that were not amortized and included in long-term expenses, a total of 159,705.15 euros consist of the development costs related to the CDNF project.

Consolidated

2,176,000 euro were written down in 1H 2021 of the Lymfactin® development expenses due to inconclusive data from the Lymfactin® Phase II clinical study. Development expenses that were not amortized and included in long-term expenses, a total of 159,705.15 euros consist of the development costs related to the CDNF project.

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2021**	**1.1.–31.12.2020**	**1.1.–31.12.2021**	**1.1.–31.12.2020**
Development costs CDNF, January 1st	319,410.15	479,115.15	2,879,410.15	3,807,115.15
Total	**319,410.15**	**479,115.15**	**2,879,410.15**	**3,807,115.15**
Amortization for the accounting period CDNF	-159,705.00	-159,705.00	-159,705.00	-159,705.00
Amortization for the accounting period, consolidated			-2,560,000.00	-768,000.00
Amortization for the accounting period, total	-159,705.00	-159,705.00	-2,719,705.00	-927,705.00
Development costs December 31st	**159,705.15**	**319,410.15**	**159,705.15**	**2,879,410.15**

Current assets

Receivables from group companies

Currency EUR	**Parent 31.12.2021**	**Parent 31.12.2020**
Other receivables	0	6,400,890.87
Total	**0**	**6,400,890.87**

Internal loans of 6,400,890.87 euro given to Herantis' subsidiary, Laurantis Pharma, in prior years and loans of 1,054,067.57 euro given to Laurantis Pharma during 2021 were written down due to impairment of the asset Lymfactin®.

Difference between activated acquisition costs and market value of securities other than current assets

Securities

Currency EUR	**Consolidated 31.12.2021**	**Consolidated 31.12.2020**
Other shares and similar rights of ownership		
Market value	1,019,314.72	1,010,409.30
Estimated acquisition cost	985,243.95	985,243.95
Difference	**34,070.77**	**25,165.35**

Note information concerning balance sheet liabilities

Equity

Changes in equity assets

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2021**	**1.1.–31.12.2020**	**1.1.–31.12.2021**	**1.1.–31.12.2020**
Restricted equity				
Share equity at the start of the period	80,000.00	80,000.00	80,000.00	80,000.00
Share equity at the end of the period	80,000.00	80,000.00	80,000.00	80,000.00
Restricted equity, total	**80,000.00**	**80,000.00**	**80,000.00**	**80,000.00**
Unrestricted equity				
Invested unrestricted equity reserve at beginning of period	62,490,276.60	47,601,032.62	62,490,276.60	47,601,032.62
Issues of shares	4,039,500.00	14,889,243.98	4,039,500.00	14,889,243.98
Invested unrestricted equity reserve at the end of the period	66,529,776.60	62,490,276.60	66,529,776.60	62,490,276.60
Loss from previous acc, period, at the beginning of period	-42,479,237.11	-35,432,148.15	-54,982,932.07	-45,830,019.90
Loss at the end of the previous period	-42,479,237.11	-35,432,148.15	-54,982,932.07	-45,830,019.90
Loss for the period	-23,576,234.75	-7,047,088.96	-12,767,100.97	-9,152,912.18
Unrestricted equity, total	474,304.74	20,011,039.49	-1,220,256.44	7,507,344.52
Equity, total	**554,304.74**	**20,091,039.49**	**-1,140,256.44**	**7,587,344.52**

Calculation of distributable unrestricted equity

Currency EUR	**31.12.2021**
Invested unrestricted equity reserve	66,529,776.60
Retained earnings (loss)	-42,479,237.11
Loss for the financial year	-23,576,234.75
Development expenses in balance sheet	-159,705.00
Distributable unrestricted equity total	**314,599.74**

The Board of Directors propose to the Annual General Meeting convening on April 21, 2022 that no dividend shall be paid for the financial period January 1 - December 31, 2021.

Liabilities

Long-term liabilities maturing after more than five years

	Parent		Consolidated	
Currency EUR	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Total	1,497,030.00	0	1,497,030.00	454.900.00

Collaterals. commitments and off-balance sheet arrangements

Other financial commitments. which are not entered in the balance sheet

Currency EUR	**Parent**	**Consolidated**
Rental commitments		
Rental commitments due in 2022	78,103.52	78,103.52
Rental commitments due later than 2022	54,736.29	54,736.29
Rental commitments. total	**132,839.81**	**132,839.81**

Note information on the remuneration of the auditor

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2021**	**1.1.–31.12.2020**	**1.1.–31.12.2021**	**1.1.–31.12.2020**
PricewaterhouseCoopers Oy				
Audit fees	**36,413.00**	**32,757.39**	41,559.00	37,246.19

Note information on the personnel and members of corporate bodies

Average number of staff during the financial year, broken down by category

	Parent		Consolidated	
	1.1.–31.12.2021	**1.1.–31.12.2020**	**1.1.–31.12.2021**	**1.1.–31.12.2020**
Average number of employees	13.3	12.2	13.3	12.2

Remuneration of directors and management

Currency EUR	**2021**	**2020**
CEO	433,981.79	373,623.22
Directors of the Board and deputies	139,499.97	123,750.00
	573,481.76	497,373.22

Signatures

In Helsinki, March 18, 2022

Timo Veromaa
Chairman of the Board

Hilde Furberg
Board Member

Mats Thóren
Board Member

Jim Phillips
Board Member

Aki Prihti
Board Member

Frans Wuite
Interim CEO

The Auditor's Note

A report on the audit performed has been issued today In Helsinki, Finland, March 21, 2022

Panu Vänskä
Authorised Public Accountant (KHT)

10 Auditor's Report

To the Annual General Meeting of Herantis Pharma Oyj (Translation of the Finnish Original)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Herantis Pharma Oyj (business identity code 2198665-7) for the financial period 1 January - 31 December 2021. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to the notes in financial statements on page 21, item "Going concern". As stated in the notes, additional funding has not been confirmed by approval of the financial statements. This fact together with other matters stated in the notes, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland an comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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 and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information that is made available to us prior the date of this auditor's report is the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

Helsinki 21 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä
Authorised Public Accountant (KHT)

Financial information

This financial statements release, and its appendices are published in Finnish and in English on March 23, 2022, 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.

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Financial calendar

Annual Report for 2021	March 23, 2022
Annual General Meeting	April 21, 2022
1H 2022 report	August 25, 2022

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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.

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HERANTIS
PHARMA

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