

Interim report January 1–June 30, 2014

Pharmaceutical development programs advancing as planned -
successful share issue enables progress according to strategy

Highlights in January–June 2014:

- Herantis Pharma Group was formed through the merger of two Finnish pharmaceutical development companies on April 29, 2014 when Hermo Pharma Oy acquired 99.0% of the shares of Laurantis Pharma Oy in a stock swap and changed its name to Herantis Pharma Plc.
- Herantis was listed on the First North Finland marketplace of NASDAQ OMX Helsinki stock exchange, with trading starting on June 11, 2014. An Initial Public Offering produced a total of €14.3 million before share issue expenses
- Tekes, the Finnish Funding Agency for Innovation, granted the company a new product development loan in the amount of €0.5 million for preparations for clinical research on the CDFN protein in Parkinson's disease
- Herantis had no revenue during the review period. The Group's financial result for the period was €–2.4 million (parent company's H1/2013 result €–0.5 million)
- The clinical drug development programs advanced as planned
- Herantis' cash and cash equivalents amounted to €14.2 (0.0) million on June 30, 2014

Key figures

€ thousands	1-6/2014 ¹	1-6/2013 ²
	Consolidated	Parent
Revenue	0.0	0.0
Personnel expenses	-355.0	-183.2
Depreciation and amortization	-455.7	-151.3
Other expenses for business operations	-831.0	-161.1
Profit for the period	-2,445.2	-514.5
Cash flow from operations	-2,409.0	-407.0

€ thousands	Jun 30, 2014 ¹	Dec 31, 2013 ²
	Consolidated	Parent
Cash and cash equivalents	14,241.7	17.7
Equity	26,861.3	120.0
Balance sheet total	33,658.4	2,640.9

	1-6/2014 ¹	1-6/2013 ²
	Consolidated	Parent
Equity ratio %	79.8	4.5
Earnings per share €	-2.21	n/a
Number of shares at end of period ³	4,058,214	n/a
Average number of shares ³	1,107,739	n/a

¹ Herantis Pharma Group was formed on April 29, 2014 through merger of Herantis Pharma Plc and Laurantis Pharma

² Comparison period figures from parent company of Herantis Pharma Plc

³ See section Acquisitions and directed share issues

Pro Forma information

The pro forma information on the merger of business operations illustrates the financial effects of the merger. The information is prepared based on the assumption that the merger took place on January 1, 2013. The combination of business operations was completed on April 29, 2014. The pro forma information is given for the periods 1–6/2014 and 1–6/2013. The accounting principles for the pro forma information are detailed in Herantis' IPO and listing prospectus of May 12, 2014.

€ thousands	1-6/2014	1-6/2013
Personnel expenses	-508.2	-357.1
Depreciation and amortization	-1,064.7	-1,064.7
Other operational expenses	-1,361.8	-736.3
Profit (-loss) from operations	-2,934.8	-2,158.1

Formulae used in calculating key figures

Equity ratio = Equity / balance sheet total

Earnings per share = Profit for period / 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

Pekka Simula, CEO:

Pharmaceutical development programs advancing as planned — successful share issue enables progress according to strategy

“I am extremely satisfied with the positive reception of our listing on the First North Finland marketplace and our share issue. The new funding of approximately €14.3 million before expenses enables us to develop our business according to our strategy. The minimum target of our listing issue was oversubscribed by 40%. In my opinion, this illustrates the strong faith of investors in the high quality of Finnish drug development.

The funds obtained through the share issue will be mainly used to finance our product development development projects, in particular the clinical trials of our three most important product candidates: Cis-UCA eye drops for the treatment of dry eye, neuro-protective CDNF for the treatment of Parkinson’s disease, and Lymfactin for the treatment of secondary lymphedema caused by breast cancer treatment. Our drug development program focuses on diseases with a clear unmet clinical need.

Our objective for the next three years is to reach a clinical proof-of-concept of three of our most important drugs. One of our goals is also at least one commercialization agreement by the end of 2017. In practice, this means collaboration with a Finnish or foreign pharmaceutical company, covering the late-stage clinical development of the drug, as well as its sales and marketing.”

Income from business operations, R&D expenses

Herantis had no revenue during the review period. The parent company had no revenue in the corresponding period in the previous year.

The review period’s R&D expenses were €0.6 million, recorded in the profit and loss statement as expense for the period. The R&D expenses mainly comprised preparation expenses for CDNF Phase 1 clinical trials. The R&D expenses for the parent company, €0.4 million for the comparison period, were capitalized.

The profit for the review period was €–2.4 million. This includes listing-related expenses in the amount of €0.8 million, recorded as part of financing expenses. The parent company’s profit for the comparison period was €–0.5 million.

Comparison of pro forma figures

Herantis in its combined form did not have Pro forma revenue in the review period or in the corresponding period in the previous year.

The Pro forma personnel expenses for the review period were €0.5 (0.4) million.

Pro forma amortization for the review period amounted to €1.1 (1.1) million, out of which the allocation of amortization on goodwill to product development projects in connection with the acquisition of Laurantis was €0.8 (0.8) million.

The review period's Pro forma loss from business operations was €2.9 (2.2) million.

Financing and capital expenditure

The company's cash and cash equivalents on June 30, 2014 amounted to €14.2 (0.0) million.

In connection with its listing on First North Finland, Herantis launched an Initial Public Offering. The issuance of 1,364,770 shares produced funds in the amount of €14.3 million before share issue expenses. The review period's cash flow from operations was €-2.4 million. The parent company's cash flow from operations for the corresponding period in the previous year was €-0.4 million.

Acquisitions and directed share issues

In accordance with the decision by the extraordinary general meeting of shareholders on November 14, 2013, Herantis completed a share issue in February 2014, in which 567 new shares were issued to the company's existing shareholders and a limited number of new shareholders. The number of the company's shares rose to 6,606.

The extraordinary meeting of shareholders of April 29, 2014 decided on a split, in which 199 new shares were issued for each of the company's shares, bringing the total number of shares to 1,321,200.

In addition, the extraordinary general meeting on April 29, 2014 decided on a stock swap with the shareholders of Laurantis Pharma, whose shareholders received a total of 1,372,244 shares as consideration for 99 percent of Laurantis Pharma stock. This brought the total number of shares to 2,693,444 prior to the IPO.

Balance sheet

As the result of the merger of Herantis and Laurantis Pharma, the consideration for the shares of Laurantis Pharma that exceeds the company's equity has been capitalized and allocated to R&D expenses and consolidated goodwill in the consolidated balance sheet. Following the acquisition and the IPO, the consolidated balance sheet on June 30, 2014 stood at approximately €33.7 million. The parent company's balance sheet total on December 31, 2013 was approximately €2.6 million.

Equity

Consolidated equity on June 30, 2014 was €26.9 (0.4) million. The parent company's equity was €0.1 million on December 31, 2013.

Personnel, management and administration

Herantis Pharma was formed through the merger of Hermo Pharma and Laurantis Pharma on April 29, 2014. Through the merger, the number of personnel increased to six people as the employees of both companies were transferred to Herantis' payroll.

Working with academic and industrial partners, Herantis aims at keeping its own organization cost-efficient and agile, thereby enabling the allocation of the majority of its funds to drug development.

In connection with the merger, the composition of the company's Board of Directors changed. Pekka Mattila continues as the Chairman, with the earlier members of the Board of Hermo Pharma, Jonathan Knowles and Timo Veromaa, as well as the earlier members of the Board of Laurantis Pharma, Aki Prihti, Frans Wuite and James Phillips, as ordinary members.

Risks and uncertainties

The most significant risks and uncertainties in Herantis' business operations are detailed in the IPO prospectus dated May 12, 2014 (available in Finnish). No changes in the risks and uncertainties have taken place after the publication of the prospectus.

Shares and shareholders

Trading with Herantis shares began on the First North Finland marketplace on June 11, 2014. The share subscription price in the IPO was €10.50 per share.

Herantis' market capitalization at the end of the review period was €40.8 million. The closing price of the share on June 30, 2014 was €10.05, with the highest price during the review period being €11.00, lowest €9.00 and average €10.27.

According to Herantis' shareholder register on June 30, 2014, the company had 450 registered shareholders.

The members of Herantis' Board of Directors and the CEO held a total of 36,606 shares, equaling 0.9% of the company's total stock.

Annual General Meeting

The 2014 ordinary Annual General Meeting of Herantis was held on March 20, 2014. In addition, the company convened an extraordinary General Meeting in connection with the merger and IPO on April 29, 2014.

The Annual General Meeting decided to initiate a new stock option program, authorize the Board of Directors to grant a maximum of 117 options in the initiated program to the members of the Board of Directors in accordance with the terms and conditions of the program, and grant 213 options in the initiated program to the CEO. At the same time, the AGM decided to annul 40 unused options from the 2010 stock option program. After the share split (see Acquisitions and directed share issues above), each of the old options entitles the holder to subscribe to 200 shares in the company.

The AGM decided that the members of the Board of Directors be paid a monthly fee of €1,000, and the Chairman a monthly fee of €2,000.

Authorized Public Accountants PricewaterhouseCoopers Oy was elected the company's auditor, with Martin Grandell, APA, as the responsible auditor.

Outlook for 2014

After its listing on First North Finland, Herantis focuses on the clinical development of three of its most important drugs, all of which are still at the development stage. The outlook for 2014 remains unchanged from the information published in the listing and IPO prospectus of May 12, 2014.

The main objective in 2014 is to start a Phase 2 clinical trial as proof of efficacy of the cis-UCA eye drop for dry eye in comparison with a placebo, by the end of the year.

The long-term target of Herantis is to significantly grow its business by entering commercialization agreements for its drugs and by allocating funds thus received to the development of new drugs.

No commercialization agreements exist as of yet. Instead, the company's present operation is focused on the clinical development of the drugs. The objective is to have a commercialization agreement for at least one of the most important drugs with a Finnish or foreign pharmaceutical company by the end of 2017. The company does not expect any revenues prior to that. In pharmaceutical development, the speed of the research work defines the time when expenses incur.

Accounting principles for the half-year report

This half-year interim report is prepared in accordance with good accounting practices, local legislation and the rules of the First North Finland marketplace. The figures in this report are not audited. The figures are independently rounded.

Financial reporting

Financial reports are published on the company's website www.herantis.com. This report is published in Finnish and in English. In case of any discrepancies between the language versions, the Finnish version shall prevail.

The financial statements report for 2014 will be published on February 27, 2015. The schedule for other financial information for 2015 will be published by the end of 2014.

Herantis Pharma Plc

Board of Directors

APPENDICES

Profit & loss statement and balance sheet January 1–June 30, 2014

Cash flow statement January 1–June 30, 2014

Changes in equity

Distribution: NASDAQ OMX, principal media

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Herantis Pharma in brief:

Herantis is a pharmaceutical development company based in Finland, researching and developing drugs particularly for inflammatory, central nervous system and lymphatic system diseases. Our core expertise is translating drug candidates from

academic research to clinical development. Herantis has three drugs under development that are focused on diseases with a clear unmet clinical need. We believe our drugs are the first or best in their class and have the potential to change treatment strategies of diseases. The shares of Herantis Pharma Plc are listed on the First North Finland marketplace run by NASDAQ OMX Helsinki stock exchange.

	1.1.2014	1.1.2013
Currency EUR	- 30.6.2014	- 30.6.2013
NET TURNOVER	0,00	0,00
Staff expenses		
Wages and salaries	-288 642,94	-144 280,00
Social security expenses		
Pension expenses	-53 302,05	-27 762,85
Other social security expenses	-13 380,26	-11 158,90
	<u>-355 325,25</u>	<u>-183 201,75</u>
Depreciation and reduction in value		
Depreciation according to plan	-420 887,54	-151 258,06
Depreciation from consolidation difference	-34 794,00	0,00
	<u>-455 681,54</u>	<u>-151 258,06</u>
Other operating charges	-830 986,59	-161 122,24
OPERATING PROFIT (LOSS)	-1 641 993,38	-495 582,05
Financial income and expenses		
Other interest and financial income		
From others	28,53	8,10
Interest and other financial expenses		
For others	-803 253,26	-18 885,01
	<u>-803 224,73</u>	<u>-18 876,91</u>
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	-2 445 218,11	-514 458,96
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-2 445 218,11	-514 458,96
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-2 445 218,11	-514 458,96
CONSOLIDATED PROFIT (LOSS)	-2 445 218,11	-514 458,96

Currency EUR 30.6.2014 31.12.2013

ASSETS

NON-CURRENT ASSETS

Intangible assets

Development expenses	17 958 292,69	2 355 839,28
Intangible rights	296 526,46	240 000,00
Consolidation difference	1 009 025,92	0,00
	19 263 845,07	2 595 839,28

Tangible assets

Machinery and equipment	1 985,02	2 268,58
	1 985,02	2 268,58

Investments

Participating interests	1 225,00	0,00
	1 225,00	0,00

19 267 055,09 2 598 107,86

CURRENT ASSETS

Debtors

Short-term

Trade debtors	0,00	334,80
Other debtors	145 026,67	7 140,00
Prepayments and accrued income	4 611,50	17 560,97
	149 638,17	25 035,77

Cash in hand and at banks

14 241 748,91 17 713,18

14 391 387,08 42 748,95

ASSETS TOTAL

33 658 442,17 2 640 856,81

Currency EUR 30.6.2014 31.12.2013

LIABILITIES

CAPITAL AND RESERVES

Subscribed capital		
Subscribed capital	80 000,00	2 500,00
	<u>80 000,00</u>	<u>2 500,00</u>
Other reserves		
Free invested equity reserve	32 653 053,86	3 544 016,46
	<u>32 653 053,86</u>	<u>3 544 016,46</u>
Retained earnings (loss)	-3 426 517,53	-2 645 888,84
Profit (loss) for the financial year	-2 445 218,11	-780 628,69
	26 861 318,22	119 998,93

CREDITORS

Long-term		
Capital loans	98 300,00	0,00
Loans from credit institutions	5 918 348,65	1 850 459,65
	<u>6 016 648,65</u>	<u>1 850 459,65</u>
Short-term		
Loans from credit institutions	249 800,00	0,00
Trade creditors	361 558,99	543 764,49
Other creditors	48 657,37	13 901,55
Accruals and deferred income	120 458,93	112 732,19
	<u>780 475,29</u>	<u>670 398,23</u>
	6 797 123,94	2 520 857,88

LIABILITIES TOTAL 33 658 442,17 2 640 856,81

Currency EUR	30.6.2014	30.6.2013
Cash flow from operating activities		
Profit (loss) before extraordinary items	-2 445 218,11	-514 458,96
Corrections:		
Depreciation According to plan	420 887,55	151 258,06
Depreciation from consolidation difference	34 794,00	0,00
Financial income and expences	803 224,73	18 876,91
Cash flow before change in working capital	-1 186 311,83	-344 323,99
Change in working capital:		
Increase(-)/decr.(+) in short-term interest-free receivables	-98 581,28	76 625,79
Increase(+)/decr.(-) in short-term interest-free liabilities	-320 642,11	-120 876,84
Cash flow from operations before financial items and taxes	-1 605 535,22	-388 575,04
Interest paid and pmts for other financ. exp. from operat.	-803 253,26	-18 885,01
Financial income received from operations	28,53	8,10
Cash flow before extraordinary items	-2 408 759,95	-407 451,95
Cash flow from operating activities (A)	-2 408 759,95	-407 451,95
Cash flow from investments:		
Investments in tangible and intangible assets	0,00	-421 351,10
Acquisition of a subsidiary company diminished by liquid assets acquired	856 635,28	0,00
Capital expenditure on other investments	-1 225,00	0,00
Cash flow from investments (B)	855 410,28	-421 351,10
Cash flow from financing:		
Share issue	15 464 085,40	904 001,52
Long-term borrowing	313 300,00	0,00
Cash flow from financing (C)	15 777 385,40	904 001,52
Change in cash and cash equivalents(A+B+C) incr.(+)/decr.(-)	14 224 035,73	75 198,47
Cash and cash equivalents at beginning of period	17 713,18	9 172,62
Cash and cash equivalents at end of period	14 241 748,91	84 371,09

STATEMENT OF CHANGES IN EQUITY

€

	Share capital	Other funds	Retained earnings	Equity total
Equity on Dec 31, 2012	2 500	2 640 015	-2 645 889	-3 374
Profit/loss for the period			-514 459	
Issue of shares for cash		904 002		
Equity on June 30, 2013	2 500	3 544 016	-3 160 348	386 169

	Share capital	Other funds	Retained earnings	Equity total
Equity on Dec 31, 2012	2 500	2 640 015	-2 645 889	-3 374
Profit/loss for the period			-780 629	
Issue of shares for cash		904 002		
Equity on Dec 31, 2013	2 500	3 544 016	-3 426 518	119 999

	Share capital	Other funds	Retained earnings	Equity total
Equity on Dec 31, 2013	2 500	3 544 016	-3 426 518	119 999
Profit/loss for the period			-2 445 218	
Issue of shares for cash		15 464 085		
IPO in connection with combination of business operations	77 500	13 644 952		
Equity on June 30, 2014	80 000	32 653 054	-5 871 736	26 861 318