HERANTIS PHARMA

Annual Report 2020

Content

Herantis in brief

Herantis has built a path aimed at success having achieved major milestones since the Company's inception in 2014.

2008
Hermo Pharma founded by four neuroscientists from the University of Helsinki

2010
Michael J. Fox Foundation grant for CDNF research

2012
Process established for producing CDNF in GMP

April 2014
Hermo Pharma acquires Laurantis Pharma. Herantis Pharma is established

June 2014
Herantis' IPO on Nasdaq First North Finland

May 2016
Start of Lymfactin®
Phase 1 trial

December 2016
€6 million EU Horizon 2020 grant for CDNF development

September 2017
Start of CDNF clinical Phase 1–2 trial

June 2018
Start of Lymfactin®
Phase 2 trial

July 2018
Initiation of non-invasive CDNF development

December 2019
Completion of treatments in two clinical studies (Lymfactin® and CDNF main study)

December 2019
Herantis' IPO on Nasdaq First North Stockholm

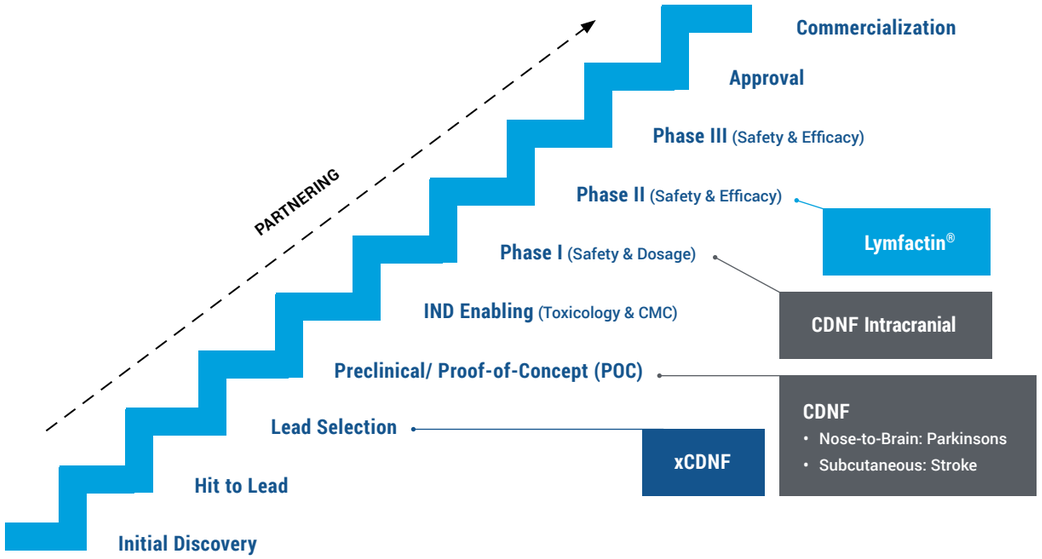
August 2020
CDNF Phase 1–2 trial met its primary endpoint of safety and tolerability

November 2020
Favourable 24-months follow up review from Phase 1 Lymfactin® trial in BCAL

Herantis' mission – Innovative therapies for better lives

Herantis Pharma Plc is an innovative clinical stage biotech company with a diverse pipeline of pioneering investigational therapeutics looking to modify the course of debilitating nervous system and lymphatic diseases and break the boundaries of standard therapeutic approaches. Leveraging deep scientific brilliance in protein dysregulation for neurodegenerative diseases, and growth stimulation in lymphatic diseases, Herantis is advancing a rich pipeline of regenerative biological and gene therapies for high impact diseases. These include i. CDNF biological therapy that acts on the proteostatic mechanisms of disease for the treatment of Parkinson's disease and other neurodegenerative diseases, and ii. Lymfactin® VEGF-C gene therapy for restoring lymphatic structure and function for the treatment of oncology related secondary Lymphedema and other lymphatic based diseases. Herantis is pursuing disease modifying treatments that slow, stop, or even reverse the course of diseases, and bring much needed innovation to these underserved diseases. The shares of Herantis are listed on the Nasdaq First North Growth Market Finland and Nasdaq First North Growth Market Sweden.

Program Development Milestones



Newsflow 2021

H1 2021 Data readout Phase II Lymfactin® (done)

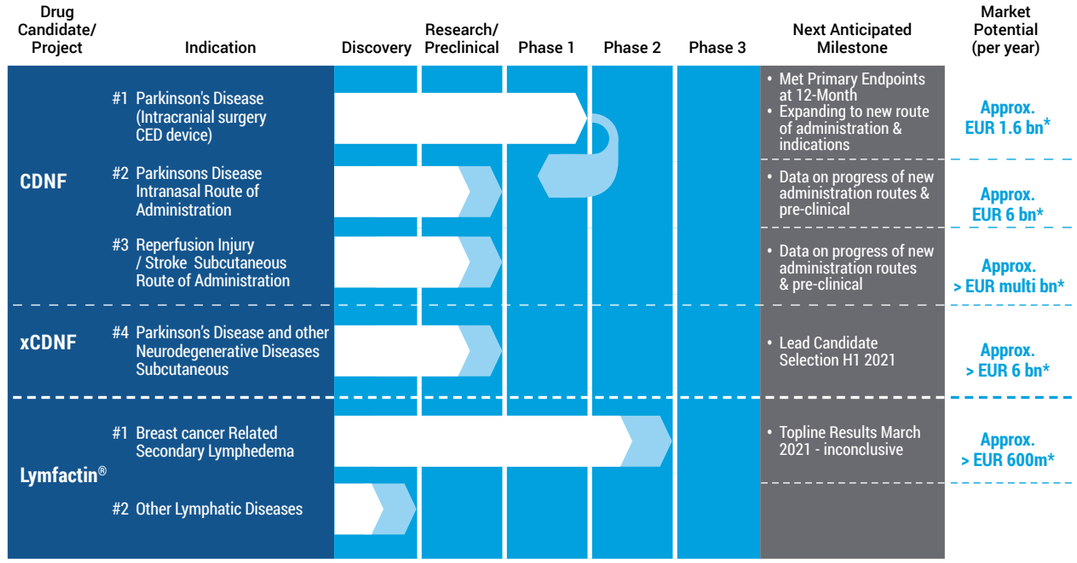
H2 2021 Further details and next steps for Lymfactin®

H2 2021 Complete formulation and pre-clinical new administration routes for CDNF in Parkinson's and Stroke

H1 2021 Selection of lead candidate for xCDNF

H2 2021 Commencement of xCDNF pre-clinical

Focused Pipeline Targeting Unmet Medical Needs



* Source: Management estimate

☐ Current Stage ■ Planned

Lymfactin®

Lymfactin® VEGF-C gene therapy for restoring lymphatic structure and function for the treatment of oncology related secondary Lymphedema and other lymphatic based diseases.

CDNF

CDNF biological therapy that acts on the proteostatic mechanisms of disease for the treatment of Parkinson's disease and other neurodegenerative diseases

xCDNF

xCDNF is a synthetic fragment of CDNF, which mechanism of action relates to the regulation of proteostasis to treat neurodegenerative diseases in a fashion similarly to CDNF

Year 2020

The highlights of the year from January to December 2020

OCTOBER
- Herantis appointed Tone Kvåle as Chief Financial Officer.
- The company announced board member Ingrid Heiman's decision to step down from her role in Herantis' Board of Directors effective immediately.

NOVEMBER
- The company provided an update on its R&D pipeline and announced that the company will evaluate the best path forward with its clinical stage asset CDNF, using more patient-friendly modes of delivery such as via subcutaneous injection or intranasal application, that do not require a surgical device. This strategy is expected to expand the target population, accelerate clinical development, and increase the attractiveness of the CDNF-asset to partners.
- Herantis announced favorable 24-month follow-up review from Phase I Lymfactin® trial in Breast Cancer Associated Lymphedema. The treatment continues to be safe and well-tolerated in all patients with no severe adverse events or dose limiting toxicities observed.

DECEMBER
- On December 2, Herantis held an Extraordinary General Meeting which resolved to authorize the Board of Directors to issue shares. Under the authorization, a maximum of 4,710,000 shares may be issued in one or more tranches.
- Herantis and Nanoform Finland Plc (Nanoform) signed a letter of intent for collaboration to seek opportunities to enhance the blood brain barrier penetration of CDNF and xCDNF molecules.
- Herantis successfully raised EUR 8 million, issuing a total of 2,162,163 shares in a directed share issue.

AUGUST
- Herantis announced that its novel drug candidate, CDNF for the treatment of Parkinson's disease (PD), met its primary endpoint of safety and tolerability in a 12-month Phase I-II study in patients with moderately advanced disease.

FEBRUARY
- Herantis announced positive topline results of Phase I-II CDNF trial in advanced-stage Parkinson's disease patients with encouraging biological responses as measured by PET imaging in some patients.

APRIL
- The Annual General Meeting (AGM) of Shareholders was held on April 8. Six members were elected to the Board of Directors: Ingrid Atteryd Heiman, James (Jim) Phillips, Aki Prihti, Mats Thorén, Timo Veromaa, and Frans Wuite. In its constitutive meeting held after the AGM, the Board of Directors elected Timo Veromaa as Chairman of the Board and Frans Wuite as Vice Chairman of the Board.

MAY
- The company announced a CEO transition and the appointment of Dr. Craig Cook as its new CEO effective July 1, 2020.
- Herantis successfully raised EUR 6.8 million issuing a total of 875,000 placing shares in a directed share issue.

Key Investment Highlights

1. Compelling **science**, safely translated into humans
2. Expanding body of **evidence** impacting key biological systems, **biomarkers**
3. Well positioned in large, growing, unserved **markets**
4. Sound long term vision and **strategy**
5. Rich **newsflow** in near to medium term
6. Business model focused on **partnering** and near to medium term inflexion points

Events after the reporting period

- Herantis announced the appointment of Magnus Sjögren, MD, PhD as Chief Medical Officer. Dr. Sjögren will assume the role effective as of May 1, 2021. Dr, Sjogren is a neuroscience expert with a focus on neurodegenerative diseases, and in addition has experience in other areas relevant to Herantis' programs including oncology and inflammation. He has held several senior executive and scientific positions at major pharmaceutical and biotechnology companies, including Chief Medical Officer at DiaGenic, Vice President Global Exploratory Development at UCB Pharma, Global Head of Translational Medicine in Schering-Plough and Senior Clinical Research Director at AstraZeneca.

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

- Herantis entered into an agreement with Nanoform, an innovative nanoparticle medicine enabling company. The collaboration provides for formulation Proof of Concept studies (PoCs) to combine Herantis' intranasally administered CDNF therapy for Parkinson's disease with Nanoform's nanoparticle technology.

- Herantis announced that clinical trial results from its Phase II study investigating Herantis' patented, gene therapy Lymfactin®, for the treatment of Breast Cancer Related Lymphedema (BCRL), were inconclusive. The primary purpose of the trial was to determine whether there was an additional benefit of Lymfactin® treatment in combination with lymph node transfer surgery, compared to surgery alone. While both treatment groups experienced clear clinical benefits, the trial did not establish additional treatment benefit for Lymfactin® in combination with surgery, compared to surgery alone. Herantis will continue to analyse and review the data to gain additional insight from the study including the baseline differences, adequacy of dosing, outcome measures, measurement tools, other signals in the data, and other potentially applicable target indications. The company expects to be able to announce any further findings and decisions on the program in Q2 2021.

- Herantis announced an oral presentation and a poster presentation summarizing the results from the Phase I-II First-In-Man Clinical Trial of CDNF in Parkinson's Disease at the 15th International Conference on Alzheimer's and Parkinson's Diseases, AD/PD™ 2021 Virtual Conference, March 9–14, 2021. Key Highlights of the presentations:
  - Phase I/II topline 12-month data achieved the safety endpoints and exploratory outcome measures produced important insight related to the treatment effect
  - Changes indicative of a potential response to CDNF treatment observed in individual patients
  - Cerebrospinal Fluid (CSF) biomarker profiling suggesting modulation of proteostasis in response to CDNF treatment

- The Shareholders' Nomination Committee, presented the following proposals to the Herantis AGM to be held on 15 April 2021. The proposals will be included in the notice to the Annual General Meeting to be published at a later date. In addition to proposal on the remuneration of the members of the Board of Directors, the Shareholders' Nomination Committee proposed that the number of members of the Board of Directors shall be six (6). The Shareholders' Nomination Committee further proposes that all current members of the Board of Directors, i.e. Timo Veromaa, Mats Thorén, Frans Wuite, James Phillips, and Aki Prihti shall be re-elected as members of the Board of Directors. The Shareholders' Nomination Committee also proposed that Hilde Furberg shall be elected as a new member of the Board of Directors. More information can be found on Herantis Pharma's website.

CEO's statement

2020 was a fast paced, purpose-driven, and transitional year for Herantis as we enter the next chapter of development for our fascinating science and innovative disease modifying treatments for patients suffering from debilitating neurological and lymphatic diseases. The year was notable for favorable data in our key programs, a new strategy for our Parkinson's program, and significant funds raised.

CDNF in Parkinson's disease and other neurodegenerative diseases

For CDNF, a natural biological molecule, we were very pleased to announce data in August confirming the drug successfully achieved its primary endpoint of safety and tolerability in a First-in-Human Phase I-II study in Parkinson's disease patients. This was a momentous achievement successfully taking the drug into human subjects. CDNF is now one of a few clinical stage assets in development with the potential for disease modification of Parkinson's disease. In this study, CDNF administration required invasive neurosurgery. This invasive route of administration, however, significantly limits the available patient population for further clinical development and commercialisation, risks approvability of the therapy as a drug-device combination, and potentially delays partnering opportunities of CDNF. Due to this, we made the strategic and important decision to move away from the need for surgery, and develop CDNF as a standalone product. Going forward, we will focus instead on our alternative routes of administration including nose-to-brain (nasal spray) and skin injection (subcutaneous) that we have been developing in parallel. This strategy is expected to expand the target population to earlier stage patients, accelerate clinical development, and increase the attractiveness of our CDNF asset to partners. The aim of Herantis is to develop a treatment that can benefit patients with all stages of Parkinson's disease and not be constrained to late-stage patients. If CDNF-treatment is started as early as possible after onset of disease, patients can be expected to optimally benefit from the biological disease modifying and regenerative effects of CDNF treatment.

xCDNF in Neurodegenerative disease

For xCDNF, an engineered peptide using only the smallest most potent fragments of CDNF, we made prodigious progress toward finalizing and selecting the compound to take forward into further development. Most importantly and excitingly, we generated impressive data confirming the potency of the compound plus its ability to cross the blood brain barrier to reach the brain tissue, both of which are critical elements for the success for this therapy. This is precisely what xCDNF was engineered to achieve. Importantly, as with the new CDNF administration routes above, xCDNF is administered via a simple skin injection without the need for surgery.

CDNF and xCDNF are very different molecules – CDNF is a natural biological protein whereas xCDNF is an engineered synthetic molecule; CDNF is a clinical stage asset whereas xCDNF is a pre-clinical asset. Although distinct stand-alone programs, there is clearly important interplay and learnings between the programs as they pursue the key objectives of crossing the blood brain barrier and effectively treating the pathology of neurodegenerative diseases. It is indeed exciting to have two such compelling assets in our portfolio, and we very much look forward to developing these two programs with their respective merits.

Proteostatic mechanism of action for CDNF and xCDNF

Herantis over the past year continued to generate significant and promising data on the pathway in the body called proteostasis, a key area of research in the biopharmaceutical industry. Many degenerative central nervous system (CNS) diseases are characterized by acute or chronic cellular stress, disruption of proteostasis and death of neurons due to the accumulation of misfolded, dysfunctional and toxic forms of specific proteins. Both CDNF and xCDNF act to avoid this by correcting, maintaining, and sustaining this essential proteostatic pathway in the body whereby the building blocks of every single cell in our body, proteins, are produced, tested and deployed throughout the body to perform life enabling functions; as well as eliminating any harmful proteins that negatively affects the body functions. In neurodegenerative diseases like Parkinson's disease, proteostasis is disrupted which cause extensive neuronal damage and lead to dysfunction of neurons. CDNF and xCDNF act to potentially prevent, stop, slow, and even reverse this neuronal deterioration. This is a hugely important area of research with many top pharmaceutical companies involved, so we are in great company!

Lymfactin®

For Lymfactin®, our pioneering gene therapy product, we announced in November favorable 24-month follow-up review from Phase I Lymfactin® safety trial in Breast Cancer Related Lymphedema. The treatment continued to be safe and well-tolerated in all patients with no severe adverse events or dose limiting toxicities observed. Although not an efficacy study (as there was no control group), observations of clinical benefit at 12 months have been maintained, and even improved, up to the 24-month time period as well. Post the Fy 2020 financial reporting period, results from Phase II study with Lymfactin® in BCRL have been announced separately on March 2, 2021.

Corporate

We were very pleased to have raised a total of approximately EUR 15 million during 2020 as a result of private placements in May 2020 as well as in December 2020. This amount extends our cash runway into 2022 providing a solid financial foundation to advance our R&D programs. The proceeds from the December raise has enabled us to accelerate the development of new subcutaneous and intranasal (nasal spray) administration routes for CDNF, finalize research on the lead candidate for xCDNF which we aim take forward into further pre-clinical development during 2021.

The board was strengthened in April with the the appointment of Timo Veromaa as Chairman, Frans Wuite as vice Chairman and the addition of Mats Thorén.In July, I was tapped to take over the helm as CEO of Herantis and to steer the company into its next chapter of growth. Having now been in the company since July 1, 2020, I am increasingly excited by optimizing our science and therapeutic prospects as we build our portfolio in high impact diseases.

Herantis' goal this year is to accelerate its priority development activities to deliver key value inflexion points, and advance the programs toward potential commercialization agreements for our leading drug candidates. Potential news flow for 2021 includes completing development of alternative administration routes for CDNF, selecting a lead candidate for xCDNF to take forward into further development, generating pre-clinical data with these assets, and finalizing the evaluation of Lymfactin®.

Summary and outlook for 2021

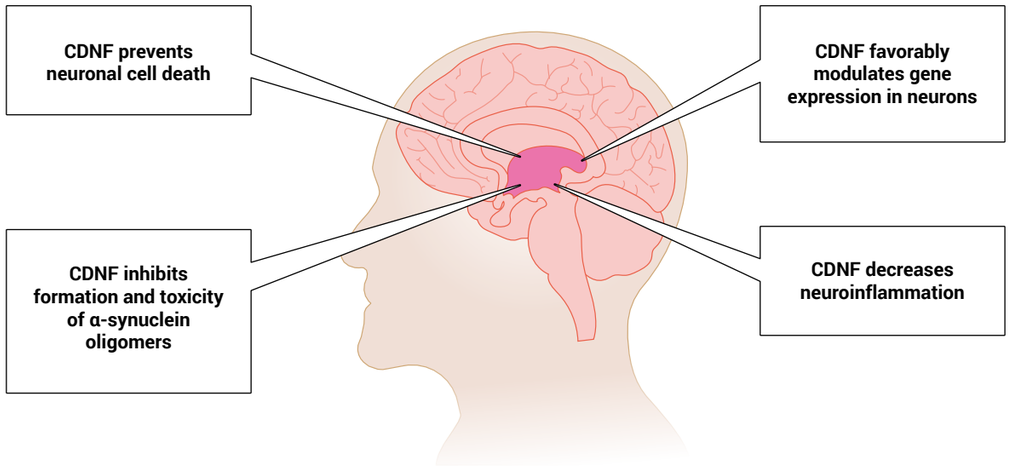
2020 has been a year of considerable change for Herantis, and we enter 2021 with an optimised foundation, solid business fundamentals, and exciting milestones planned for the year ahead. I am very proud of the accomplishments and the significant advancements Herantis has made this past year to shape its future, especially against the backdrop of the Covid-19 global pandemic. While 2020 was a year of change and positioning for the future, 2021 will be about building, shaping and executing our roadmap to success. We have fascinating science in high impact disease areas, driven by an accomplished high performing team who know what we need and how to do it.

On that note I would like to take this opportunity to extend sincere thanks to our eminently skilled team, who continue to demonstrate passion for our business, commitment to high-quality work, and strong dedication to deliver what is needed to achieve our ambitions. I also wish to thank you, valued shareholders, for your continued support and look forward to continuing our efforts in creating value and benefits for society at large.

Craig Cook
CEO

CDNF for the treatment of Parkinson's disease and other neurodegenerative diseases

Herantis is pioneering the use of human CDNF for treatment of Parkinson's disease (PD) and other neurodegenerative diseases. CDNF exerts protective and stimulatory effects in the brain through its effects on a cellular mechanism called proteostasis, which maintains the normal synthesis and folding of proteins, and labels harmful proteins for degradation by the proteosome. If proteostasis is disrupted, due to cellular stress, specifically endoplasmic reticulum (ER) stress, proteins can become misfolded and dysfunctional, causing accumulation in the cell and leading to cell dysfunction and death.



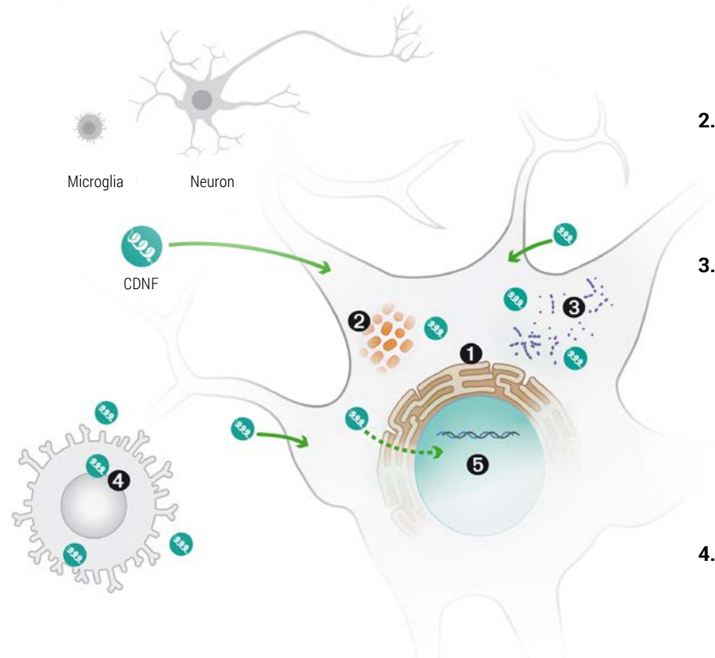
PD is the second most common form of neurodegeneration, affecting 7 to 10 million people worldwide. Yet PD is poorly served, with few durable therapies, none of which can stop or slow disease progression. Herantis is seeking to transform PD treatment with the first truly disease-modifying therapeutic that is suitable for treating the disease in its early stages, where an appreciable population of dopaminergic neurons still remains and the neuroprotective and regenerative effects of CDNF can be maximised.

CDNF showed encouraging results in reversing motor and non-motor symptoms in animal models. Herantis reported during 2020 both 6- and 12-month readouts from a placebo-controlled first-in-human Phase I/II clinical safety and tolerability study in PD patients and subsequent active treatment extension study. The study showed excellent tolerability for CDNF, with no dose-limiting toxicities. With this solid foundation, moving forward the company decided to pursue more patient-friendly modes of delivery such as via subcutaneous injection or intranasal application for other neurodegenerative diseases, that do not require the need for a surgical device. This strategy is expected to expand the target population, accelerate clinical development, and increase the attractiveness of our CDNF-asset to partners.

Herantis is developing CDNF as a standalone therapeutic for restoring proteostasis in neurodegenerative diseases, which can be administered via one of two minimally invasive routes.

CDNF Mode-of-action

CDNF promotes neuronal survival and recovery through multiple mechanisms



CDNF has a multi-modal mechanism by which it improves neuronal survival in Parkinson's disease and other neurodegenerative diseases.

1. **CDNF promotes neuronal survival and functionality by reducing endoplasmic reticulum (ER) stress**

   CDNF is internalized by stressed neurons and reduces endoplasmic reticulum (ER) stress, a common feature in neurodegenerative diseases. Reduced ER stress levels support recovery of neuronal functionality via multiple mechanisms, such as improved calcium homeostasis, mitochondrial function, and protein translation and secretion and functionality by reducing endoplasmic reticulum (ER) stress. CDNF is internalized by stressed neurons and reduces endoplasmic reticulum (ER) stress, a common feature in neurodegenerative diseases. Reduced ER stress levels support recovery of neuronal functionality via multiple mechanisms, such as improved calcium homeostasis, mitochondrial function, and protein translation and secretion.

2. **CDNF promotes neuronal survival by activating Protein kinase B (Akt)**

   Akt is a protein kinase that is centrally involved in neuronal survival signaling. CDNF stimulates Akt activity in neurons.

3. **Inhibiting formation and toxicity of alpha-synuclein aggregates**

   Aggregated alpha-synuclein is the main component of Lewy bodies which are abnormal protein inclusions found in the brains of Parkinson's disease patients. Alpha-synuclein is an aggregation-prone protein and various abnormal forms of alpha-synuclein can be toxic to neurons. CDNF protects neurons by reducing the formation and toxicity of alpha-synuclein aggregates.

4. **Decreasing neuroinflammation**

   CDNF reduces production and secretion of pro-inflammatory cytokines, such as TNF-alpha, interleukin-1beta, and interleukin-6, by glial cells, thereby reducing chronic neuroinflammation in the brain, which is an important pathological mechanism in most neurodegenerative diseases.

5. **Improving functionality of stressed and degenerating neurons**

   CDNF has long-term effects in the brain which are related to the regulation of gene transcription and the maintenance of functionality of dopamine neurons.

1. via Nose-to-Brain (intranasal) delivery of CDNF has previously been shown to be a proof of concept for the administration and Herantis is developing an optimized intranasal preparation of CDNF for Parkinson's disease and other neurodegenerative conditions.
2. via Skin injections (subcutaneous) of CDNF; in acute neurodegenerative conditions (such as stroke), the BBB may be compromised, and Herantis is investigating CDNF treatment with simple subcutaneous injections.

Comprehensively, the total available market for neurodegenerative diseases was estimated to be worth €29.2Bn in 2018 and is projected to reach €54Bn by 2026 (CAGR = 7.2%). Parkinson's disease alone represents a serviceable market of €3.8Bn, growing to €5.0Bn by 2024. Based on the market share of incumbent therapeutics for PD (e.g., Levodopa & Deep Brain Stimulation), the projected serviceable obtainable market opportunity for CDNF is estimated to be >€2.5Bn.

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

xCDNF for the treatment of Parkinson's disease and other neurodegenerative diseases

Herantis is pioneering research and development into CDNF-based therapeutics for Parkinson's disease (PD) and similar neurodegenerative diseases, such as Lewy Body Dementia (LBD). These diseases are characterised by increased levels of cellular stress and the breakdown of proteostasis, which is the normal mechanism that directs the synthesis and folding of proteins, and also the removal of misfolded proteins. CDNF acts upon all of these three key elements of proteostasis and can thereby reducve cellular stress and prevent formation of protein aggregates (such as Lewy bodies). However, CDNF cannot readily penetrate an intact blood-brain-barrier (BBB).

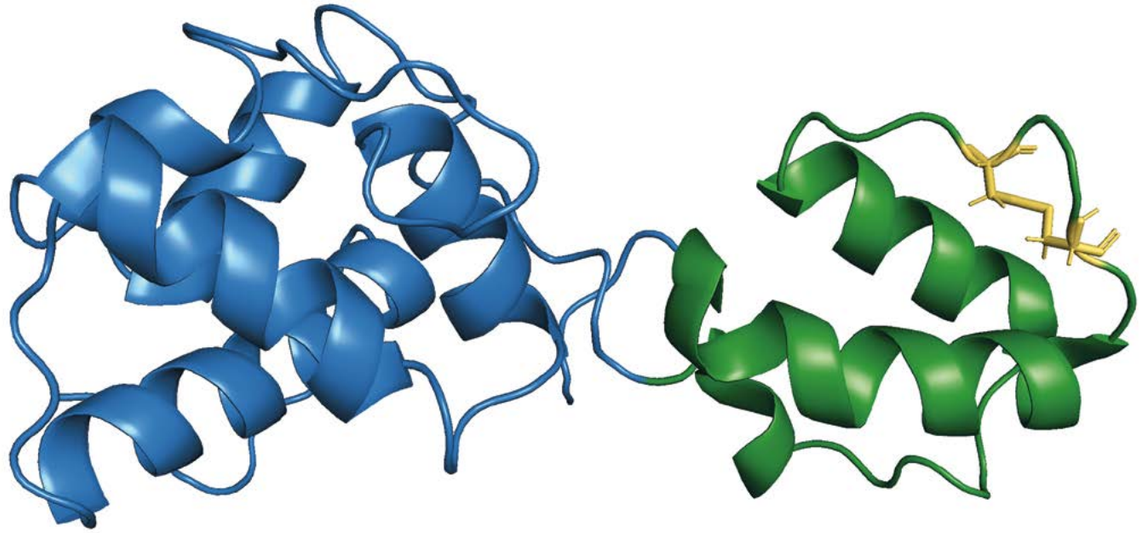
The xCDNF pipeline program is intended to deliver optimized, metabolically stable peptidomimetic active pharmaceutical ingredients (APIs) that retain the neuroprotective effects of CDNF but are also able to readily penetrate the BBB. Herantis is currently performing lead optimisation studies on several xCDNF candidates to optimize their plasma half-life, BBB penetrance and potency.

In rodent models, the xCDNF compounds were shown to be trafficked to the basal ganglia in therapeutic concentrations, following simple subcutaneous injection. More importantly, our studies have shown that peptidomimetic APIs retain the biological activity of whole protein CDNF and can greatly exceed its potency. Herantis' discovery team is now in the final stages of lead identification and structure optimisation. This involves iterative study of structure-activity relationships, e.g., impact on cellular stress and BBB penetrance, synthetic route development, and target binding kinetics. Herantis intends to pursue preclinical development programmes for both PD and LBD. Since the therapeutic hypothesis for these indications is the same, these programmes will likely be complementary and are likely to involve similar in vivo efficacy models. This is expected to simplify development and accelerate overall progress.

Comprehensively, the total available market for neurodegenerative diseases was estimated to be worth €29.2Bn in 2018 and is projected to reach €54Bn by 2026 (CAGR = 7.2%). Parkinson's disease represents a serviceable market of €3.8Bn, growing to €5.0Bn by 2024. PD is the second most common form of neurodegeneration, affecting 7 to 10 million people worldwide, with over 60,000 new diagnoses in the US each year. Lewy Body Dementia is expected to reach a market size of €1.25–1.7Bn in 2025. Based on the market shares of incumbent therapeutics for PD and LBD, the overall market opportunity for xCDNF is estimated to be approximately €4.2Bn.

xCDNF compounds have the potential to be disease-modifying therapeutics for PD and other chronic neurodegenerative diseases such as LBD. However, this compound also has the great advantage of a simple delivery route (i.e. via subcutaneous injection). We are developing xCDNF as a simple injectable formulation, with a clear regulatory route and patient-friendly administration possibilities.

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



The CDNF protein consists of two domains: the N-terminal domain (blue) and the C-terminal domain (green). The CXXC motif (yellow) located in the C-terminal domain has been shown to be important for the biological activity of CDNF. Herantis' proprietary xCDNF peptides comprise the CXXC motif and other essential structural elements in order to retain the neuroprotective properties of the full-length CDNF protein.

Lymfactin® for the treatment of secondary lymphedema

Lymphedema is a progressive, chronic swelling condition, caused by failure of the lymphatic vascular network to drain interstitial fluid. While primary lymphedema is a relatively rare genetic disorder, secondary lymphedema is common, affecting more than 200 million people worldwide, and caused by either physical damage, infection, cancer, or surgical removal of parts of the lymphatic network during cancer therapy.

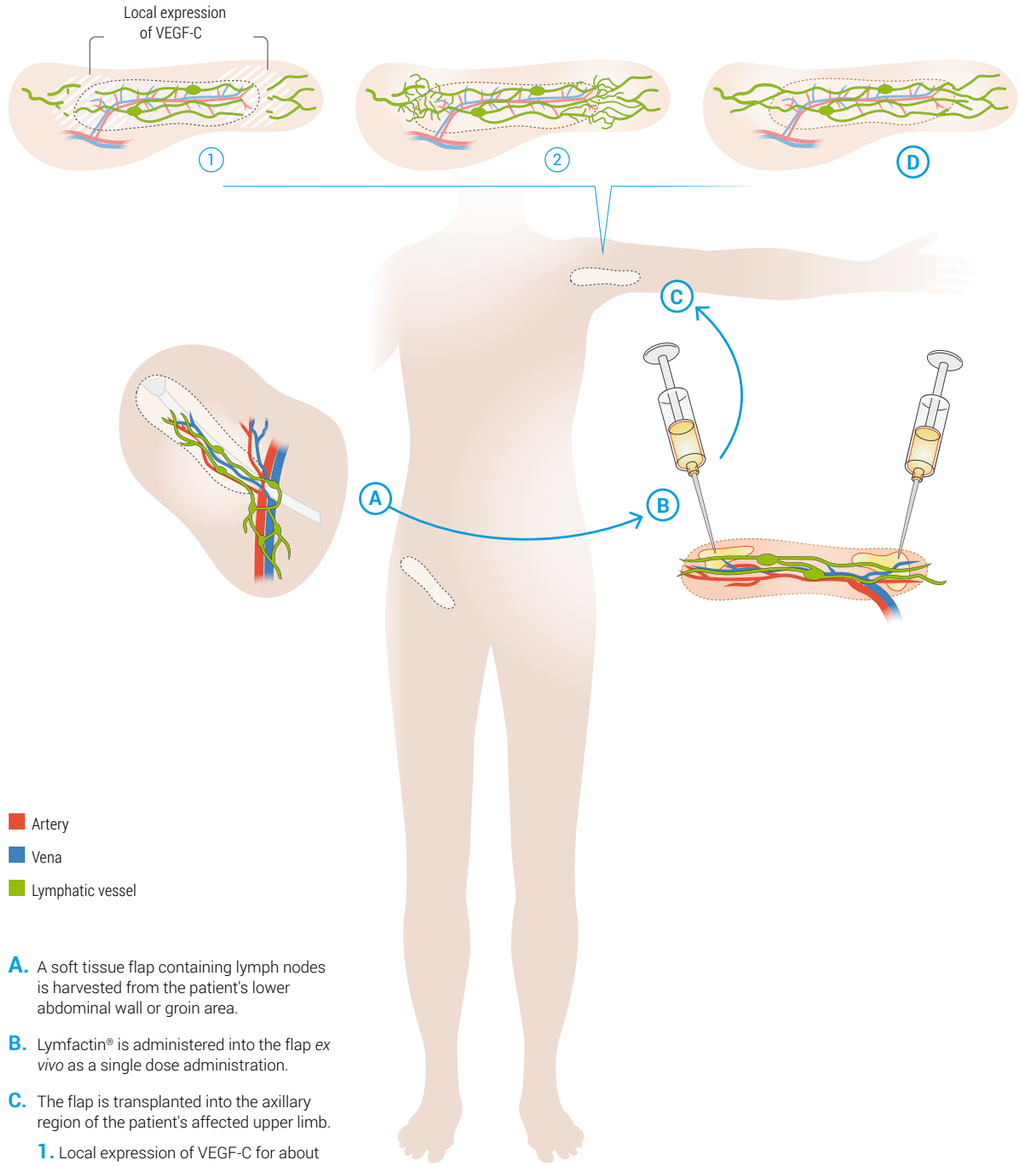
Herantis is pioneering treatment for this disease, and developing Lymfactin® a unique gene therapy specifically for the treatment of breast cancer-related lymphedema (BCRL). Lymfactin® induces temporary local expression of VEGF-C, an endogenous protein that is naturally expressed in lymph nodes and is responsible for driving the growth of lymphatic vessels. By stimulating the expression of VEGF-C, the lymphatic vasculature may be regenerated, thereby restoring normal flow of interstitial fluid to the blood stream and reducing swelling. Herantis is developing Lymfactin® as an adjunct therapy to lymph node transfer surgery in BCRL, whereby the adenoviral vector is injected into the explanted tissue flap before re-implantation. Expression of VEGF-C typically begins within the first 24 hours after the procedure.

In a Phase I clinical study, the safety and tolerability of the Lymfactin® adenoviral vector was successfully demonstrated in combination with surgical vascularised lymph node transfer surgery in 15 BCRL patients (NCT02994771). Herantis announced in November 2020 the results from the 24-month study read-outs, which concluded that Lymfactin® continued to be safe and well-tolerated, with no severe adverse events and no dose-limiting toxicities. Although not an efficacy study, observations of clinical benefit that were observed at 12 months have been maintained, and even improved, out to the 24 month time period as well. These observations included a clinically meaningful decrease in the affected arm volume of approximately half of the patients at 12 and 24 months, as well as clinically meaningful improvement in the lymphatic flow of some patients as measured by lymphoscintigraphy at these time points. In-line with these improvement trends, most patients have similarly reported improvements in their quality of life through the LyQLI questionnaire (Lymphedema Quality of Life Inventory) at 12 months as well as 24 months post-treatment.

Herantis launched a Phase II, double-blind, placebo-controlled, randomized study in a larger cohort of 39 patients with BCRL to assess efficacy and safety (AdeLE, NCT03658967) in 2018. The study reads out in Q1 2021, and the program moving forward will be evaluated pending complete analysis of the data. Post the FY 2020 financial reporting period, results from Phase II study with Lymfactin® in BCRL have been announced separately on March 2, 2021.

Lymfactin® is to our knowledge currently the only drug candidate in clinical development for cancer-related LE, and the work being done by Herantis in this disease is truly pioneering where we are leading the efforts in looking to understand more fully this disease and its treatment.

Lymfactin® mode-of-action



Artery
Vena
Lymphatic vessel

A. A soft tissue flap containing lymph nodes is harvested from the patient's lower abdominal wall or groin area.

B. Lymfactin® is administered into the flap *ex vivo* as a single dose administration.

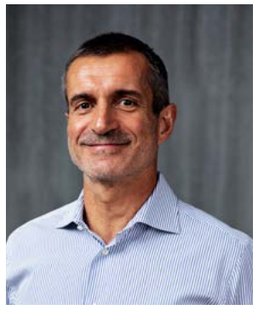
C. The flap is transplanted into the axillary region of the patient's affected upper limb.

1. Local expression of VEGF-C for about two weeks

2. Lymphangiogenesis

D. A functional lymphatic network is formed treating the underlying cause of secondary lymphedema.

Management team



CEO **Craig Cook,** MD is a medical doctor with an MBA from the London Business School and brings more than 20 years of experience in the international pharmaceutical and biotechnology sectors. Dr Cook's career has included increasingly senior roles in drug development and commercialization at major life science companies such as Eli Lilly, Johnson & Johnson, Novartis and EMD Serono, as well as entrepreneurial success in several healthcare initiatives. He was CEO of Midatech Pharma PLC a dual Nasdaq and AIM listed biotech company, before deciding to join Herantis Pharma in 2020. He has worked across several therapeutic areas including neurology, immunology, and oncology.

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.

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 served as Director of Clinical Development of Herantis since August 2011 and was promoted to Head of Regulatory Affairs & Compliance in December 2020. 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. 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.

CMO **Magnus Sjögren** has been Consultant Chief Medical Officer for Herantis Pharma since 2017. Dr. Sjögren will assume the role of Chief Medical Officer effective as of 1st of April 2021. He has extensive experience in drug development and translational research in several therapeutic areas, in particular in Neurology and Psychiatry, but also oncology and inflammation. He is a trained Psychiatrist with over 28 years of hands-on experience in clinical psychiatry. He is also Associate Professor at Gothenburg University since 2002 and a Lecturer at Copenhagen University since 2015, and the author of more than 135 scientific publications. Dr. Sjögren has held several senior executive and scientific positions: Chief Medical Officer at DiaGenic ASA; Vice President at UCB Pharma in Belgium and UK; Global Head of Translational Medicine in Schering-Plough; Senior Clinical Research Director in Organon NV and AstraZeneca.

CFO **Tone Kvåle** joined Herantis in October 2020 and she has 25 years of experience and a stong track record in the biotech and life sciences industry. Most recently, 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 several trade sales, M&A and licensing deals, and was responsible for financial reporting under various reporting standards including US GAAP and IFRS. She currently serves as director of the board 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.

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.

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 Onbone Oy and Aranda Pharma 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 and Xbrane Biopharma AB

HERANTIS PHARMA

Board of Directors' Report and Financial Statements

January 1–December 31, 2020

1 Review of operations January 1–December 31, 2020

Drug development

Herantis Pharma Plc is an innovative clinical stage biotech company with a diverse pipeline of pioneering investigational therapeutics looking to modify the course of debilitating nervous system and lymphatic diseases and break the boundaries of standard therapeutic approaches. Leveraging deep scientific knowledge in protein dysregulation for neurodegenerative diseases, and growth stimulation in lymphatic diseases, Herantis is advancing a pipeline of regenerative therapies for high impact diseases:

1. CDNF biological therapy that acts on the proteostatic mechanisms of disease for the treatment of Parkinson's disease and other neurodegenerative disorders
2. xCDNF is a synthetic fragment of CDNF, which mechanism of action relates to the regulation of proteostasis to treat neurodegenerative diseases in a fashion similarly to CDNF
3. Lymfactin® VEGF-C gene therapy for restoring lymphatic structures and function for the treatment of oncology related secondary lymphedema and other lymphatic based diseases.

Herantis is pursuing disease modifying treatments that slow, stop, or even reverse the course of diseases, and bring much needed innovation to these underserved diseases.

In 2020 Herantis' drug development programs proceeded as planned and reached the following key milestones:

- CDNF: Herantis announced in August that its novel drug candidate, Cerebral Dopamine Neurotrophic Factor (CDNF) for the treatment of Parkinson's disease (PD), met its primary endpoint of safety and tolerability in a 12-month Phase I-II study in patients with moderate disease severity. The strategy moving forward for this asset was optimized and further refined to maximise chances of success
- xCDNF: The company continued to move forward with intensive research for the lead optimization and application of the non-invasive drug candidate, xCDNF. Chemical re-engineering of this compound lead to it successfully achieved its key objectives of being able to cross the blood brain barrier (BBB) whilst still retaining very high potency.
- Lymfactin®: Announced favorable 24-month follow-up review from Phase I trial in breast cancer associated lymphedema. The treatment continues to be safe and well-tolerated in all patients with no severe adverse events or dose limiting toxicities observed. Evaluation of the program will continue in 2021 based on the data readout from the Phase II study

CDNF for the treatment of Parkinson's disease and other neurodegenerative diseases

Herantis is pioneering the use of human CDNF for treatment of Parkinson's disease (PD) and other neurodegenerative diseases. CDNF exerts protective and stimulatory effects in the brain through its effects on a cellular mechanism called proteostasis, which maintains the normal synthesis and folding of proteins, and labels harmful proteins for degradation by the proteosome. If proteostasis is disrupted, due to cellular stress, specifically endoplasmic reticulum (ER) stress, proteins can become misfolded and dysfunctional, causing accumulation in the cell and leading to cell dysfunction and death. PD is the second most common form of neurodegeneration, affecting 7 to 10 million people worldwide. Yet PD is poorly served, with few durable therapies, none of which can stop or slow disease progression. Herantis is seeking to transform PD treatment with the first truly disease-modifying therapeutic that is suitable for treating the disease in its early stages, where an appreciable population of dopaminergic neurons still remains and the neuroprotective and regenerative effects of CDNF can be maximised.

CDNF showed encouraging results in reversing motor and non-motor symptoms in animal models. Herantis reported during 2020 both 6- and 12-month readouts from a placebo-controlled first-in-human Phase I/II clinical safety and tolerability study in PD patients and subsequent active treatment extension study. The study showed excellent tolerability for CDNF, with no dose-limiting toxicities. With this solid foundation, moving forward the company decided to pursue more patient-friendly modes of delivery such as via subcutaneous injection or intranasal application for other neurodegenerative diseases, that do not require the need for a surgical device. This strategy is expected to expand the target population, accelerate clinical development, and increase the attractiveness of our CDNF-asset to partners.

Herantis is developing CDNF as a standalone therapeutic for restoring proteostasis in neurodegenerative diseases, which can be administered via one of two minimally invasive routes.

1. via Nose-to-Brain (intranasal) delivery of CDNF has previously been shown to be a proof of concept for the administration and Herantis is developing an optimized intranasal preparation of CDNF for Parkinson's disease and other neurodegenerative conditions.
2. via Skin injections (subcutaneous) of CDNF; in acute neurodegenerative conditions (such as stroke), the BBB may be compromised, and Herantis is investigating CDNF treatment with simple subcutaneous injections.

Comprehensively, the total available market for neurodegenerative diseases was estimated to be worth €29.2Bn in 2018 and is projected to reach €54Bn by 2026 (CAGR = 7.2%). Parkinson's disease alone represents a serviceable market of €3.8Bn, growing to €5.0Bn by 2024. Based on the market share of incumbent therapeutics for PD (e.g., Levodopa & Deep Brain Stimulation), the projected serviceable obtainable market opportunity for CDNF is estimated to be >€2.5Bn.

xCDNF for the treatment of Parkinson's disease and other neurodegenerative diseases

Herantis is pioneering research and development into CDNF-based therapeutics for Parkinson's disease (PD) and similar neurodegenerative diseases, such as Lewy Body Dementia (LBD). These diseases are characterised by increased levels of cellular stress and the breakdown of proteostasis, which is the normal mechanism that directs the synthesis and folding of proteins, and also the removal of misfolded proteins. CDNF acts upon all of these three key elements of proteostasis and can thereby reduce cellular stress and prevent formation of protein aggregates (such as Lewy bodies). However, CDNF cannot readily penetrate an intact blood-brain-barrier (BBB).

The xCDNF pipeline program is intended to deliver optimized, metabolically stable peptidomimetic active pharmaceutical ingredients (APIs) that retain the neuroprotective effects of CDNF but are also able to readily penetrate the BBB. Herantis is currently performing lead optimisation studies on several xCDNF candidates to optimize their plasma half-life, BBB penetrance and potency. In rodent models, the xCDNF compounds were shown to be trafficked to the basal ganglia in therapeutic concentrations, following simple subcutaneous injection. More importantly, our studies have shown that peptidomimetic APIs retain the biological activity of whole protein CDNF and can greatly exceed its potency. Herantis' discovery team is now in the final stages of lead identification and structure optimisation. This involves iterative study of structure-activity relationships, e.g., impact on cellular stress and BBB penetrance, synthetic route development, and target binding kinetics. Herantis intends to pursue preclinical development programmes for both PD and LBD. Since the therapeutic hypothesis for these indications is the same, these programmes will likely be complementary and are likely to involve similar in vivo efficacy models. This is expected to simplify development and accelerate overall progress.

Comprehensively, the total available market for neurodegenerative diseases was estimated to be worth €29.2Bn in 2018 and is projected to reach €54Bn by 2026 (CAGR = 7.2%). Parkinson's disease represents a serviceable market of €3.8Bn, growing to €5.0Bn by 2024. PD is the second most common form of neurodegeneration, affecting 7 to 10 million people worldwide, with over 60,000 new diagnoses in the US each year. Lewy Body Dementia is expected to reach a market size of €1.25 – 1.7Bn in 2025. Based on the market shares of incumbent therapeutics for PD and LBD, the overall market opportunity for xCDNF is estimated to be approximately €4.2Bn.

xCDNF compounds have the potential to be disease-modifying therapeutics for PD and other chronic neurodegenerative diseases such as LBD. However, this compound also has the great advantage of a simple delivery route (i.e. via subcutaneous injection). We are developing xCDNF as a simple injectable formulation, with a clear regulatory route and patient-friendly administration possibilities.

Lymfactin® for the treatment of secondary lymphedema

Lymphedema is a progressive, chronic swelling condition, caused by failure of the lymphatic vascular network to drain interstitial fluid. While primary lymphedema is a relatively rare genetic disorder, secondary lymphedema is common, affecting more than 200 million people worldwide, and caused by either physical damage, infection, cancer, or surgical removal of parts of the lymphatic network during cancer therapy. Herantis is pioneering treatment for this disease, and developing Lymfactin® a unique gene therapy specifically for the treatment of breast cancer-related lymphedema (BCRL). Lymfactin® induces temporary local expression of VEGF-C, an endogenous protein that is naturally expressed in lymph nodes and is responsible for driving the growth of lymphatic vessels. By stimulating the expression of VEGF-C, the lymphatic vasculature may be regenerated, thereby restoring normal flow of interstitial fluid to the blood stream and reducing swelling. Herantis is developing Lymfactin® as an adjunct therapy to lymph node transfer surgery in BCRL, whereby the adenoviral vector is injected into the explanted tissue flap before re-implantation. Expression of VEGF-C typically begins within the first 24 hours after the procedure.

In a Phase I clinical study, the safety and tolerability of the Lymfactin® adenoviral vector was successfully demonstrated in combination with surgical vascularised lymph node transfer surgery in 15 BCRL patients (NCT02994771). Herantis announced in November 2020 the results from the 24-month study read-outs, which concluded that Lymfactin® continued to be safe and well-tolerated, with no severe adverse events and no dose-limiting toxicities. Although not an efficacy study, observations of clinical benefit that were observed at 12 months have been maintained, and even improved, out to the 24 month time period as well. These observations included a clinically meaningful decrease in the affected arm volume of approximately half of the patients at 12 and 24 months, as well as clinically meaningful improvement in the lymphatic flow of some patients as measured by lymphoscintigraphy at these time points. In-line with these improvement trends, most patients have similarly reported improvements in their quality of life through the LyQLI questionnaire (Lymphedema Quality of Life Inventory) at 12 months as well as 24 months post-treatment.

Herantis launched a Phase II, double-blind, placebo-controlled, randomized study in a larger cohort of 39 patients with BCRL to assess efficacy and safety (AdeLE, NCT03658967) in 2018. The study reads out in Q1 2021, and the program

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

moving forward will be evaluated pending complete analysis of the data. Post the FY 2020 financial reporting period, results from Phase II study with Lymfactin® in BCRL have been announced separately on March 2, 2021.

Lymfactin® is to our knowledge currently the only drug candidate in clinical development for cancer-related LE, and the work being done by Herantis in this disease is truly pioneering where we are leading the efforts in looking to understand more fully this disease and its treatment.

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 2020. Both of the company's clinical trials are fully recruited and all patient treatments have been completed with little or no impact by the pandemic. Other activities of the company such as the planning and preparations for preclinical and clinical projects remain ongoing. These activities will involve international collaborators whose ability to provide services could be impacted by the on-going situation. As such, there may be delays in individual subprojects.

2 Financial review January 1–December 31, 2020

(Figures in brackets = same period 2019 unless stated otherwise)

Income from business operations, R&D expenses

Herantis Group did not have material revenues in the review period or in the corresponding period in the previous year. The R&D expenses for full year of 2020 were EUR 4.4 million (EUR 4.0 million), recorded in the income statement as an expense for the period. The R&D expenses were mainly comprised of the clinical trials of CDNF for the treatment of Parkinson's disease and Lymfactin® for the treatment of breast cancer associated lymphedema, and the early preclinical development of xCDNF. Finance income and expenses totaled EUR -1.0 million (EUR -0.8 million). The financing expenses were mainly related to the funding rounds in the review period. The result for the review period was EUR -9.2 million (EUR -8.0 million).

Financing and capital expenditure

The company's cash and cash equivalents for Herantis Group on December 31, 2020 amounted to EUR 13.3 million (EUR 7.0 million). The consolidated cash flow from operating activities in the review period was EUR -8.6 million (EUR -6.0 million).

Share issues

During the review period Herantis completed two financing transactions whereby the company raised, before expenses, EUR 6.8 million in May and EUR 8.0 million in December. Herantis announced on May 27, 2020, that the Board of Directors of Herantis had decided on a directed share issue of 875,000 new shares at a per-share subscription price of €7.80 euros to certain institutional investors. The share capital was not increased. Instead, the entire aggregate subscription price of €6,825,000.00 was recorded in the invested unrestricted equity reserve of the company. As a result of the share subscriptions the number of shares in Herantis increased to 7,555,305 shares.

Herantis announced on June 18, 2020 that 39,600 new shares of Herantis had been subscribed with option rights of the option programs 2010, 2014, and 2016 I. The share capital did not increase with subscriptions. The entire aggregate subscription price for the new shares of €64,240.88 was entered in the invested unrestricted equity reserve of the company. As a result of the share subscriptions, the number of shares of Herantis increased to 7,594,905 shares. Herantis announced on December 18, 2020, that the Board of Directors of Herantis had decided on a directed share issue of 2,162,163 new shares at a per-share subscription price of €3.70 euros to certain institutional investors. The share capital was not increased. Instead, the entire subscription price of €8,000,003.10 was recorded in the invested unrestricted equity reserve of the company. The placing was carried out based on the authorizations given to the board of directors by the company's annual general meeting of April 8, 2020 and the extraordinary general meeting of December 2, 2020. As a part of the directed share issue, Nanoform subscribed for shares an aggregate amount of EUR 1.6 million. The total number of issued shares in the company after the placing increased to 9,757,068.

Balance sheet

The balance sheet of Herantis Group stood on December 31, 2020 at EUR 16.4 million (EUR 11.1 million). At the end of the review period on December 31, 2020, the consolidated balance sheet included short-term debt in the amount of EUR 2.9 million (EUR 2.0 million) and long-term loans in the amount of EUR 5.9 million (EUR 7.2 million). Major part of the total liabilities relates to loans from Business Finland. No R&D expenses were capitalized during the review period.

Consolidated statement of changes in equity

Consolidated equity on December 31, 2020 was EUR 7.6 million (EUR 1.9 million). The change is the result of the share issues and consolidated loss of the review period.

Employees, management and Board of Directors

The number of employees at the end of the review period on December 31, 2020 was 13 (12). During the review period, the Company's Board of Directors comprised of Timo Veromaa (Chairman since April 8, 2020), Frans Wuite (Vice Chairman since April 8, 2020), Ingrid Atteryd Heiman (until resignation October 30, 2020), Jim Phillips, Aki Prihti, Mats Thorén (from April 8, 2020) and Pekka Mattila (until April 8, 2020). The CEO for the company was Pekka Simula until July 1, 2020 when the new CEO, Craig Cook joined Herantis. October 26, 2020 the company appointed Tone Kvåle as CFO.

Decisions by the Annual General Meeting

Herantis' ordinary Annual General Meeting (AGM) was held in Helsinki, Finland on Wednesday, 8 April 2020. Due to the extraordinary circumstances caused by the Covid-19 pandemic, the participants were recommended to join the meeting using a web conference system and to vote via proxy. The AGM adopted the consolidated and parent company financial statements for the financial year 2019 and resolved to discharge the members of the Board of Directors and the CEO from liability. In accordance with the proposal by the Board of Directors, the AGM resolved that no dividend shall be paid for the financial period January 1 - December 31, 2019, and that the loss for the period shall be recorded on the profit and loss account.

The AGM resolved that the remuneration for the members of the Board of Directors shall be €1,500 per month except for the Chairman of the Board who shall be paid €2,500 per month, and a possibly elected Vice Chairman of the Board who shall be paid €2,000 per month. Board members are also reimbursed reasonable travel expenses related to Board of Directors' duties. Six members were elected in the Board of Directors: Ingrid Atteryd Heiman, James (Jim) Phillips, Aki Prihti, Mats Thorén, Timo Veromaa, and Frans Wuite. The AGM decided that the Auditor will be paid reasonable remuneration in accordance with its invoice approved by the Company. The firm of authorized public accountants PricewaterhouseCoopers Oy was appointed Herantis Pharma Plc's Auditor for the term ending at the closing of the next AGM of shareholders, with APA Martin Grandell as the responsible auditor.

The AGM resolved to establish a permanent shareholders' nomination committee and to approve the charter of the shareholders' nomination committee as proposed by the Board of Directors.

The AGM resolved to authorize the Board of Directors to resolve on issues of shares as follows: under the authorization, the Board of Directors may resolve on an issue of new shares or treasury shares, and the shares may be issued in one or several tranches. Under the authorization a maximum total of 2,000,000 shares may be issued, which corresponds to approximately 29.9 percent of all of the shares in the company per the date of the AGM. The shares may be issued against payment or gratuitously. Further, the issue of shares may be directed, provided that the company has a weighty financial reason to do so. Under the authorization shares may be directed to the company. The authorization shall not be used for incentive purposes. The authorization shall remain valid until the close of the next annual general meeting, however no later than June 30, 2021. The Annual General Meeting further resolved to authorize the Board of Directors to resolve on issues of shares as follows: under the authorization, the Board of Directors may resolve on an issue of new shares or treasury shares, and the shares may be issued in one or several tranches. Under the authorization, a maximum total of 150,000 shares may be issued, which corresponds to approximately 2.25% percent of all of the shares in the company. The shares may be issued against payment or gratuitously. Further, the issue of shares may be directed, provided that the company has a weighty financial reason to do so. The authorization may be used for issuing shares in connection with the incentive schemes of the company. The authorization shall remain valid until the close of the next annual general meeting, however no later than June 30, 2021. The authorization will not cancel other authorizations to be granted at the Annual General Meeting. In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Timo Veromaa as Chairman of the Board.

Decisions by the Extraordinary General Meeting

The Extraordinary General Meeting was held in Helsinki on December 2, 2020. 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 extraordinary 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 extraordinary 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 4,710,000 shares, which corresponds to approximately 62 per cent. of all of the shares in the company per the date of the EGM, may be issued. The shares may be issued in one or more tranches. Under the authorization, shares may be issued for the purposes of financing the development necessary for the business of the company in implementing its new research and development strategy, announced on November 1, 2020, as well as for the purposes of strengthening the company's capital structure and for other purposes decided by the Board of Directors. 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 December 31, 2021.

The other two items on the agenda of the extraordinary general meeting, namely the proposals of the Board of Directors concerning the amendment of the terms of "2016 I" option rights and the authorization of the Board of Directors

to decide on issuing option rights and other special rights entitling to shares, did not receive sufficient support and, thus, no decisions were made on said matters.

Share based incentive programs

Herantis has three stock option programs: Stock option program 2010, Stock option program 2014 I and Stock option program 2018 I, whereby stock options have been offered to key employees of the company to increase their commitment toward long-term contribution to growing shareholder value. The stock option program 2016 I have lapsed. 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
TOTAL	**138,800**	**-**	**-**

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

More detailed information is provided on the company's web site at www.herantis.com.

Risks and uncertainties

Herantis is a clinical stage biotech company and the general risks and uncertainties present in drug development also apply to its operations. 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 biological 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. Factors such as delays in the company's development programs or a weak financial market can impact the company's ability to raise funding and continue its operations. Even if the safety and efficacy of a drug candidate was established in clinical studies its commercialization involves risks such as pricing or reimbursement, organizing a sales network, competition from other emerging treatments, unexpected adverse events in long-term use, strength of the company's patents, patent infringement claims raised against the company and other factors. The company currently 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 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 Offer Shares.

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.

Currently, the company does not foresee substantial impact of the Covid-19 pandemic on its plans. However, it is possible that the company's development programs may suffer from delays if the pandemic continues. 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 integral part of Herantis' operations. Herantis has protected its operations against risks to its best ability and is not aware of any such risks or uncertainties, which would essentially differ from the usual risks and uncertainties in its business.

Environmental factors

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

Shares and shareholders

The company's shares are listed at Nasdaq First North Growth Market Sweden with ticker symbol "HRNTS", and at Nasdaq First North Growth Market Finland with ticker symbol "HRTIS". The market capitalization of Herantis Pharma Plc at the end of the review period on December 31, 2020 was approximately EUR 40.5 million. The closing price of the company's shares in the Nasdaq First North Growth Market Finland on December 31, 2020 was 4.15 euros. The highest share price during the review period was 10.00 euros, lowest 3.79 euros, and average 7.06 euros. The trading volume of the company's share in 2020 was 2,046,810 shares, corresponding to approximately 20% of all shares in the company. According to Herantis' shareholder register dated December 31, 2020 the company had approx. 2,290 registered shareholders. On December 31, 2020 the members of Herantis' Board of Directors and the management held in aggregate 107,036 (185,342) shares including shares held through their controlled companies, or 1.0 (2.4) percent of the company's shares. Information on managers' transactions with the company's shares is published through company releases and on the company's website.

	Shareholders December 31, 2020	Numbers of shares	%
1	Swedbank Robur Fonder	946,435	9.7%
2	Fjärde AP Fonden	607,585	6.2%
3	Inveni Life Sciences Fund I Ky	528,134	5.4%
4	Helsingin Yliopiston Rahastot	515,483	5.3%
5	Nanoform Finland Oyj	432,432	4.4%
6	Innovestor Kasvurahasto I Ky	328,500	3.4%
7	OP Suomi Pienyhtiöt	325,891	3.3%
8	Joensuun kauppa ja kone Oy	308,181	3.2%
9	Pensionförsäkringsaktiebolaget Veritas	304,512	3.1%
10	Sijoitusrahasto Säästöpankki Pienyhtiöt	260,000	2.7%
11	Sijoitusrahasto Nordea Nordic Small	232,200	2.4%
12	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	209,403	2.1%
13	Danske Bank AS Helsinki branch	204,047	2.1%
14	Saarma Mart	159,000	1.6%
15	Castrén Eero Hemminki	155,000	1.6%
16	Kaloniemi Markku Petteri	153,512	1.6%
17	Argonius Oy	145,000	1.5%
18	Rauvala Heikki Matti Eemeli	140,000	1.4%
19	Säästöpankki Itämeri	132,907	1.4%
20	Erikoissijoitusrahasto Taaleri Uusi	121,622	1.2%
	Top 20 largest shareholders	**6,209,844**	**63.6%**
	Others	**3,547,224**	**36.4%**
	Total numbers of shares	**9,757,068**	**100.0%**

3 Events after the review period

- Herantis announced the appointment of Magnus Sjögren, MD, PhD as Chief Medical Officer. Dr. Sjögren will assume the role effective as of May 1, 2021. Dr, Sjogren is a neuroscience expert with a focus on neurodegenerative diseases, and in addition has experience in other areas relevant to Herantis' programs including oncology and inflammation. He has held several senior executive and scientific positions at major pharmaceutical and biotechnology companies, including Chief Medical Officer at DiaGenic, Vice President Global Exploratory Development at UCB Pharma, Global Head of Translational Medicine in Schering-Plough and Senior Clinical Research Director at AstraZeneca.
- Herantis announced composition of shareholders' nomination committee:
  - Marko Berg, Helsinki University Funds (HYR) (Chairman),
  - Pia Gisgård, Swedbank Robur,
  - Aki Prihti, Inveni Life Sciences Fund I Ky,
  - Timo Veromaa, the Chairman of Herantis Pharma's Board of Directors.
- Herantis entered into an agreement with Nanoform, an innovative nanoparticle medicine enabling company. The collaboration provides for formulation Proof of Concept studies (PoCs) to combine Herantis' intranasally administered CDNF therapy for Parkinson's disease with Nanoform's nanoparticle technology.
- Herantis announced that clinical trial results from its Phase II study investigating Herantis' patented, gene therapy Lymfactin®, for the treatment of Breast Cancer Related Lymphedema (BCRL), were inconclusive. The primary purpose of the trial was to determine whether there was an additional benefit of Lymfactin® treatment in combination with lymph node transfer surgery, compared to surgery alone. While both treatment groups experienced clear clinical benefits, the trial did not establish additional treatment benefit for Lymfactin® in combination with surgery, compared to surgery alone. Herantis will continue to analyse and review the data to gain additional insight from the study including the baseline differences, adequacy of dosing, outcome measures, measurement tools, other signals in the data, and other potentially applicable target indications. The company expects to be able to announce any further findings and decisions on the program in Q2 2021.
- Herantis announced an oral presentation and a poster presentation summarizing the results from the Phase I-II First-In-Man Clinical Trial of CDNF in Parkinson's Disease at the 15th International Conference on Alzheimer's and Parkinson's Diseases, AD/PD™ 2021 Virtual Conference, March 9–14, 2021. Key Highlights of the presentations:
  - Phase I/II topline 12-month data achieved the safety endpoints and exploratory outcome measures produced important insight related to the treatment effect
  - Changes indicative of a potential response to CDNF treatment observed in individual patients

- Cerebrospinal Fluid (CSF) biomarker profiling suggesting modulation of proteostasis in response to CDNF treatment

- The Shareholders' Nomination Committee, presented the following proposals to the Herantis AGM to be held on 15 April 2021. The proposals will be included in the notice to the Annual General Meeting to be published at a later date. In addition to proposal on the remuneration of the members of the Board of Directors, the Shareholders' Nomination Committee proposed that the number of members of the Board of Directors shall be six (6). The Shareholders' Nomination Committee further proposes that all current members of the Board of Directors, i.e. Timo Veromaa, Mats Thorén, Frans Wuite, James Phillips, and Aki Prihti shall be re-elected as members of the Board of Directors. The Shareholders' Nomination Committee also proposed that Hilde Furberg shall be elected as a new member of the Board of Directors. More information can be found on Herantis Pharma's website.

4 Outlook for 2021

Herantis' objectives for 2021 is to accelerate its priority development activities to deliver key value inflexion points, and advance the programs toward potential commercialization agreements for our leading drug candidates. Potential news flow for 2021 includes completing development of alternative administration routes for CDNF, selecting a lead candidate for xCDNF to take forward into further development, generating pre-clinical data with these assets, and finalizing the evaluation of Lymfactin®.

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 19.7 million according to the balance sheet December 31, 2020. Herantis Pharma Plc had no essential revenue in 2020. The financial result of the parent company for 2020 was EUR -7.0 million. The Board of Directors expects to propose to the Annual General Meeting convening on April 15, 2021 that no dividend shall be paid for the financial period January 1 – December 31, 2020.

6 Key figures consolidated

EUR thousands	2020	2019	2018
Revenue	0	0	0
Payroll and related expenses	2,035	1,403	1,244
Depreciation and amortization	927	1,047	1,202
Other operating expenses	5,199	4,931	2,654
Profit/loss for the period	-9,153	-8,005	-4,180
Cash flow from operating activities	-8,561	-5,958	-3,732
Equity ratio %	46.2	16.7	-1.2
Basic and diluted loss per share EUR	-1.24	-1.37	-0.85
Number of shares at end of period	9,757,068	6,680,305	4,918,305
Average number of shares	7,394,001	5,844,621	4,918,305

EUR thousands	31-Dec-20	31-Dec-19	31-Dec-18
Cash and cash equivalents	13,324	6,998	2,185
Equity	7,587	1,851	-89
Balance sheet total	16,420	11,071	7,147

Formulas used in calculating key figures

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

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

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 generally accepted accounting practices and local legislation.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, Accounting Act, 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 (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), Chief Medical Officer (CMO) 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, 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 +46 40 516 14 00 in Sweden.

8.7 Remuneration

8.7.1 Remuneration of the directors

Herantis' Board members were paid in total 123,750.00 euros as remuneration during the financial year 1 Jan 2020 – 31 Dec 2020. During the same period the board members of other companies of the Herantis group were not paid any remuneration.

On 8 April 2020 the General Meeting of Herantis resolved that the remuneration payable to the members of the Board of Directors shall be 1,500 euros per month except for the Chairman of the Board who shall be paid 2,500 euros per month and a possibly elected Vice Chairman who shall be paid 2,000 euros per month. 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 are in an employment relationship or have service contracts with the company.

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 2020, the total salary of the CEO and previous CEO including fringe benefits and performance-based bonus was EUR 373,623.22, and for the Management Team excluding CEO, EUR 562,485.66.

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 2020	31 Dec 2019
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
Craig Cook (Chief Executive Officer)	0	0
Sigrid Booms (Head of Regulatory Affairs)	2,400	2,400
Henri Huttunen (Chief Scientific Officer)	78,050	74,050
Antti Vuolanto (Chief Operating Officer)	1,100	1,100
Tone Kvåle (Chief Financial Officer)	4,600	0

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 Martin Grandell, APA.

8.10 Public Disclosure policy

Herantis complies with the disclosure obligations as outlined and defined in the Market Abuse Regulation ((EU) No 596/2014) 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 on the company's website in both English and Finnish as well as distributes such announcements to relevant public media.. 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 1 July 2016.

8.11 Information for the shareholders

Annual General Meeting 2021

Shareholders of Herantis Pharma Plc are invited to attend the Annual General Meeting of the Company on April 15, 2021. 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 25, 2021.

Financial releases

Financial results of the first half of 2021 are expected to be released on August 26, 2021.

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	2020	2019
Revenue	**0**	**0**
Other operating income	90,000.00	225,350.02
Payroll and related expenses	-2,035,061.57	-1,403,202.48
Depreciation and amortization	-927,705.00	-1,046,650.67
Other operating expenses	-5,199,080.22	-4,930,695.91
Total operating expenses	-8,161,846.79	-7,380,549.06
Operating profit (loss)	**-8,071,846.79**	**-7,155,199.04**
Finance income	1,296.38	19,438.77
Finance expenses	-1,082,361.77	-868,796.01
Total finance income and expenses	-1,081,065.39	-849,357.24
Profit (loss) before taxes	**-9,152,912.18**	**-8,004,556.28**
Profit (loss) for the financial year	**-9,152,912.18**	**-8,004,556.28**
Consolidated profit (loss)	**-9,152,912.18**	**-8,004,556.28**

Consolidated balance sheet

Currency EUR	31.12.20	31.12.19
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	2,879,410.15	3,807,115.15
Intangible rights	0	0
	2,879,410.15	3,807,115.15
Tangible assets		
Machinery and equipment	0	3,691.16
	0	3,691.16
Total non-current assets	**2,879,410.15**	**3,810,806.31**
Current assets		
Debtors		
Short-term		
Other debtors	174,337.35	244,889.22
Prepayments and accrued income	42,029.13	16,949.32
	216,366.48	261,383.54
Securities	985,243.95	985,243.95
Cash in hand and at banks	12,339,264.59	6,012,690.80
Total current assets	**13,540,875.02**	**7,259,773.29**
ASSETS TOTAL	**16,420,285.17**	**11,070,579.60**
LIABILITIES		
Capital and reserves		
Subscribed capital	80,000	80,000
	80,000	80,000
Other reserves		
Free invested equity reserve	62,490,276.60	47,601,032.62
Retained loss	-45,830,019.90	-37,825,463.62
Loss for the financial year	-9,152,912.18	-8,004,556.28
Total equity	**7,587,344.52**	**1,851,012.72**
Creditors		
Long-term		
Loan from credit institutions	5,940,968.65	7,205,979.65
	5,940,968.65	7,205,979.65
Short-term		
Loans from credit institutions	1,265,011.00	5,661.00
Trade creditors	716,085.24	1,624,904.91
Other creditors	89,356.30	34,122.46
Accruals and deferred income	821,519.45	348,898.85
	2,891,971.99	2,013,578.22
Total liability	**8,832,940.64**	**9,219,566.87**
LIABILITIES TOTAL	**16,420,285.17**	**11,070,579.60**

Consolidated cash flow statement

Currency EUR	1.1.–31.12.20	1.1.–31.12.19
Cash flow from operating activities		
Profit (loss) before income taxes	-9,152,912.18	-8,004,556.28
Adjustments:		
Depreciation according to plan and amortization	927,705.00	968,935.38
Depreciation from consolidation differences	0	77,715.29
Other financial income and expenses	1,082,361.77	849,357.24
Cash flow before change in working capital	-7,142,845.41	-6,108,548.37
Change in working capital:		
Increase(-)/decrease(+) in short term interest free receivables	45,472.06	-157,294.57
Increase(-)/decrease(+) in short term interest free liabilities	-380,965.23	1,156,991.12
Cash flow from operations before financial items and taxes	-7,478,338.58	-5,108,851.82
Interest paid and other financial expenses from operation	-1,083,658.15	-849,973.35
Interest received	1,296.38	616.11
Cash flow from operations before income taxes	-8,560,700.35	-5,958,209.06
Cash flow from operating activities (A)	**-8,560,700.35**	**-5,958,209.06**
Cash flow from investments:		
Proceeds from sale of tangible assets	3,691.16	0
Cash flow from investments activities (B)	**3,691.16**	**0**
Cash flow from financing:		
Gross proceeds from equity issue	14,889,243.98	9,944,855.80
Long term loans drawn	0	831,422.00
Short term loan repayments	-5,661.00	-5,661.00
Cash flow from financing activities (C)	**14,883,582.98**	**10,771,616.80**
Change in cash and cash equivalents (A+B+C) incr. (+)/decr.(-)	6,326,573.79	4,812,407.74
Cash and cash equivalents at beginning of period	6,997,934.75	2,185,527.01
Cash and cash equivalents at end of period	**13,324,508.54**	**6,997,934.75**

Parent income statement

Currency EUR	2020	2019
Revenue	**0**	**0**
Other operating income	90,000.00	225,350.02
Payroll and related expenses	-2,035,061.57	-1,403,202.48
Depreciation and amortization	-159,705.00	-200,535.65
Other operating expenses	-3,885,067.42	-3,394,297.02
Total operating expenses	-6,079,833.99	-4,998,035.15
Operating profit (loss)	**-5,989,833.99**	**-4,772,685.13**
Finance income	16.80	18,847.11
Finance expenses	-1,057,271.77	-843,697.15
Total finance income and expenses	-1,057,254.97	-824,850.04
Profit (loss) before taxes	**-7,047,088.96**	**-5,597,535.17**
Profit (loss) for the financial year	**-7,047,088.96**	**-5,597,535.17**

Parent balance sheet

Currency EUR	31.12.20	31.12.19
ASSETS		
Non-current assets		
Intangible assets		
Development expenses	319,410.15	479,115.15
Intangible rights	0	0
Intangible assets total	319,410.15	479,115.15
Tangible assets		
Machinery and equipement	0	2,491.95
Tangible assets total	0	2,491.95
Investments		
Holdings in group undertakings	6,781,225.84	6,781,225.84
Investments total	6,781,225.84	6,781,225.84
Total non-current assets	**7,100,635.99**	**7,262,832.94**
Current assets		
Debtors		
Short-term		
Other debtors	67,144.56	42,170.34
Prepayments and accrued income	42,029.13	16,949.32
	109,173.69	59,119.66
Long-term		
Amounts owned by group undertakings	6,400,890.87	4,905,435.79
	6,400,890.87	4,905,435.79
Securities	985,243.95	985,243.95
Cash in hand and at banks	11,714,700.82	5,693,050.13
Total current assets	**19,210,009.33**	**11,642,849.53**
TOTAL ASSETS	**26,310,645.32**	**18,905,682.47**

Currency EUR	31.12.20	31.12.19
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	62,490,276.60	47,601,032.62
Retained loss	-35,432,148.15	-29,834,612.98
Loss for the financial year	-7,047,088.96	-5,597,535.17
Total equity	**20,091,039.49**	**12,248,884.47**
Creditors		
Long-term		
Loan from credit institutions	3,666,468.65	4,696,979.65
	3,666,468.65	4,696,979.65
Short-term		
Loans from credit institutions	1,030,511.00	5,661.00
Trade creditors	715,470.40	1,624,338.20
Other creditors	89,356.30	34,122.46
Accruals and deferred income	717,799.48	295,696.69
	2,553,137.18	1,959,818.35
Total liability	**6,219,605.83**	**6,656,798.00**
LIABILITIES TOTAL	**26,310,645.32**	**18,905,682.47**

Parent cash flow statement

Currency EUR	1.1–31.12.2020	1.1–31.12.2019
Cash flow from operating activities		
Profit (loss) before income taxes	-7,047,088.96	5,597,535.17
Adjustments:		
Depreciation and amortization according to plan and impairments	159,705.00	200,535.65
Other financial income and expenses	1,057,271.77	824,850.04
Cash flow before change in working capital	-5,830,112.19	-4,572,149.48
Change in working capital:		
Increase(-)/decr.(+) in short-term interest-free receivables	-50,054.03	-13,344.56
Increase(+)/decr.(-) in short-term interest-free liabilities	-431,531.17	1,115,967.05
Cash flow from operations before financial items and taxes	-6,311,697.39	-3,469,526.99
Interest paid and pmts for other financ. exp. from operat.	-1,057,271.77	-824,871.49
Financial income received from operations	16.80	24.45
Cash flow from operations before appropriations and taxes	-7,368,952.36	-4,294.377.03
Cash flow from operating activities (A)	**-7,368,952.36**	**-4,294.377.03**
Cash flow from investments:		
Granted loans	2,491.95	0.00
Loans repayments	-1,495,455.08	-1,817,031.86
Cash flow from investments (B)	**-1,492,963.13**	**-1,817,031.86**
Cash flow from financing:		
Share issue	14,889,243.98	9,944,855.80
Long-term loans drawn	0	831,422.00
Short-term loan repayments	-5,661.00	-5,661.00
Cash flow from financing (C)	**14,883,582.98**	**10,770,616.80**
Change in cash and cash equivalents(A+B+C) incr.(+)/decr.(-)	6,021,667.49	4,659,207.91
Cash and cash equivalents at beginning of period	6,678,294.08	2,019,086.17
Cash and cash equivalents at end of period	**12,699,961.57**	**6,678,294.08**

Notes to the financial statements

Domicile: Helsinki, Finland

Note information concerning the preparation of the financial statement

Evaluation principles and methods

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.

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 costs remain at an appropriate level depreciation of 10 years for drug development projects, 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

In December 2019 the Company's shares were listed in the Nasdaq First North Growth Market Sweden. The expenses related to the listing are presented in interest and other financial expenses.

Transactions in foreign currency

Differences in exchange rates are differences in funding transactions. A positive cumulated difference is recorded in income statement in other interest and financial income from others, and a negative cumulated difference is recorded in Interest and other financial expenses. 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 31.12.2020, the remaining 2 879 410,15 euros relates to 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.–31.12.2020**	**1.1.–31.12.2019**	**1.1.–31.12.2020**	**1.1.–31.12.2019**
Interest income	0.00	0.00	1,279.58	591.66
Interest expenses	47,101.18	42,946.55	72,191.18	68,045.41
	47,101.18	**42,946.55**	**73,470.76**	**68,637.07**

Note information concerning the balance sheet assets

Non-current assets

Intangible assets

Goodwill

Consolidated goodwill resulting from the acquisition of the shares of Laurantis Pharma Oy was 17,043,819.91 euros of which 16,000,000.00 euros has been allocated towards development costs and 1,043,819.91 euros to goodwill. During the financial period January 1, 2016–December 31, 2016 Herantis acquired the minority interest of Laurantis Pharma Oy (1%). The consolidated goodwill resulting from the acquisition amounting to 60,960.00 € was allocated to goodwill and it has been amortized according to the same plan as the initially acquired subsidiary shares.

Currency EUR	1.1.–31.12.2020	1.1.–31.12.2019
Consolidated		
Consolidated goodwill acquisition costs	1,104,779.91	1,104,779.91
Additions	0.00	0.00
Accumulated amortization	-1,104,779.91	-1,027,064.62
Amortization during financial period	0.00	-77,715.29
Goodwill, December 31st	0.00	0.00

Development costs

Parent company

Development expenses that were not amortized and included in long-term expenses, a total of 638,820.15 euros consist of the development costs of the CDNF project.

Consolidated

16,000,000.00 euros of the consolidated goodwill resulting from the acquisition of the shares of Laurantis Pharma Oy has previously been allocated toward development costs. The amount of 7,349,333.33 euro was additionally written down during the financial year 2015 due to weaker than expected results in the development of cis-UCA Eye Drops.

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2020**	**1.1.–31.12.2019**	**1.1.–31.12.2020**	**1.1.–31.12.2019**
Development costs CDNF, January 1st	479,115.15	638,820.15	3,807,115.15	4,734,820.15
Development costs total, January 1st	479,115.15	638,820.15		
Development costs consolidated, January 1st			3,807,115.15	4,734,820.15
Total	**479,115.15**	**638,820.15**	**3,807,115.15**	**4,734,820.15**
Amortization for the accounting period CDNF	-159,705.00	-159,705.00	-159,705.00	-159,705.00
Amortization for the accounting period, consolidated	0.00	0.00	-768,000.00	-768,000.00
Amortization for the accounting period, total	-159,705.00	-159,705.00	-927,705.00	-927,705.00
Development costs December 31st	**319,410.15**	**479,115.15**	**2,879,410.15**	**3,807,115.15**

Patents

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2020**	**1.1.–31.12.2019**	**1.1.–31.12.2020**	**1.1.–31.12.2019**
At the beginning of the accounting period	0.00	40,000.00	0.00	40,000.00
Additions during the accounting period	0.00	0.00	0.00	0.00
Accounting period amortization	0.00	-40,000.00	0.00	-40,000.00
At the end of the accounting period	0.00	0.00	0.00	0.00
Book value in the financial statement	**0.00**	**0.00**	**0.00**	**0.00**

Current assets

Receivables from group companies

Currency EUR	Parent 31.12.2020	Parent 31.12.2019
Other receivables	6,400,890.87	4,905,435.79
Total	**6,400,890.87**	**4,905,435.79**

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

Securities

Currency EUR	Consolidated 31.12.2020	Consolidated 31.12.2019
Other shares and similar rights of ownership		
Market value	1,010,409.30	985,243.95
Estimated acquisition cost	985,243.95	985,243.95
Difference	**25,165.35**	**0.00**

Note information concerning balance sheet liabilities

Equity

Changes in equity assets

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2020**	**1.1.–31.12.2019**	**1.1.–31.12.2020**	**1.1.–31.12.2019**
Restricted equity				
Share equity at the start of the acc. period	80,000.00	80,000.00	80,000.00	80,000.00
Share equity at the end of the acc. 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 acc. period	47,601,032.62	37,656,176.82	47,601,032.62	37,656,176.82
The amount of the subscription price of the shares marked to the reserve	14,889,243.98	9,944,855.80	14,889,243.98	9,944,855.80
Invested unrestricted equity reserve at the end of the acc. period	62,490,276.60	47,601,032.62	62,490,276.60	47,601,032.62
Loss from previous acc, period, at the beginning of acc. period	-35,432,148.15	-29,834,612.98	-45,830,019.90	-37,825,463.61
Loss at the end of the previous acc. period	-35,432,148.15	-29,834,612.98	-45,830,019.90	-37,825,463.61
Loss for the accounting period	-7,047,088.96	-5,597,535.17	-9,152,912.18	-8,004,556.28
Unrestricted equity, total	20,011,039.49	12,168,884.47	7,507,344.52	1,771,012.73
Equity, total	**20,091,039.49**	**12,248,884.47**	**7,587,344.52**	**1,851,012.73**

Calculation of distributable unrestricted equity

Currency EUR	**31.12.2020**
Invested unrestricted equity reserve	62,490,276.60
Retained earnings (loss)	-35,432,148.15
Loss for the financial year	-7,047,088.96
Development expenses in balance sheet	-319,410.15
Distributable unrestricted equity total	**19,691,629.34**

Liabilities

Long-term liabilities maturing after more than five years

	Parent		Consolidated	
Currency EUR	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Total	0	580,600.00	454,900.00	1,409,040.00

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 2021	77,482.38	77,482.38
Rental commitments due later than 2021	123,261.60	123,261.60
Rental commitments. total	**200,743.98**	**200,743.98**

Note information on the remuneration of the auditor

	Parent		Consolidated	
Currency EUR	**1.1.–31.12.2020**	**1.1.–31.12.2019**	**1.1.–31.12.2020**	**1.1.–31.12.2019**
PricewaterhouseCoopers Oy				
Audit fees	**32,757.39**	44,598.96	37,246.19	48,218.96

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.–31.12.2020	**1.1.–31.12.2019**	**1.1.–31.12.2020**	**1.1.–31.12.2019**
Average number of full-time equivalent employees	12.2	11	12.2	11

Remuneration of directors and management

Currency EUR	**2020**	**2019**
CEO and previous CEO	373,623.22	211,171.88
Directors of the Board	123,750.00	120,000.00
	497,373.22	331,171.88

Signatures

In Helsinki, March 18, 2021

Timo Veromaa
Chairman of the Board

Frans Wuite
Vice chairman of the Board

Mats Thóren
Board Member

Jim Phillips
Board Member

Aki Prihti
Board Member

Craig Cook
CEO

The Auditor's Note

A report on the audit performed has been issued today In Helsinki, Finland, March 23, 2021

Martin Grandell
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 1.1.–31.12.2020. 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.

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 and 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 a 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 to 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 about 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 parent company or the group 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 comprises 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 other information and, in doing so, consider whether the other information 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 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 report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 23 March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant (KHT)

Financial information

This Annual report are published in Finnish and in English on March 25, 2021 at 8:00pm Eastern European Time on the company's website at www.herantis.com. In case of any discrepancies between the language versions, the Finnish version shall prevail.

Certified Advisor:

UB Securities Ltd
Finland: +358 9 25 380 225,
Sweden: +358 40 5161400
Company website: www.herantis.com

Financial calendar

Annual Report for 2020	25 March 2021
Annual General Meeting (AGM)	15 April 2021
Quiet period before H1 2021	27 July – 26 August 2021
Report on the H1 2021	26 August 2021

Investor contact

Julie Silber/Gabriela Urquilla
Tel: +46 (0)7 93 486 277
+46 (0)72-396 72 19
Email: ir@herantis.com

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.

Glossary of terms

AdeLE	Lymfactin® Phase II study. Multi-center, randomized, double-blinded, placebo-controlled.
BBB	Blood brain barrier. A border that separates the brain from blood circulation, allowing the passage of water and a selective transport of molecules important for the brains.
BCAL	Breast cancer associated lymphedema. Disease caused by injuries in the lymphatic system due to breast cancer treatments, resulting in chronic and progressive swelling of the affected arm.
CAGR	Compound Annual Growth Rate
CDNF	Cerebral Dopamine Neurotrophic Factor. A protein naturally present in humans with neuroprotective and neuro-restorative properties. Developed by Herantis as a potential disease-modifying treatment of Parkinson's disease.
CNS	Central nervous system. CNS disease is a broad category of conditions in which the brain does not function as it should, limiting health and the ability to function. The condition may be an inherited metabolic disorder; the result of damage from an infection, a degenerative condition, stroke, a brain tumor or other problem; or arise from unknown or multiple factors.
ER	Endoplasmic reticulum. An organelle of cells, which is included e.g. in the folding of the proteins produced by the cells.
KOL	Key Opinion Leader
LBD	Lewy body dementia
L-DOPA	A molecule used as a drug to alleviate the motor symptoms of Parkinson's disease. Also known as levodopa.
LE	Lymphedema
Lymfactin®	Herantis' drug candidate for the treatment of secondary lymphedema based on the discovery of VEGF-C.
Lymph	Fluid that flows through the lymphatic system, whose function is to return fluid from the tissues to the central circulation. It has many functions such as returning proteins and excess interstitial fluid to the bloodstream.
PD	Parkinson's disease. A neurodegenerative disease caused by the death of dopamine producing neurons in the midbrain.
PI	Principal investigator.
Proteostasis	Is the process that regulates proteins within cells in order to maintain the health of both the the proteome and the organism itself. With ageing, and to a more pathological degree, in some disorders such as Alzheimer's, Parkinson's, the proteostasis is dysfunctional leading to misfolding and affected degradation of proteins.
SAE	Serious adverse event.
TreatER	Project funded by the EU Horizon 2020 framework program. The essential part of the project is the Phase 1-2 clinical study with CDNF.
UPDRS	Unified Parkinson's Disease Rating Scale. Rating scale to assess and quantify the symptoms of Parkinson's disease, often used in clinical studies in PD.
VEGF-C	Vascular endothelial growth factor C. A natural human growth factor that is important for the formation of new lymphatic vessels.
VLNT	Vascularized lymph node transfer.
xCDNF	Next generation CDNF. A certain part of the CDNF protein, which appears to retain the biological activity of the CDNF and to be able to penetrate the blood brain barrier.

HERANTIS
PHARMA

Herantis Pharma Oyj
Bertel Jungin Aukio 1
02600 Espoo, Finland

herantis.com