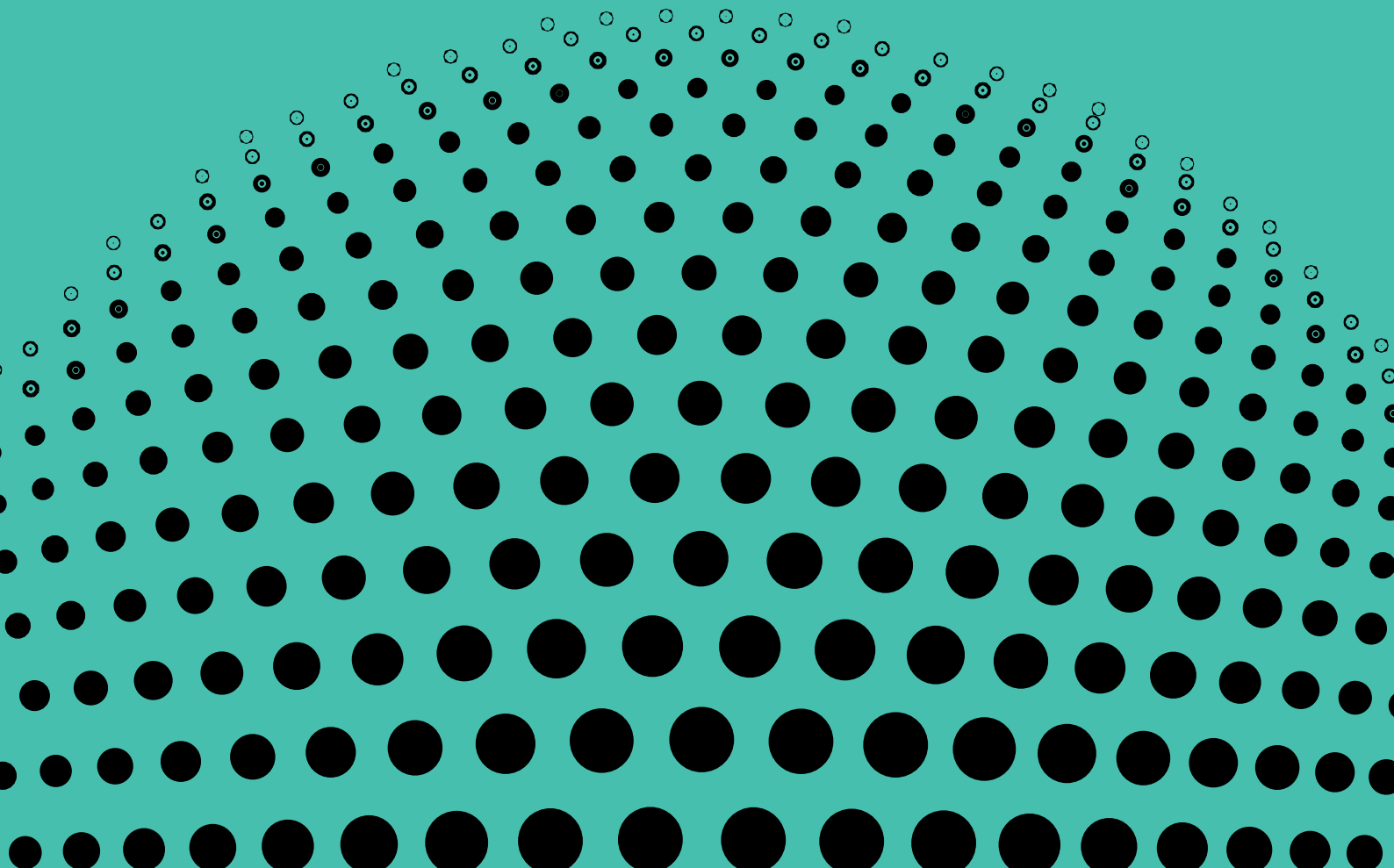


# Report of the Board of Directors and Financial statements

FOR THE YEAR ENDED DECEMBER 31, 2020



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# Report of the Board of Directors for the financial year ended December 31, 2020

## Operating environment

Nanoform operates in one of the world's largest markets, the global pharmaceutical market, where turnover exceeds USD 1,000 billion and where the annual R&D budget is almost USD 200 billion. Despite enormous investments in R&D, fewer than 50 new drugs have been approved by the FDA annually during the last ten years. One key reason why so few medicines are approved each year is low bioavailability of the API (Active Pharmaceutical Ingredient). Nanoform's platform technology offers a potential solution to this problem by producing nanoformed drug particles. When the size of a drug particles is reduced, their combined surface area in proportion to the mass of API increases, which improves their solubility and bioavailability.

The pharmaceutical industry is highly regulated and characterized by a step-by-step development process, from discovery and clinical trials to market sale. It is considered to be a defensive industry where the underlying demand is non-cyclical and steadily increasing as the global population grows wealthier and older and as chronic diseases become more prevalent. The defensive nature of the industry has been evident during the COVID-19 turbulence on both the global stock markets, and also in the stable demand for the pharma industry's products and services. During 2020 we have seen some implications of the pandemic but no significant delays or disruptions to customer project timelines due to COVID-19.

The high attrition rate in the global drug development pipeline – with one of the key reasons being low bioavailability – limits the number of new drugs that reach the market. This increases the maturity of pharmaceutical companies' commercial product portfolios, with the average share of revenue stemming from drugs that have been on the market for more than ten years and concerning more than half of the assets for many of the world's largest pharma companies. With an old product portfolio, the vulnerability to forthcoming patent expirations increases as does the importance of lifecycle management of existing drugs. As Nanoform's technology platform provides an opportunity to help not only to lower the attrition of new drugs in development but also with lifecycle management of existing drugs on the market, we foresee continued interest in the technology. By providing opportunities for pharma companies to seek to extend patent protection by enabling opportunities to apply for patents for, e.g., new indications, dosage forms and delivery mechanisms, our technology may create significant value to our customers.

In 2020, Nanoform reached many significant milestones. A US subsidiary was established, GMP status was achieved when the Finnish Medicines Agency awarded us a GMP certificate, the first GMP campaign was executed, followed by the successful first dosing of nanoformed drug material in humans. The company became a publicly traded company in a dual-listing on both Helsinki and Stockholm Nasdaq First North Growth Market Premier platforms. Many new pharma companies were signed as customers, while the number of new PoC projects started increased fivefold from two to ten. The number of nanoforming lines more than doubled, the number of employees nearly doubled and a new technology for Biological APIs was introduced, with the first customer signed on the Biologics side.

## Company near-term business targets for 2021 and 2022

- First Biologics PoC project in 2021 (achieved in February)
- At least 12 new non-GMP and at least one GMP customer project in 2021
- At least 3 new non-GMP lines in 2021 and 2 new GMP lines in 2022 (new target)

## Company mid-term business targets 2025 (unchanged)

- to nanoform at least 50 new Active Pharmaceutical Ingredients (API) annually
- to have in place 25 operating production lines of which 5 to 10 are expected to be GMP production lines
- over 90 percent gross margin
- approximately 200 employees
- to be cash flow positive

## Key figures

EUR thousand	Group		
	2020	2019 <sup>*)</sup>	2018 <sup>*)</sup>
Revenue	687	49	235
Gross profit	497	-323	128
Gross margin (EBITDA)	-18,196	-6,900	-1,827
Operating loss	-19,423	-7,344	-1,987
Loss for the year	-19,441	-7,554	-2,074
Equity ratio %	84.8%	61.7%	61.3%
Gearing-%	-86.5%	-45.9%	-63.5%
Gearing-% excluding lease liabilities	-95.8%	-83.5%	-100.1%
Net debt	-54,156	-3,640	-3,194
Net debt excluding lease liabilities	-59,977	-6,626	-5,040
Assets total	73,886	12,910	8,209
Average number of personnel	59	33	17
Number of personnel at the end of the period	74	43	19
Employee benefit expenses	-12,526	-4,359	-1,299
R&D expenses	-2,608	-986	-865
Investments in property, plant and equipment	-2,336	-1,804	-379
Operative free cash flow	-20,532	-8,704	-2,207
Cash and cash equivalents (end of period)	61,025	7,303	5,595

<sup>\*)</sup> Parent company information, the Group was formed in the financial year 2020.

## Group Share indicators

	Group		
	2020	2019 <sup>*)</sup>	2018 <sup>*)</sup>
Basic EPS (EUR)	-0.35	-0.19	-0.07
Equity per share	0.94	0.19	0.14
Dividend per share			
Dividend % of earnings			
Effective dividend yield %			
P/E ratio EUR	-0.05		
Lowest share price EUR, NANOFH	3.80		
Highest share price EUR, NANOFH	8.00		
Closing share price EUR, NANOFH	7.08		
Lowest share price SEK, NANOFH	38.00		
Highest share price SEK, NANOFH	73.95		
Closing share price SEK, NANOFH	71.20		
Market value of shares at end of period EUR	471,531,136		
Weighted average number of shares during the financial period	56,268,964	39,107,334	32,334,521
Number of shares in the end of financial year	66,600,443	42,095,365	35,938,020

<sup>\*)</sup> Parent company information, the Group was formed in the financial year 2020.

Nanoform's shares were listed on Nasdaq First North Premier Helsinki and Stockholm stock exchange on June 4, 2020.

## Financial review of the Nanoform Group

### Revenue

Nanoform's full-year net revenue amounted to EUR 687 (2019: 49) thousand. Revenue comprised of proof-of-concept type R&D services where the company has offered expert services in nanotechnology and drug particle engineering for the global pharma industry. Revenue stemmed from multiple customer projects.

### Results

Nanoform's materials and services amounted to EUR -216 (2019: -603) thousand. During the financial period, costs are stemming from customer projects reported in revenue, commercialization and materials and supplies used in the R&D activities and operations are reported in the other operating expenses. During the previous financial period, materials and services also included expenses related to commercialization and materials and supplies used in the R&D activities and operations. Employee benefits increased to EUR -12,526 (2019: -4,359) thousand, primarily due to growth in personnel, share-based payments, and variable pay related to the IPO and financing rounds and annual performance. The average number of personnel was 59 (2019: 33) employees, and the number of personnel at the end of the period was 74 (2019: 43) employees.

EBITDA was EUR -18,196 (2019: -6,900) thousand. The decrease in EBITDA was mainly attributable to a 187 (2019: 236) per cent increase in employee benefits and a 252 (2019: 160) per cent increase in the external services.

Depreciation, amortization and impairment losses amounted to EUR -1,226 (2019: -444) thousand, of which depreciations on property, plant and equipment accounted for EUR -1,181 (2019: -417) thousand. The increase in depreciation is mainly due to an increase in leased premises and investments in machinery and equipment. Depreciation of EUR -760 (2019: -294) thousand was recognized on leased right-of-use assets presented under property, plant and equipment.

Operating loss amounted to EUR -19,423 (2019: -7,344) thousand. Total finance income and expenses amounted to EUR -15 (2019: -209) thousand. Loss for the year totalled EUR -19,441 (2019: -7,554) thousand.

### Cash flow

Nanoform's net cash flow from operations amounted to EUR -14,156 (2019: -5,798) thousand. The change in working capital was EUR 2,277 (2019: 511) thousand.

Nanoform's cash flow from investing activities totalled EUR -4,040 (2019: -1,877) thousand, consisting of investments into intangible assets and property, plant and equipment and investment to Herantis Pharma Plc shares. Investing into property, plant and equipment activities mainly comprised of GMP and R&D lines built during the financial year and equipment and machinery used in busi-

ness operations. During the financial period, the company invested EUR 1,600 thousand in Herantis Pharma Plc in a directed share issue.

Nanoform's cash flow from financing activities amounted to EUR 71,858 (2019: 9,415) thousand, including proceeds from the share issues in connection with IPO of EUR 79,928 (2019: 10,046) thousand. Transaction cost related to the share issue were EUR -8,316 (2019: -359) thousand. Share subscriptions by stock options amounted to EUR 438 thousand. In addition, the company financed its operations with loans from Business Finland of EUR 505 (2019: 122) thousand and repayments of R&D loans were EUR -78 thousand (2019: 0). The impact of repayments for lease liabilities on the cash flow from financing activities was EUR -620 (2019: -292) thousand. During the 2019 financial period, the company acquired treasury shares amounting to EUR -102 thousand.

### Financial position

Nanoform's equity at the end of the financial period 2020 totalled EUR 62,635 (2019: 7,932) thousand. Cash and cash equivalents at the end of the financial period 2020 were 61,025 (2019: EUR 7,303) thousand. Net-debt at the end of the financial period were -54,156 (2019: -3,640) thousand.

Nanoform's total assets at the end of the financial year 2020 was EUR 73,886 (2019: 12,910) thousand. The company's debt to equity ratio at the end of the financial year was -87 (2019: -46) per cent.

### Investments, research and development

In 2020, the company invested EUR 1,754 thousand (EUR 1,501 thousand) in GMP-level cleanroom facilities and R&D production lines and equipment. The company received GMP certification from FIMEA on April 29, 2020 which enables the company to nanoform drugs for the ongoing clinical trial.

Research and development expenses in the financial year totalled EUR 2,608 (2019: 986) thousand, representing 13 (2019: 13) per cent of total operating costs.

Supported by Business Finland, the company has carried out a project concerned with the development of production equipment and technology during the financial years 2018-2020. This will help cut down the time between production batches and speed up the manufacture of production batches, which will increase production capacity and facilitate more diverse production activities.

### Management

Nanoform's corporate governance model is presented in a separate Corporate Governance statement.

### The company's Board of Directors, General Meeting of Shareholders, and auditors

The Annual General Meeting (AGM) of Nanoform Finland Ltd was held in Helsinki on April 7, 2020. The AGM adopted the financial statements and discharged the accountable persons from liability for the financial year

ended December 31, 2019.

The members of Nanoform Finland Ltd's Board of Directors were Mr. Rabbe Klemets (Chairman), Mr. Albert Hæggröm, and Mr. Mads Laustsen until 7 April 2020. After Rabbe Klemets left the board, the Annual General Meeting April 7, 2020 appointed Mr. Miguel Calado as Chairman of the board. On September 1, 2020 the Extraordinary General Meeting appointed Ms. Cynthia Schwalm member of the board.

During the year 2020 the Audit and Compensation Committee consisted of Mr. Miguel Calado (Chairman) and Mr. Mads Laustsen and after September 1, 2020 also Ms. Cynthia Schwalm.

According to the decisions made by the Annual General Meeting of Nanoform Finland Ltd on April 7, 2020, the annual fees paid to the members of the Board of Directors were as follows: Chairman, EUR 39,996; Vice Chairman, EUR 30,000; and other members, EUR 19,992.

The auditor of the company is PricewaterhouseCoopers Oy, with Tomi Moisio, Authorized Public Accountant, as the designated principal auditor.

Related party transactions, including compensation and fees paid to key management personnel and expenses from the option programs as well as liabilities and commitments to related parties are presented in Note 26 (Related party transactions) to the Financial Statements.

## CEO and Management Team

Nanoform Finland Plc's CEO is Professor Edward Hæggröm. In addition to the CEO, the members of the company's Management Team are: Dr. Niklas Sandler, Chief Technology Officer; Mr. Christian Jones, Chief Commercial Officer; Mr. Albert Hæggröm, Chief Financial Officer; Dr. Goncalo Andrade, Chief of Business Operations; Dr. David Rowe, Head of Manufacturing and Mr. Peter Hänninen, General Counsel.

## Decisions of the Annual General meeting

The Annual General Meeting (AGM) held on April 7, 2020 authorized the Board of Directors to decide on a share issue of up to 30,000,000 shares. The legal form of the company was resolved to change from private limited company to public limited company and share capital increase by reserve increase with EUR 77,500. Other decisions taken by the AGM are reported in sections Management and Equity and stock option rights of this report.

## Decisions of the Extraordinary General meeting

The Extraordinary General meeting (EGM) held September 1, 2020 resolved the number of members on the Board of Directors to be four and appointed Ms. Cynthia Schwalm as ordinary member of the Board of Directors. Other decisions taken by the EGM are reported in the sections Management and Equity and stock option rights of this report.

## Personnel

At the end of the financial year, the company had 74 (2019: 43) employees. International, highly educated personnel is part of the company's strategy. A significant part of the employees hold a doctorate e.g., in physics, pharmacy, or biology and the employees represent some fifteen different nationalities. Quite a few of them have moved to Finland with their families.

## General operating procedures

The company has internal operating procedures which guide the company's operations and practices. The company has a quality management system as required by GMP. Procurement policy is described as part of the company's quality management system. A description of the personnel policy is included in the company's HR documents. The company has in place an anti-corruption policy, code of conduct, disclosure policy, insider policy, whistleblowing policy, internal control policy, and a charter for the company's Board of Directors and Audit and Compensation Committee, respectively.

The CEO is accountable to the Board of Directors for the organisation and the planning, implementation and monitoring of risk management, as well as related reporting. The company's Management Team supports the CEO in this work.

## Environmental, Health and Safety Matters

The CESS® technology is expected to cause significant reduction in total volumes of APIs and thus lead to relatively smaller manufacturing footprint. The CESS® process creates little waste as only CO<sub>2</sub> and the API provided by the customers are combined without the use of solvents or excipients in a simple process. The CESS® process has a high production yield and requires a small production line. In addition, Nanoform uses CO<sub>2</sub> in the CESS® process, and the CESS® technology offers the possibility for a reduction of the CO<sub>2</sub> emissions through recycling of the CO<sub>2</sub> used in the process.

The company uses substances that are hazardous to the environment or health in its operations. Nevertheless, the quantities of those chemicals are small, and the substances are handled by employees according to the MSDS (Material Safety Data Sheet) and other relevant safety documents. The company has in place a hazardous waste management operating policy and standard operating procedures for the handling of API material.

## Short-term risks and uncertainty factors

Nanoform operates in a heavily regulated industry (pharmaceutical industry). The group's business is based on a new technology that has not yet been widely applied in humans. As Nanoform is an early-stage company, the viability of its business model has not yet been proven and the group has been operating at a loss. The most important business-related risks are associated with the group's growth targets and their achievement with the company's

chosen strategy. Industry-related risks are mainly associated with a target market which is both highly regulated and conservative and where introduction of new technologies happens slowly.

Risks associated with the group's financial position mainly comprise of currency-, credit- and counterparty risks. Foreign exchange fluctuations arise from SEK, GBP, USD, and NOK currency exposure. The Company's counterparty risks consist mainly of contracts between external customers, suppliers, and partners in co-operation and financial institutions. Risks related to legislation, rules and regulatory compliance are associated with the group's sector of industry.

### Risks and risk management

The company's risks have been described in an in-house risk analysis tool, and the company's internal practices are designed to ensure that high-quality information related to the company's operations is available at the right time in the company's decision-making process. The company seeks to manage technology risks by protecting key innovations, products to be commercialised and services by means of patents and trademarks. An analysis of financial risks is included in the Notes to the Financial Statements, and the company monitors the eventual realisation of financial risks by analysing its cash position in different currencies, by monitoring changes in the markets, and by analysing the clients' liquidity. Monitoring of the quality of operations and the management of associated risks has been integrated into Nanoform's GMP guidelines.

### Significant pending disputes

The company is not aware of any ongoing disputes or litigations which might have a significant impact on the company's financial position.

### Equity and option rights

Nanoform Finland Plc has 66,600,443 (2019: 42,095,365) shares. Each share entitles to one vote at the General Meeting of Shareholders and an equal share in the dividends. In connection with the listing of the Company's shares on Nasdaq First North Growth Market Premier in Helsinki and Stockholm On June 4, 2020, the Company carried out an IPO in which 20,289,856 shares and an additional 2,898,551 new shares were subscribed in two directed share issues. The holders of stock options program 1/2016 exercised their options to subscribe for 1,300,000 shares on April 22, 2020. Certain participants of the Company' stock option programs 2/2019 and 1/2020 exercised their options and subscribed for 10,000 and 6,671 shares on September 1, 2020, respectively (for more information see Note 20).

On March 27, 2019, the Nanoform General Meeting decided to grant option rights to the members of the Board of Directors and authorised the Board to decide on the issue of option rights to key personnel. The number of option rights granted to the Board members, excluding

the Chief Financial Officer, is 350,000. The number of option rights granted to other key personnel is 905,000. On March 10, 2020, the Board of Directors decided on the stock option program 1/2020, where 505,000 stock options were granted to Group's key personnel. On April 7, 2020, the Annual General meeting decided on the stock option program 2/2020, where 350,000 stocks options were granted to Board of Directors. On June 25, 2020, the Board of Directors decided on the stock option program 3/2020, where 700,000 stocks options were granted to Group's key personnel. On September 1, 2020, the EGM decided on the stock option program 4/2020, where 59,726 stock options were granted to the new member of the Board of Directors. On October 23, 2020, the Board of Directors decided on the stock option program 5/2020, where 150,000 stock options were granted to Group's key personnel. Further information on stock option programmes is included in Note 20 (Share-based payments) to the Financial Statements.

### Owners

#### Shareholders at December 31, 2020

Shares	Number of owners	Share of ownership
1-10,000	3,435	1.81%
10,000-99,999	25	1.06%
100,000-999,999	29	15.95%
>1,000,000	10	81.19%
<b>Owners total</b>	<b>3,499</b>	<b>100.00%</b>

Source: Euroclear Finland Ltd Register

#### 10 largest shareholder owners at December 31, 2020

Shareholder	Number of shares	Percentage of shares and votes
1 University of Helsinki Funds	5,489,640	8.24%
2 Hæggröm Edvard Olof	5,409,405	8.12%
3 Mandatum Life Insurance Company Limited	4,933,224	7.41%
4 Handelsbanken Funds	3,505,210	5.26%
5 The Fourth Swedish National Pension Fund	2,898,550	4.35%
6 Keel Capital	2,778,871	4.17%
7 DNB Funds	2,764,501	4.15%
8 Yliruusi Jouko Kalervo	2,700,000	4.05%
9 Falck Kai Edvin	2,700,000	4.05%
10 Avohoidon Tutkimussäätiö Sr	2,638,737	3.96%
<b>10 Largest shareholders total</b>	<b>35,818,138</b>	<b>53.78%</b>
Others	30,782,305	46.22%
<b>In total</b>	<b>66,600,443</b>	<b>100.00%</b>

Source: Euroclear Finland Ltd

## Owners by sectors at December 31, 2020

Sector	Number of shareholders	Shareholders %	Number of shares	Shares %
Private companies	110	3.14	1,954,388	2.93
Financial and insurance institutions	17	0.49	33,652,586	50.53
Public sector organizations	2	0.06	3,647,000	5.48
Households	3,351	95.77	18,516,624	27.80
Non-profit instit. serving households	3	0.09	8,129,877	12.21
Foreigners	16	0.46	699,968	1.05
<b>Total</b>	<b>3,499</b>	<b>100.00</b>	<b>66,600,443</b>	<b>100.00</b>
Nominee registered	9		27,223,623	40.88
In the joint book-entry accounts				

Source: Euroclear Finland Ltd

## Events after the reporting date

Early January, a new near-term business target was announced: "At least 12 new non-GMP and at least one GMP customer project in 2021".

In January, Nanoform announced positive interim results from its clinical study. The interim results obtained from the ongoing clinical trial, suggest that a nanoformed oral piroxicam tablet achieved significantly faster absorption when compared to the reference tablet from the originator Pfizer. The final results of the study are expected before the end of Q2/2021.

In February, Nanoform and Herantis Pharma Plc signed a Biologics Proof of Concept Agreement aiming to enhance nasal drug delivery to the brain of Herantis' CDNF therapies for Parkinson's disease using Nanoform's proprietary biological nanoparticle technology. As a result, Nanoform has achieved its near-term business target of "First Biologics PoC project signed in 2021".

In February, a PoC agreement was signed with an East Coast US Biotech company.

On February 26, a new near-term business target was announced: "At least 3 new non-GMP lines in 2021 and 2 new GMP lines in 2022".

## Board of Director's proposal for the distribution of profits

The Board of Directors proposes to the Annual General Meeting that the parent company's loss for the year, EUR -19,451,312 be transferred to the accumulated deficit and that no dividend be paid. The parent company's distributable equity on December 31, 2019 totalled EUR 62,546 (2019: 7,929) thousand.



# Consolidated and parent company financial statements

## Statement of comprehensive income

EUR	Note	Group		Parent company	
		Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019 <sup>*)</sup>	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
<b>Revenue</b>	4	686,748	49,093	686,748	49,093
Other operating income	6	26,932	231,335	26,932	231,335
Materials and services	7	-216,276	-603,431	-216,276	-603,431
Employee benefits expenses	8	-12,525,832	-4,358,917	-12,291,300	-4,358,917
Depreciation, amortization and impairment losses	10	-1,226,485	-444,248	-1,226,485	-444,248
Other operating expenses	9	-6,167,827	-2,218,098	-6,417,785	-2,218,098
<b>Total expenses</b>		<b>-20,136,419</b>	<b>-7,624,694</b>	<b>-20,151,846</b>	<b>-7,624,694</b>
<b>Operating loss</b>		<b>-19,422,740</b>	<b>-7,344,266</b>	<b>-19,438,166</b>	<b>-7,344,266</b>
Finance income	11	1,674,000	72,907	1,674,000	72,907
Finance expenses	11	-1,689,028	-282,163	-1,687,145	-282,163
<b>Total finance income and expenses</b>		<b>-15,028</b>	<b>-209,256</b>	<b>-13,145</b>	<b>-209,256</b>
<b>Loss before tax</b>		<b>-19,437,767</b>	<b>-7,553,521</b>	<b>-19,451,312</b>	<b>-7,553,521</b>
Income tax	12	-3,541			
<b>Loss for the year</b>		<b>-19,441,308</b>	<b>-7,553,521</b>	<b>-19,451,312</b>	<b>-7,553,521</b>
<b>Other comprehensive income</b>					
Items that may be reclassified to profit or loss					
Exchange differences of translation of foreign operations		-779			
<b>Other comprehensive income for the period, net of tax</b>		<b>-779</b>			
<b>Total comprehensive loss for the period</b>		<b>-19,442,087</b>	<b>-7,553,521</b>	<b>-19,451,312</b>	<b>-7,553,521</b>
<b>Loss for the period attributable</b>		<b>-19,442,087</b>	<b>-7,553,521</b>	<b>-19,451,312</b>	<b>-7,553,521</b>
<b>Loss for the period attributable to the equity holders of the Company</b>		<b>-19,442,087</b>	<b>-7,553,521</b>	<b>-19,451,312</b>	<b>-7,553,521</b>
<b>Loss per ordinary share</b>	13				
Basic and diluted loss per share, EUR		-0.35	-0.19		

<sup>\*)</sup> Comparable figures 2019 Parent company

The categorising of Finance income and expenses has changed from 2019 Financial statement.

## Statement of financial position

EUR	Note	Group		Parent company	
		Dec 31, 2020	Dec 31, 2019 <sup>1)</sup>	Dec 31, 2020	Dec 31, 2019
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	14	211,147	153,729	211,147	153,729
Property, plant and equipment	15	10,016,087	4,972,148	10,016,087	4,972,148
Investments	22	1,794,593		1,795,495	
Other receivables	16	294,857	24,085	294,857	24,085
<b>Total non-current receivables</b>		<b>12,316,684</b>	<b>5,149,963</b>	<b>12,317,586</b>	<b>5,149,963</b>
<b>Current assets</b>					
Trade receivables	17	225,920	20,000	225,920	20,000
IC-trade receivables				16,768	
Other receivables	17	115,732	378,470	115,732	378,470
Prepaid expenses and accrued income	17	202,458	58,754	202,442	58,754
Cash and cash equivalents	18	61,025,364	7,302,666	60,958,478	7,302,666
<b>Total current assets</b>		<b>61,569,474</b>	<b>7,759,890</b>	<b>61,519,340</b>	<b>7,759,890</b>
<b>Total assets</b>		<b>73,886,158</b>	<b>12,909,852</b>	<b>73,836,925</b>	<b>12,909,852</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	19	80,000	2,500	80,000	2,500
Reserve for invested unrestricted equity	19	89,679,673	17,706,692	89,679,673	17,706,692
Accumulated deficit		-7,683,001	-2,223,845	-7,682,222	-2,223,845
Loss for the period		-19,441,308	-7,553,521	-19,451,312	-7,553,521
<b>Total equity</b>		<b>62,635,364</b>	<b>7,931,826</b>	<b>62,626,139</b>	<b>7,931,826</b>
<b>Non-current liabilities</b>					
R&D loans	22	970,846	599,129	970,846	599,129
Lease liabilities	22	4,920,316	2,573,024	4,920,316	2,573,024
<b>Total non-current liabilities</b>		<b>5,891,162</b>	<b>3,172,153</b>	<b>5,891,162</b>	<b>3,172,153</b>
<b>Current liabilities</b>					
Provisions	23		19,079		19,079
R&D loans	22	77,500	77,500	77,500	77,500
Lease liabilities	22	900,644	414,074	900,644	413,074
Advance payments		45,930	55,143	45,930	55,143
Trade payables	22	1,218,532	570,691	1,217,619	570,691
Other liabilities		221,733	94,498	221,733	94,498
Accrued expenses	24	2,895,294	575,889	2,856,199	575,889
<b>Total current liabilities</b>		<b>5,359,633</b>	<b>1,805,873</b>	<b>5,319,625</b>	<b>1,805,873</b>
<b>Total liabilities</b>		<b>11,250,795</b>	<b>4,978,026</b>	<b>11,210,786</b>	<b>4,978,026</b>
<b>Total equity and liabilities</b>		<b>73,886,158</b>	<b>12,909,852</b>	<b>73,836,925</b>	<b>12,909,852</b>

<sup>1)</sup> Comparable figures 2019 Parent company

## Statement of changes in equity

### Group statement of changes in equity

EUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
<b>Balance at Jan 1, 2019</b>	<b>2,500</b>	<b>8,020,160</b>	<b>-2,989,240</b>	<b>5,033,422</b>
Comprehensive loss for the period 2019			-7,553,521	-7,553,521
<b>Transactions with equity holders of the Company</b>				
Share-based compensation			866,912	866,912
Own shares at May 10, 2019			-101,519	-101,519
Share issue at Jun 10, 2019 <sup>*)</sup>		9,686,531		9,686,531
<b>Balance at Dec 31, 2019<sup>**) )</sup></b>	<b>2,500</b>	<b>17,706,692</b>	<b>-9,777,368</b>	<b>7,931,826</b>
Loss for the year			-19,441,308	-19,441,308
Other comprehensive income for the period			-779	-779
<b>Comprehensive loss for the period 2020</b>			<b>-19,442,087</b>	<b>-19,442,087</b>
<b>Transactions with equity holders of the Company</b>				
Increase of the share capital	77,500	-77,500		
Subscription of shares		438,007		438,007
Share-based payments			2,095,144	2,095,144
Share issue <sup>*)</sup>		71,612,474		71,612,474
<b>At Dec 31, 2020</b>	<b>80,000</b>	<b>89,679,673</b>	<b>-27,124,311</b>	<b>62,635,364</b>

<sup>\*)</sup> Netted transaction costs in the reporting period 2020 EUR 8,315,657 (2019: 359,302).

<sup>\*\*) )</sup> Comparable figures 2019 Parent company

### Parent company statement of changes in equity

EUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
<b>Balance at Jan 1, 2019</b>	<b>2,500</b>	<b>8,020,160</b>	<b>-2,989,240</b>	<b>5,033,422</b>
Comprehensive loss for the period 2019			-7,553,521	-7,553,521
<b>Transactions with equity holders of the Company</b>				
Share-based compensation			866,912	866,912
Own shares at May 10, 2019			-101,519	-101,519
Issue of shares at Jun 10, 2019 <sup>*)</sup>		9,686,531		9,686,531
<b>Balance at Dec 31, 2019</b>	<b>2,500</b>	<b>17,706,692</b>	<b>-9,777,368</b>	<b>7,931,826</b>
Loss for the year			-19,451,312	-19,451,312
<b>Comprehensive loss for the period 2020</b>			<b>-19,451,312</b>	<b>-19,451,312</b>
<b>Transactions with equity holders of the Company</b>				
Increase of the share capital	77,500	-77,500		
Subscription of shares		438,007		438,007
Share-based payments			2,095,144	2,095,144
Share issue <sup>*)</sup>		71,612,474		71,612,474
<b>At Dec 31, 2020</b>	<b>80,000</b>	<b>89,679,673</b>	<b>-27,133,536</b>	<b>62,626,139</b>

<sup>\*)</sup> Netted transaction costs in the reporting period 2020 EUR 8,315,657 (2019: 359,302)

## Statement of cash flows

EUR	Note	Group		Parent company	
		Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019 <sup>**) </sup>	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
<b>Cash flow from operating activities</b>					
Loss before tax		-19,437,767	-7,553,521	-19,451,312	-7,553,521
Adjustment for:					
Depreciation, and amortisation	10	1,226,485	444,248	1 226,485	444,248
Finance income and expenses	11	15,028	209,256	13,145	209,256
Share-based compensation	20	2,095,144	866,912	2,095,144	866,912
Other adjustments <sup>*)</sup>		-3,478	-212,256	-3,478	-212,256
Change in net working capital:					
Trade and other receivables	17	-256,266	-29,960	-270,772	-29,960
Trade payables and other liabilities	22	2,533,077	540,992	2,496,486	540,992
Change in other receivables (non-current)		-270,772	-13,960	-273,018	-13,960
Interest paid	11	-66,361	-49,922	-64,478	-49,922
Interest received	11	8,771	451	8 771	451
<b>Net cash used in operating activities</b>		<b>-14,156,141</b>	<b>-5,797,759</b>	<b>-14,223,028</b>	<b>-5,797,759</b>
<b>Cash flow from investing activities</b>					
Payments for intangible assets	14	-102,844	-73,880	-102,844	-73,880
Payments for tangible assets	15	-2,336,181	-1 803 704	-2 336,181	-1,803,704
Payments for subsidiary shares				-902	
Acquisition of financial assets at fair value through profit or loss		-1,600,900		-1,599,998	
<b>Net cash used in investing activities</b>		<b>-4,039,926</b>	<b>-1,877,583</b>	<b>-4,039,926</b>	<b>-1,877,583</b>
<b>Cash flow from financing activities</b>					
Proceeds from issue of shares	19	79,928,138	10,045,833	79,928,138	10,045,833
Transaction costs from the share issues	19	-8,315,657	-359,302	-8,315,657	-359,302
Acquisitions of treasury shares			-101,519		-101 519
Subscription of shares		438,000		438,000	
Proceeds from R&D loans	22	504,976	121,903	504,976	121,903
Repayment of R&D loans		-77,500		-77,500	
Repayment of lease liabilities	21	-620,260	-292,120	-620,260	-292,120
<b>Net cash from financing activities</b>		<b>71,857,697</b>	<b>9,414,796</b>	<b>71,857,697</b>	<b>9,414,796</b>
<b>Net increase (+) decrease (-) in cash and cash equivalents</b>		<b>53,661,631</b>	<b>1,739,454</b>	<b>53,594,744</b>	<b>1,739,454</b>
Cash and cash equivalents at 1 January		7,302,666	5,594,974	7,302,666	5,594,974
Translation difference		61,068	-31,763	61,068	-31,763
<b>Cash and cash equivalents at 31 December</b>		<b>61,025,364</b>	<b>7,302,666</b>	<b>60,958,478</b>	<b>7,302,666</b>

<sup>\*)</sup> Other adjustments in cash flow of statement

EUR	Note	Group		Parent company	
		Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019 <sup>**) </sup>	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Other operating income - government grants and other adjustments		27,160	-231,335	27,160	-231,335
Other operating expenses - leases		-11,559		-11,559	
Other operating expenses - provision for onerous contract		-19,079	19,079	-19,079	19,079
<b>Total</b>		<b>-3,478</b>	<b>-212,256</b>	<b>-3,478</b>	<b>-212,256</b>

<sup>\*\*)</sup>  Comparable figures 2019 Parent company

# Notes to the consolidated and parent company financial statements

## 1 Background

Nanoform Group is a supplier of expert services for the international pharma industry in nanotechnology and drug particle engineering. Parent company Nanoform Finland Plc is a public Finnish company under Finnish law.

Business ID of Nanoform Finland Plc is 2730572-8 and company's headquarter is located at Viikinkaari 4, 00790 Helsinki. These consolidated financial statements consists of the parent company Nanoform Finland Plc and its subsidiary ("Nanoform" or "the Group"). The shares of the parent company Nanoform Finland Plc have been listed on NASDAQ First North Growth Market Premier in Helsinki and Stockholm since June 4, 2020. Nanoform Finland has 74 employees at the end of 2020.

The Board of Directors approved these financial statements for issue on February 25, 2021. According to the Finnish Companies Act, the shareholders can approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

## 2 Accounting principles

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming to the IAS standards and IFRS standards as well as IFRIC interpretations. The financial statements have been prepared on a historical cost basis unless otherwise disclosed in the accounting policies.

Nanoform's financial statements are presented in euros, which is Company's functional and presentation currency. Figures presented in these financial statements have been rounded from exact figures and therefore the sum of figures presented individually can deviate from the presented sum figure.

Nanoform Group's accounting policies of the financial statements are described in conjunction with each note in the aim of providing enhanced understanding of each accounting area. The table below summarizes the note in which each accounting policy is presented and the relevant IFRS standard.

Basis of preparation	Note	IFRS standard
Revenue recognition	4. Revenue	IFRS 15
Segment reporting	5. Segment reporting	IFRS 8
Government grants	6. Other operating income	IFRS 9, IAS 20
R&D expenses	7. Materials and services	IAS 38
Employee benefits	8. Employee benefits	IAS 19
Taxes	12. Taxes	IAS 12
Earnings per share	13. Loss per share	IAS 33
Intangible assets	14. Intangible assets	IAS 38
Tangible assets	15. Property, plant and equipment	IAS 16
Leases	15. Property, plant and equipment	IFRS 16
Trade receivables	17. Trade and other receivables, prepayments and accrued income	IFRS 9
Share-based payments	20. Share-based payments	IFRS 2
Financial assets and liabilities	22. Financial assets and liabilities	IFRS 9
Financial risk management	21. Financial risk management	IFRS 9
Provisions	23. Provisions	IAS 37

### Foreign currency translation

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in finance income and expenses in the statement of comprehensive income. Non-monetary items that are measured based on initial cost in a foreign currency are translated at exchange rates prevailing at the transaction date.

The result and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss are translated at average exchange rates, and
- all resulting exchange differences are recognized in other comprehensive income.

### Consolidation principles

The consolidated financial statements include the parent company, Nanoform Finland Plc, and the subsidiary in USA, Nanoform USA Inc. Subsidiaries are companies over which the Group exercises control. The Group has a controlling interest in a company if, by being involved in the company, it is exposed to fluctuating returns or is entitled to such fluctuating returns and it is able to influence these returns by exercising its control over the company.

Mutual shareholdings of Group companies have been eliminated using the acquisition cost model. Acquisition costs include transferred assets at fair value, generated or assumed liabilities and equity-based instruments that are issued. Acquired subsidiaries are consolidated from the moment that the Group gains control over them and divested subsidiaries are consolidated until this control ends. All internal Group business transactions, receivables, liabilities, unrealized profits and internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated if the loss results from impairment. The distribution of profits for the financial period to the parent company's owners and minority interest-holders is presented in the income statement, and the minority interest-holders' share of equity is presented as a separate item in the balance sheet under equity. The Group has no associated companies or minority shareholders. Accounting principles applied by subsidiaries have been adapted to correspond to the Group's principles.

The subsidiary in the USA was incorporated in January 2020 and its financial statement has been consolidated into Group's financial statement. In 2019 there was no subsidiary, thus Group's comparable figures are the same as parent company figures. On December 31, 2020, the Group had no goodwill on its balance sheet.

### 2.2 Changes in accounting policies and disclosures

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. Nanoform will apply the amended standards as applicable.

### 3 Significant accounting judgements, estimates and assumptions

The preparation of the Group Financial statements in accordance with the IFRS requires management to make judgments, estimates and assumptions that affect the measurement of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in the statement of comprehensive income. Although these estimates and assumptions are based on the management's best knowledge of current events and actions, actual results may differ from the estimates. The financial statement has been prepared on going concern basis.

The sources of uncertainty and management judgement which have been identified by the Group and which are considered to fulfill these criteria are presented in connection to the items considered to be affected. The table below discloses where to find these descriptions.

#### Accounting judgements, estimates and assumptions

Accounting judgements, estimates and assumptions	Note
Revenue recognition	4. Revenue
Leases	15. Property, plant and equipment
Share-based payments	20. Share-based payments

## 4 Revenue

Nanoform's revenue consists of Proof of Concept type of research and development services provided to the Group's customers, in which the Group nanoforms customers drug compounds. The Group's customer contracts can include one or multiple performance obligations. In the contracts every, separate nanoformed drug ingredient

is considered to be a separate performance obligation, as the customer can receive benefit from each separate nanoformed compound and each nanoformed compound is distinct from the other promises in the contract.

Total revenue in 2020 was EUR 686,7 (2019: 49,1) thousand. The Group's revenue consists solely of customer contracts, which are recognized in over time.

### Contract assets and liabilities

Nanoform has recognized the following contract assets and liabilities from contracts with customers in its statement of financial position.

EUR	Group		Parent company	
	2020	2019	2020	2019
Prepaid expenses and accrued income - revenue accruals from percentage of completion method	93,399	13,988	93,399	13,988
Advance received - revenue accruals from percentage of completion method	-45,930	-34,894	-45,930	-34,894

The transaction prices allocated to unsatisfied performance obligations or included in contract liability balance is expected to be recognized as revenue at the latest during the second quarter of 2021.

### Accounting policy

Nanoform recognizes revenue from customer contracts over time as the Group fulfills the performance obligation by performing the promised service. Nanoform's performance does not create an asset with an alternative use to the Group and Nanoform has an enforceable right to payment for performance completed to date. Consequently, the revenue is recognized over time. Nanoform measures the progress towards complete satisfaction of the performance obligations by applying the input method, in which the revenue is recognized based on the costs incurred relative to the total estimated costs of the performance obligation. The Group views that the used method best describes the transfer of control for the services provided. Estimated costs and revenues will be re-assessed regularly during performing the services. Revisions in profit estimates as well as projected potential losses on contracts are charged through the statement of comprehensive income in the period in which they become known.

The transaction prices in Nanoform's customer contracts are fixed. The terms of payment and payment peri-

ods in customer contracts vary, but payment time is nonetheless clearly below one year. Consequently, customer contracts do not include a significant financing component. In case a contract includes several performance obligations, Nanoform will allocate the fixed transaction price in the contract to different performance obligations based on their stand-alone selling prices. Revenue is recognized to the extent Nanoform expects to be entitled to consideration in exchange for the services provided.

Nanoform does not have costs for obtaining or fulfilling the customer contracts.

### Significant management judgements

Nanoform applies the input method in measuring the progress towards complete satisfaction of a performance obligation. In input method, the fulfilment is measured by comparing the costs incurred relative to the total estimated costs of the performance obligation. Significant management judgment is required to determine the estimated total costs of performance obligations. Estimated costs are reviewed regularly during performing the services and revisions in forecasts and projected losses on service contracts are recognized through the statement of comprehensive income in the period in which they become known.

## 5 Segment reporting

Nanoform's business is to offer expert services in nanotechnology and drug particle engineering. In the year 2020 the Group's operations have consisted of proof of concept type of research and development services provided to the customers, in which the Company has been nanoforming customer's drug compounds. The Group's chief operating decision maker is the Chief Executive Officer. The CEO manages the Group as one integrated

business and hence, the Group has one operating and reportable segment. The revenue in 2020 was EUR 686,7 (2019: 49,1). The Group's revenue during all the reported financial years is recognized from customer contracts both from Europe and outside of Europe (defined by the domicile of customer). During 2020, Group's revenue consisted of 12 different customer projects (2019: 2) whose relative part of the revenue varied between 3–14 per cent.

Income by geographical area:

EUR	Group		Parent company	
	2020	2019	2020	2019
Europe	546,826	15,106	546,826	15,106
United States	139,922	33,988	139,922	33,988
<b>Total</b>	<b>686,748</b>	<b>49,093</b>	<b>686,748</b>	<b>49,093</b>

The Group production, research and development functions operate in Finland. The Company's strategy is to sell nanotechnological services widely to minimize the dependence from single customers or projects. All Company assets and liabilities are located in Finland.

### Accounting policy

Operating segments are reported consistently with the internal reporting provided to the chief operating deci-

sion maker. Nanoform's Chief Executive Officer reviews the operating results regularly and makes the decisions about the allocation of resources and to assess overall performance. Consequently, the Chief Executive Officer is identified as the chief operating decision maker. The Chief Executive Officer manages the Company as one integrated business and hence, the Company has one operating and reportable segment.

## 6 Other operating income

EUR	Group		Parent company	
	2020	2019	2020	2019
Grant component of government loans	15,373	231,335	15,373	231,335
Other income	11,559		11,559	
<b>Total</b>	<b>26,932</b>	<b>231,335</b>	<b>26,932</b>	<b>231,335</b>

The grant component of government loans consists of indirect financial benefit from below-market interests of the government loans from the Business Finland. The loans have been granted to finance the development projects of nanotechnology. Other income consists of income from finance leasing contracts terminated before the end of expected leasing period.

### Accounting policy

Government grants are recognized at fair value when it is reasonably certain that the grant will be received, and the Group will comply with all related conditions. Government grants are recognized as income in the statement of comprehensive income during the same period with the costs incurred that they are intended to compensate.

The indirect government assistance in the form of below-market interest government loans is recognized as grant income and recorded as other operating income in the same period in which the Group recognizes the expenses which the benefit is intended to compensate. The grant component is measured as the difference between the initial fair value of the loan and the proceeds received. Government grant received, for which the expenses have not yet been recognized, is recognized as an advance received in the statement of financial position. The grant component for eligible expenses already incurred during the reporting period, for which the grant will be received in subsequent reporting periods, is recognized as grant income in the statement of comprehensive income and as other receivable in the statement of financial position.



## 7 Materials and services

EUR	Group		Parent company	
	2020	2019	2020	2019
Raw materials and consumables				
Purchases during the period	144,735	506,001	144,735	506,001
External services	71,541	97,430	71,541	97,430
<b>Total</b>	<b>216,276</b>	<b>603,431</b>	<b>216,276</b>	<b>603,431</b>

The Group's materials and services mainly consist of materials and supplies relating customer projects and production support. In 2019 materials and supplies consisted mainly materials and supplies related to the development of the Group's production technology.

## 8 Employee benefits

EUR	Group		Parent company	
	2020	2019	2020	2019
Wages and salaries	8,633,896	2,898,140	8,423,312	2,898,140
Pension expenses, defined contribution plans	1,246,208	374,755	1,238,883	374,755
Other social security expenses	550,583	219,109	533,961	219,109
Share-based compensation - paid in equity	2,095,144	866,912	2,095,144	866,912
<b>Total</b>	<b>12,525,832</b>	<b>4,358,917</b>	<b>12,291,300</b>	<b>4,358,917</b>

	Group		Parent company	
	2020	2019	2020	2019
Number of personnel at the end of the period	74	43	72	43
Average number of personnel	59	33	59	33

### Accounting policy

Nanoform's employee benefits consist of short-term employee benefits and post-employment benefits (defined contribution pension plans) and share-based payments. Nanoform's defined contribution schemes are with external insurance companies and the Group does not have a legal or constructive obligation to make additional payments in case the recipient for pension contributions is unable to pay the pension benefits. The pension contributions are recognized as expenses in the statement of comprehensive income during the period to which the charge relates to.

Short-term employee benefits are recognized as expenses during the period in which related service is provided. A liability is recognized when the Group has a statutory and constructive obligation relating to employment relationship based on performance received and when an obligation can be measured reliable.

The management compensation and share-based payments are disclosed in more detail in Notes 20 Share-based payments and 26 Related party transactions.

## 9 Other operating expenses

EUR	Group		Parent company	
	2020	2019	2020	2019
Premises expenses	106,124	65,867	106,124	65,867
IT expenses	308,989	201,908	308,989	201,908
Marketing and communication costs	427,401	312,060	427,401	312,060
Consultant and professional fees	2,884,489	857,613	2,872,929	857,613
Travel expenses	99,589	268,800	91,834	268,800
Voluntary personnel related expenses	531,560	304,009	531,560	304,009
Research and development expenses	1,356,750	27,521	1,356,750	27,521
Other costs	452,925	180,320	722,199	180,320
<b>Total</b>	<b>6,167,827</b>	<b>2,218,098</b>	<b>6,417,786</b>	<b>2,218,098</b>

### Auditor's fee

EUR	Group		Parent company	
	2020	2019	2020	2019
PriceWaterhouse Coopers				
Audit fees	84,358	36,226	84,358	36,226
Other fees	421,611	48,926	421,611	48,926
<b>Total</b>	<b>505,969</b>	<b>85,151</b>	<b>505,969</b>	<b>85,151</b>

Other operating expenses contains external research and development expenses. In 2020 financial statements, the total development expenses of EUR 2,608 thousand have been expensed in the statement of comprehensive income (2019: 986), part of the research and development expenses are combined into personnel expense and part in the other operating expenses.

### Accounting policy

Research and development costs are recognized as expenses when internally developed intangible assets do

not meet the criteria for capitalization. Development costs are capitalized when a development project is likely to generate economic benefits for the Group and the products are assessed to be technically feasible and commercially viable. Development projects are related to new or essentially improved nanoparticle technology. The Group has not capitalized development costs during 2020 or 2019 as the capitalization criteria's have not been fulfilled.

## 10 Depreciation and amortization

EUR	Group		Parent company	
	2020	2019	2020	2019
Intangible assets	31,710	27,761	31,710	27,761
Tangible assets	1,181,058	416,487	1,181,058	416,487
Amortization of intangible assets	13,716		13,716	
<b>Total</b>	<b>1,226,485</b>	<b>444,248</b>	<b>1,226,485</b>	<b>444,248</b>

## 11 Finance income and expense

EUR	Group		Parent company	
	2020	2019	2020	2019
<b>Financial income</b>				
Gains from foreign exchange	1,470,635	72,456	1,470,635	72,456
Fair value through profit or loss	194,594		194,594	
Interest and other financial income	8,771	451	8,771	451
<b>Total financial income</b>	<b>1,674,000</b>	<b>72,907</b>	<b>1,674,000</b>	<b>72,907</b>
<b>Financial expenses</b>				
Interest expenses	-226,146	-138,989	-226,146	-138,989
Losses from foreign exchange	-1,411,450	-111,731	-1,409,567	-111,731
Other financial expenses	-51,432	-31,442	-51,432	-31,442
<b>Total financial expenses</b>	<b>-1,689,028</b>	<b>-282,163</b>	<b>-1,687,145</b>	<b>-282,163</b>
<b>Financial income and expense total</b>	<b>-15,028</b>	<b>-209,256</b>	<b>-13,145</b>	<b>-209,256</b>

Foreign exchange gains and losses are based on foreign exchange changes in SEK, USD, GBP and NOK currencies. Fair value change in financial income relates to fair value with investment in Herantis Pharma Plc. The interest expense relates mainly to the R&D loans and lease liabilities. Other financial expenses consist of guarantee commission and deposit interests.

## 12 Taxes

EUR	Group		Parent company	
	2020	2019	2020	2019
<b>Financial year tax</b>				
Income tax	-3,541			
Change in deferred tax				
<b>Total</b>	<b>-3,541</b>			

The difference between income taxes at the statutory tax rate in Finland (20%) and income taxes recognized in the statement of comprehensive income is reconciled as follows:

EUR	Group and Parent company	
	2020	2019
Loss before tax	-19,451,312	-7,553,521
Income tax calculated at Finnish tax rate 20%	-3,890,262	-1,510,704
Tax losses and temporary differences for which no deferred tax asset is recognized	5,060,008	1,689,879
Non-deductible expenses	-1,169,746	-179,174
<b>Taxes in the statement of comprehensive income</b>	<b>0</b>	<b>0</b>

Tax losses and deductible temporary differences for which no deferred assets have been recognized, are as follows:

EUR	Group and Parent company	
	2020	2019
R&D expenses not yet deducted in taxation	5,217,881	2,610,035
Tax losses carried forward	30,868,347	8,532,384
Deferred tax depreciation on fixed assets	478,671	122,438
<sup>*)</sup> Difference between deferred tax assets and leasing liability	408,428	133,108
Provisions not deductible in taxation		19,079
<b>Total</b>	<b>36,973,328</b>	<b>11,417,045</b>

The Group has incurred research and development expenses especially in the year 2018–2020, which have not yet been deducted in its taxation. The amounts deferred for tax purposes can be deducted over an indefinite period.

Tax losses carried forward expire over the period of 10 years. The tax losses will expire as follows:

EUR	Group and Parent company	
	2020	2019 <sup>**)</sup>
Expiry within 5 years	173,250	
Expiry within 5–10 years	30,695,097	8,532,384
<b>Total</b>	<b>30,868,347</b>	<b>8,532,384</b>

<sup>\*\*)</sup> Tax loss for current year added to the 2019 amount.

The Group unconfirmed tax loss for 2020 is EUR -22,336 thousand. Deferred tax assets have not been recognized in the statement of financial position due to uncertainty as to whether they can be utilized. The Group has unprofitable history, which is considered a significant factor when assessing whether to recognize deferred tax assets. The Group does not have any other deductible or taxable temporary differences. For this reason, no deferred tax assets or liabilities are recognized in the statement of financial position nor disclosed. The total value of unrecognized deferred tax assets is EUR 6,174 thousand.

#### Accounting policy

The Group's income taxes include the Group's taxes based on taxable profit/loss for the period, together with tax adjustments for previous periods and the change in deferred taxes.

Deferred tax assets and liabilities are recognized on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities. Deferred tax has been determined using the tax rates enacted at the balance sheet date, and as the rates change, at the known new rate. Deferred tax asset is recognized to the extent that it is probable that it can be utilized against future taxable income. At the reporting date, the Group has not recognized deferred tax assets due to the uncertainty that they can be utilized.

### 13 Loss per share

The loss per share is measured by dividing loss for the year with the weighted average number of ordinary shares in issue.

EUR	Group	
	2020	2019
Loss for the period	-19,441,308	-7,553,521
Weighted average number of ordinary shares in issue	56,268,964	39,107,334
<b>Basic and dilutive loss per share (in €)</b>	<b>-0.35</b>	<b>-0.19</b>

#### Accounting policy

Earnings per share is calculated by dividing the loss for the year with the weighted average number of ordinary shares during the year.

The Group's potential dilutive instruments consist of share options granted in the years 2016, 2019 and 2020.

Because the Group's businesses have been unprofitable, share options would have an anti-dilutive effect and therefore these are not considered in measuring the dilutive loss per share. Therefore, there is no difference between the basic and the diluted loss per share.

### 14 Intangible assets

EUR	Group		
	Patents	Licenses	Total
<b>Dec 31, 2020</b>			
Opening net book amount Jan 1, 2020	146,406	7,324	153,729
Additions	72,949	29,895	102,844
Depreciation and amortization for the financial year	-40,158	-5,268	-45,426
<b>Net book value at Dec 31, 2020</b>	<b>179,197</b>	<b>31,951</b>	<b>211,147</b>
<b>Dec 31, 2020</b>			
Cost	303,542	51,302	354,844
Accumulated depreciation and impairment loss	-124,346	-19,351	-143,697
<b>Net book value at Dec 31, 2020</b>	<b>179,197</b>	<b>31,951</b>	<b>211,147</b>
<b>Dec 31, 2019</b>			
Net book value at Jan 1, 2019	154,725	11,605	166,330
Additions	15,160		15,160
Depreciation and amortization for the financial year	-23,480	-4,281	-27,761
<b>Net book value at Dec 31, 2019</b>	<b>146,406</b>	<b>7,324</b>	<b>153,729</b>
<b>Dec 31, 2019</b>			
Cost	230,593	21,407	252,000
Accumulated depreciation and impairment loss	-84,188	-14,083	-98,271
<b>Net book value at Dec 31, 2019</b>	<b>146,406</b>	<b>7,324</b>	<b>153,729</b>

EUR	Parent company		
	Patents	Licenses	Total
<b>Dec 31, 2020</b>			
Opening net book amount Jan 1, 2020	146,406	7,324	153,729
Additions	72,949	29,895	102,844
Depreciation and amortization for the financial year	-40,158	-5,268	-45,426
<b>Net book value at Dec 31, 2020</b>	<b>179,197</b>	<b>31,951</b>	<b>211,147</b>
<b>Dec 31, 2020</b>			
Cost	303,542	51,302	354,844
Accumulated depreciation and impairment loss	-124,346	-19,351	-143,697
<b>Net book value at Dec 31, 2020</b>	<b>179,197</b>	<b>31,951</b>	<b>211,147</b>
<b>Dec 31, 2019</b>			
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<b>Dec 31, 2019</b>			
Cost	230,593	21,407	252,000
Accumulated depreciation and impairment loss	-84,188	-14,083	-98,271
<b>Net book value at Dec 31, 2019</b>	<b>146,406</b>	<b>7,324</b>	<b>153,729</b>

### Accounting policy

Intangible assets consist of patents and software licenses. Intangible assets are measured at cost less accumulated amortization and impairment losses and are recognized in the statement of financial position if it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The costs of new patents are capitalized in the statement of financial position and the costs relating to maintaining existing patents are expensed and presented in other operating expenses in the statement of comprehensive income. The intangible assets have definite useful life.

The estimated useful lives for intangible assets are as follows:

- Patents 10 years
- Licenses 5 years

Intangible assets are reviewed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is asset's fair value less costs of disposal or its value in use, whichever is higher. The value in use represents the discounted future cash flows expected to be derived from the asset.

Please also see additional information on R&D expense in note 9.

## 15 Property, plant and equipment

EUR	Machinery and equipment	Right-of-use assets	Group Improvements to leasehold premises	Construction in progress	Total
<b>Dec 31, 2020</b>					
Net book value at Jan 1, 2020	530,713	2,852,989		1,588,446	4,972,148
Additions	616,239	3,865,162	40,720	2,251,599	6,773,720
Disposals <sup>*)</sup>		-545,269		-3,354	-548,623
Reclassification	1,241,602		1,114,023	-2,355,625	
Depreciation and amortization for the financial year	-356,233	-760,351	-64,574		-1,181,158
<b>Net book value at Dec 31, 2020</b>	<b>2,032,321</b>	<b>5,412,531</b>	<b>1,090,169</b>	<b>1,481,066</b>	<b>10,016,087</b>
<b>Dec 31, 2020</b>					
Cost	1,336,081	7,129,842	40,720	3,840,045	12,346,689
Disposals <sup>*)</sup>		-545,269		-3,354	-548,623
Reclassification	1,241,602		1,114,023	-2,355,625	
Accumulated depreciation and impairment losses	-545,362	-1,172,043	-64,574		-1,781,979
<b>Net book value at Dec 31, 2020</b>	<b>2,032,321</b>	<b>5,412,531</b>	<b>1,090,169</b>	<b>1,481,066</b>	<b>10,016,087</b>
<b>Dec 31, 2019</b>					
Net book value at Jan 1, 2019	311,525	1,780,683		87,150	2,179,358
Additions	341,627	1,366,355		1,501,296	3,209,278
Depreciation and amortization for the financial year	-122,438	-294,049			-416,487
<b>Net book value at Dec 31, 2019</b>	<b>530,713</b>	<b>2,852,989</b>		<b>1,588,446</b>	<b>4,972,148</b>
<b>Dec 31, 2019</b>					
Cost	719,842	3,264,680		1,588,446	5,572,969
Accumulated depreciation and impairment losses	-189,129	-411,692			-600,821
<b>Net book value at Dec 31, 2019</b>	<b>530,713</b>	<b>2,852,989</b>		<b>1,588,446</b>	<b>4,972,148</b>

<sup>\*)</sup> Disposals consist of the changes in right-of-use assets due to shortening of leasing period and changes in payment periods.

EUR	Parent company				Total
	Machinery and equipment	Right-of-use assets	Improvements to leasehold premises	Construction in progress	
<b>Dec 31, 2020</b>					
Net book value at Jan 1, 2020	530,713	2,852,989		1,588,446	4,972,148
Additions	616,239	3,865,162	40,720	2,251,599	6,773,720
Disposals <sup>*)</sup>		-545,269		-3,354	-548,623
Reclassification	1,241,602		1,114,023	-2,355,625	
Depreciation and amortization for the financial year	-356,233	-760,351	-64,574		-1,181,158
<b>Net book value at Dec 31, 2020</b>	<b>2,032,321</b>	<b>5,412,531</b>	<b>1,090,169</b>	<b>1,481,066</b>	<b>10,016,087</b>
<b>Dec 31, 2020</b>					
Cost	1,336,081	7,129,842	40,720	3,840,045	12,346,689
Disposals <sup>*)</sup>		-545,269		-3,354	-548,623
Reclassification	1,241,602		1,114,023	-2,355,625	
Accumulated depreciation and impairment losses	-545,362	-1,172,043	-64,574		-1,781,979
<b>Net book value at Dec 31, 2020</b>	<b>2,032,321</b>	<b>5,412,531</b>	<b>1,090,169</b>	<b>1,481,066</b>	<b>10,016,087</b>
<b>Dec 31, 2019</b>					
Net book value at Jan 1, 2019	311,525	1,780,683		87,150	2,179,358
Additions	341,627	1,366,355		1,501,296	3,209,278
Depreciation and amortization for the financial year	-122,438	-294,049			-416,487
<b>Net book value at Dec 31, 2019</b>	<b>530,713</b>	<b>2,852,989</b>		<b>1,588,446</b>	<b>4,972,148</b>
<b>Dec 31, 2019</b>					
Cost	719,842	3,264,680		1,588,446	5,572,969
Accumulated depreciation and impairment losses	-189,129	-411,692			-600,821
<b>Net book value at Dec 31, 2019</b>	<b>530,713</b>	<b>2,852,989</b>		<b>1,588,446</b>	<b>4,972,148</b>

<sup>\*)</sup> Disposals consist of the changes in right-of-use assets due to shortening of leasing period and changes in payment periods.

The right-of-use assets consists of Nanoform's leased premises. The lease contracts are either perpetual or fixed three-year contracts including extension option for six years. The perpetual lease contracts are recognized as long-term lease contracts and Group's management has used assessment to estimate contract termination time.

In the year 2020 the interests from lease liabilities amounted to EUR 146,8 (2019: 65,9) thousand.

Prepayments and construction in progress include the cost for building GMP and R&D lines

#### Accounting policy

Nanoform's property, plant and equipment consists of leased premises and apartments (right-of-use assets), leasehold improvements and machinery and equipment. Property, plant and equipment are measured at cost less

accumulated depreciation and impairment losses. Costs include the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Maintenance and repair costs are expensed as incurred.

The estimated useful lives of property, plant and equipment are as follows:

- Isolators 10 years
- Production lines 5 years
- Machinery and equipment 4 years
- Leased premises and apartments (right-of-use assets) based on the lease term or asset's economic life, whichever is shorter
- Spare parts related to PPE 1 year



Depreciations are started when the asset is ready for use, in such location and condition that it can be used in a manner of the Group's management has intended.

Property, plant and equipment are reviewed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is asset's fair value less costs of disposal or its value in use, whichever is higher. The value in use represents the discounted future cash flows expected to be derived from the asset.

Nanoform has leased all its business premises. Lease contracts are made for a perpetual period or as fixed term of 3 to 5 years. A right-of-use asset and a corresponding lease liability are recognized in the statement of financial position at the date on which the leased asset is made available for use by the Group. Lease payments on the contracts are recognized as repayment of lease liability and interest expense. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, whichever is shorter.

At the commencement date, a right-of-use asset and a corresponding lease liability are recognized at the discounted present value of the lease payments that are not paid at that date. The discounted present value of the lease payments includes the lease payments for non-cancellable lease period lease payments and lease payments for voluntary extension periods when it is reasonably certain that the Group will exercise the extension option. In the per-

petual lease agreements including a termination option, the Group estimates if the termination option will be used when assessing the lease period. The Group uses incremental borrowing rate as discounting rate for lease payments. Lease payments of certain premises are adjusted for inflation index. Variable rents based on index are a part of the lease liability relating to lease contract and the net present values of such contracts are measured based on the index at the beginning of the lease period. Changes in index are measured in the period when the index is changed. Cash flows relating to leases are presented as repayments of lease liabilities under cash flows from financing activities and the interests from lease liabilities under cash flows from operating activities. The Group does not have short term or low-value lease contracts.

#### Significant management judgements

The Group's lease contracts include both extension and termination options. Management uses the options in managing lease contracts to ensure flexible use of premises in Group's businesses. The Group's management assess the use of extension and termination options individually for each lease contract. Based on management's judgment, the Group will use extension options, which relate to premises that are significant to Group's future operations and growth. Further, based on management judgment the Group will not use termination options on such perpetual lease contracts that are essential for business growth. These lease contracts are recognized as long-term lease contracts.

## 16 Non-current other receivables

EUR	Group		Parent company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Other receivables	294,857	24,085	294,857	24,085
<b>Total</b>	<b>294,857</b>	<b>24,085</b>	<b>294,857</b>	<b>24,085</b>

Other receivables consist of bank guarantee and rental security deposits.

## 17 Current trade and other receivables and prepayments and accrued income

## Aging of Group trade receivable and bad debt losses

EUR	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	Over 90 days past due	Total
Expected loss rate	0.05%	0.10%	1.00%	7.00%	13.00%	
Gross carrying amount	193,681				40,000	233,681
Loss allowance provision	97				5,200	5,297

## Trade receivable loss allowance provision Dec 31, 2020 reconciliation:

EUR	2020	2019
<b>Loss allowance opening balance Jan 1, 2020</b>		
Loss allowance provision increase	5,297	
<b>Loss allowance closing balance Dec 31, 2020</b>	<b>5,297</b>	

Trade receivables net book value 225,9 thousand euros (2019: 20,0 thousand euros)

## Aging of Parent company trade receivable and bad debt losses

EUR	Not past due	1–30 days past due	31–60 days past due	61–90 days past due	Over 90 days past due	Total
Expected loss rate	0.05%	0.10%	1.00%	7.00%	13.00%	
Gross carrying amount	193,681				40,000	233,681
Loss allowance provision	97				5,200	5,297

## Trade receivable loss allowance provision Dec 31, 2020 reconciliation:

EUR	2020	2019
<b>Loss allowance opening balance at Jan 1, 2020</b>		
Loss allowance provision increase	5,297	
<b>Loss allowance provision closing balance at Dec 31, 2020</b>	<b>5,297</b>	

Trade receivables net book value 225,9 thousand euros (2019: 20,0 thousand euros)

## Accounting policy

Trade receivables are recognized at amounts of initial sale. The Group applies simplified approach in IFRS 9, according to which all trade receivables are deducted by lifetime expected credit losses. The lifetime expected credit losses are based on assumptions on probability of neglecting the payments and degree of expected losses. Management

exercises judgment when calculating the allowance and assessing underlying assumptions. Management judgment relates to history of credit losses, assumptions on existing market conditions and forward-looking information at the end of each reporting period. Credit losses are recognized as other operating expenses. The Group has not recognized expected credit losses at financial reporting date.

## Current prepayments and accrued income

EUR	Group		Parent company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Other prepayments	16,625	16,397	16,625	16,397
Revenue recognition on completion	92,418	13,988	92,418	13,988
Other accrued income	93,399	28,369	93,399	28,369
<b>Total</b>	<b>202,442</b>	<b>58,754</b>	<b>202,442</b>	<b>58,754</b>

Other prepaid expenses consist of expenses paid in advance. Contract assets consist of accruals from customer contracts. Other accrued income consists of accrued purchase invoices.

## Other receivables

EUR	Group		Parent company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
VAT receivables	115,732	208,040	115,732	208,040
Other receivables		170,430		170,430
<b>Total</b>	<b>115,732</b>	<b>378,470</b>	<b>115,732</b>	<b>378,470</b>

Other receivables included in 2019 the R&D loan's grant component, for which the corresponding costs are retained in the financial year 2019 and receivables from personnel.

## 18 Cash and cash equivalents

EUR	Group		Parent company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Cash and cash equivalents	61,025,364	7,302,666	60,958,478	7,302,666
<b>Total</b>	<b>61,025,364</b>	<b>7,302,666</b>	<b>60,958,478</b>	<b>7,302,666</b>

Cash and cash equivalents consist of liquid funds in Group's bank accounts. Cash and cash equivalents correspond to the same item in the statement of cash flows.

## 19 Shareholders' equity

Changes in the number of shares, the amount of share capital and reserve for unrestricted equity:

EUR	Group				
	Outstanding shares (pcs)	Own shares (pcs)	Total registered shares (pcs)	Share capital	Reserve for unrestricted equity
<b>Jan 1, 2019</b>	<b>35,938,020</b>		<b>35,938,020</b>	<b>2,500</b>	<b>8,020,160</b>
Own shares on at May 10, 2019	-900,000	900,000			
Cancellation of own shares at May 10, 2019		-900,000	-900,000		
Share issue with netted transaction cost at Jun 10, 2019	7,057,345		7,057,345		9,686,531
<b>Dec 31, 2019</b>	<b>42,095,365</b>	<b>0</b>	<b>42,095,365</b>	<b>2,500</b>	<b>17,706,692</b>
Increase of the share capital				77,500	-77,500
Subscription of shares	1,316,671		1,316,671		438,007
Share issue with netted transaction cost	23,188,407		23,188,407		71,612,474
<b>Dec 31, 2020</b>	<b>66,600,443</b>	<b>0</b>	<b>66,600,443</b>	<b>80,000</b>	<b>89,679,673</b>

EUR	Parent company				
	Outstanding shares (pcs)	Own shares (pcs)	Total registered shares (pcs)	Share capital	Reserve for unrestricted equity
<b>Jan 1, 2019</b>	<b>35,938,020</b>		<b>35,938,020</b>	<b>2,500</b>	<b>8,020,160</b>
Own shares at May 10, 2019	-900,000	900,000			
Cancellation of own shares at May 10, 2019		-900,000	-900,000		
Issue of shares with netted transaction cost at Jun 10, 2019	7,057,345		7,057,345		9,686,531
<b>Dec 31, 2019</b>	<b>42,095,365</b>	<b>0</b>	<b>42,095,365</b>	<b>2,500</b>	<b>17,706,692</b>
Increase of the share capital				77,500	-77,500
Subscription of shares	1,316,671		1,316,671		438,007
Share issue with netted transaction cost	23,188,407		23,188,407		71,612,474
<b>Dec 31, 2020</b>	<b>66,600,443</b>	<b>0</b>	<b>66,600,443</b>	<b>80,000</b>	<b>89,679,673</b>

Nanofarm Finland Plc has one class of shares. The shares of the Company do not have a nominal value. Each share entitles the holder to one vote at the General Meeting and to equal dividend. All shares are fully paid.

The company's equity consists of share capital, reserve for unrestricted equity and accumulated deficit. The subscription price of new shares is recognized in the share capital unless the share issue resolution states that it shall be recognized in full or partially in the reserve for invested unrestricted equity, where the transaction costs relating to issue are also netted. The transaction costs of equity financing arrangements have been netted into the invested unrestricted equity. Accumulated deficit includes company's cumulative losses since the company's establishment.

On May 10, 2019 the Company acquired 900,000 treasury shares. The Board of Directors decided to acquire the shares from an employee based on authorization given by the general meeting. The total consideration paid for the shares was EUR 101,5 thousand. The shares were nullified on May 10, 2019.

On June 10, 2019, the Board of Directors decided on a directed share issue based on the authorization from the general meeting on March 27, 2019. In the share issue, 5,457,345 new shares were issued with the subscription price of 1.42 euros per share and 1,600,000 shares were issued with the subscription price of 15.10 Swedish krona per share. The total amount of subscribed shares amounted to 7,057,345 shares and the total proceeds from the share issue amounted to EUR 9,686.5 thousand.

The proceeds from the share issue, net of transactions costs of EUR 359.3 thousand were recognized in the reserve for invested unrestricted equity.

With unanimous shareholders' decision on September 8, 2016, the Company decided to grant a total of 6,500 options (option program 1/2016) to certain investors as a part of their equity investment. The options were issued with no consideration and each option entitles the option holder to subscribe one new share. After the bonus issue (1:200) on June 8, 2018 the amount of options is 1,300,000 and the options entitle to subscribe a total of 1,300,000 shares at subscription price of 0.32 euros per share. Right to subscribe shares began immediately upon the issue of options and the right to subscribe shares with the options ends at the earliest date of following a) September 30, 2021 b) sale of the entire issued share capital of the Company or c) initial public offering. At the end of financial year December 31, 2019 all 1,300,000 options were outstanding and exercisable. From the stock option program 1/2016 total of 1,300,000 shares were subscribed

at April 22, 2020 and the total proceeds from the share issue amounted to EUR 416 thousand was recognized in the reserve for invested unrestricted equity.

On April 7, 2020 the annual general meeting resolved to authorize the Board of Directors to resolve upon the issuance of new shares and based on preliminary resolution from the Board of Directors on May 21, 2020, the Board of Directors resolved on June 3, 2020 of directed share issue totaling 20,289,856 shares with subscription price EUR 3.45 and SEK 36.03. It was further resolved additional directed share issue totaling 2,898,551 shares. Total proceeds from the 2020 share issues amounted to EUR 79,928 thousand and net of transaction costs of EUR 8,316 thousand were recognized in the reserve for unrestricted equity.

On September 1, 2020, the Board of Directors resolved share subscriptions totaling 16,671 from stock option programs 2/2019 and 1/2020. Total proceeds EUR 22 thousand were recognized in the reserve for invested unrestricted equity.

#### Parent company distributable equity at 31 December

EUR	Dec 31, 2020	Dec 31, 2019
Retained earnings from previous years	-7,682,222	-2,223,845
Profit for the year	-19,451,312	-7,553,521
Invested unrestricted equity reserve	89,679,673	17,706,692
<b>Total</b>	<b>62,546,139</b>	<b>7,929,326</b>

The Board of Directors' proposal for distributable equity:

The Board proposes the parent company's loss for the period, amounting to EUR -19,451,312 to be allocated to the accumulated deficit and that no dividend will be paid.

## 20 Share-based payments

Group has ten different share-based payment programs for members of the Board of Directors and Group's key personnel: stock option programs 1–5/2019 and 1–5/2020. Stock options programs entitles holders of the stock options to subscribe company shares.

The annual general meeting on March 27, 2019 decided to issue option rights to the members of the Board of Directors and authorized the Board of Directors to issue the option rights to bind the Group's key personnel. The option rights were issued with no consideration. Each option right entitles the option holder to subscribe one new share and the option rights vest linearly so that the options are 100% vested within one year from the grant date. The subscription period of the shares with option rights begins immediately upon the vesting of the option right.

The Board of Directors has resolved on March 10, 2020 of the stock option program 1/2020 to Group's key personnel. Annual General Meeting decided to issue stock option rights 2/2020 to the members of the Board of Directors. The Board of directors resolved on June 25, 2020 of the stock option program 3/2020 to the Group's key personnel. Extraordinary General Meeting resolved on September 1, 2020 of the stock option program 4/2020 to the new

member of the Board of Directors. The Board of Directors resolved on October 23, 2020 of the stock option program 5/2020 to key personnel. All option rights granted in 2020 are issued with no consideration. Each option right entitles the option holder to subscribe one new share and the option rights vest linearly so that the options are 100% vested within one year from the grant date. The subscription period of the shares with option rights begins immediately upon the vesting of the option right.

If the option holder's employment or service relationship with the Group or a company in the same group or the membership in the Company's Board of Directors terminates for any reason, the option holder has to subscribe the shares within 90 or 30 days after the employment of service relationship has ended, after which the vested option rights are nullified without compensation. Unvested option rights are nullified immediately after employment or service relationship with the Group is terminated.

The volatility used in the valuation of option rights is based on five peer group companies before the listing, which are assessed to be the best estimate to reflect the risk level of the Group. After the listing, the volatility is based on annualized volatility from Nanoform share price.

Key factors and definitions of the stock option programs are presented in the below table.

Option program 2019	1/2019	2/2019	3/2019	4/2019	5/2019
Maximum number of options	350,000	555,000	200,000	100,000	50,000
Exercise price, EUR	1.10	1.10	1.10	1.10	1.10
Beginning of subscription period	Linearly after registering option rights				
End of subscription period	Until further notice				
Vesting conditions	Employment or service relationship during the vesting period				

Determination of the fair value for the share options granted	1/2019	2/2019	3/2019	4/2019	5/2019
Share price at grant date, EUR	1.30	1.34	1.42	1.54	1.62
Subscription price, EUR	1.10	1.10	1.10	1.10	1.10
Volatility, %	65	65	65	65	65
Interest free rate, %	0.01	0.01	0.01	0.01	0.01
Option fair value, EUR	0.74	0.78	0.84	0.94	1.00
Subscription of shares	After 5 years from grant date of option right				
Effect on earnings 2019, EUR thousand	250	401	140	60	16
Effect on earnings 2020, EUR thousand	11	28	28	34	34

Option program 2020	1/2020	2/2020	3/2020	4/2020	5/2020
Maximum number of options	505,000	350,000	700,000	59,726	150,000
Exercise price, EUR	1.65	2.45	5.00	5.00	5.00
Beginning of subscription period	Linearly after registering option rights				
End of subscription period	Mar 10, 2025	Apr 7, 2025	Jun 25, 2025	Apr 7, 2025	Oct 23, 2025
Vesting conditions	Employment or service relationship during the vesting period				

Determination of the fair value for the share options granted	1/2020	2/2020	3/2020	4/2020	5/2020
Share price at grant date, EUR	1.77	3.45	4.17	4.30	4.30
Subscription price, EUR	1.65	2.45	5.00	5.00	5.00
Volatility, %	65	65	44	45	43
Interest free rate, %	0.01	0.01	-0.55	-0.55	-0.55
Option fair value, EUR	0.97	2.11	1.31	1.39	1.36
Subscription of shares	After 5 years from grant date of option right			After 4,5 years from grant date of option right	After 5 years from grant date of option right
Effect on earnings 2020, EUR thousand	423	699	689	64	86

2020

Share options 2019

Number of share options	1/2019	2/2019	3/2019	4/2019	5/2019
Outstanding at 1 January	350,000	535,000	200,000	100,000	50,000
Granted					
Forfeited					
Exercised		-10,000			
Outstanding at 31 December	350,000	525,000	200,000	100,000	50,000
Exercisable at 31 December	350,000	525,000	200,000	100,000	50,000

2019

Share options 2019

Number of share options	1/2019	2/2019	3/2019	4/2019	5/2019
Outstanding at 1 January					
Granted	350,000	535,000	200,000	100,000	50,000
Forfeited					
Exercised					
Outstanding at 31 December	350,000	535,000	200,000	100,000	50,000
Exercisable at 31 December	335,555	517,334	166,773	64,155	16,435

2020

## Share options 2020

Number of share options	1/2020	2/2020	3/2020	4/2020	5/2020
Outstanding at 1 January					
Granted	505,000	350,000	700,000	59,726	150,000
Forfeited	-6,329				
Exercised	-6,671				
Outstanding at 31 December	492,000	350,000	700,000	59,726	150,000
Exercisable at 31 December	321,167	186,863	30,170	21,353	70,424

**Accounting policy**

The option rights are measured at fair value at grant date and recognized as expenses in the statement of comprehensive income during the vesting period. The service conditions are ignored in grant date fair value, but fulfilment of service conditions is taken into account as the Group revises its estimate on the amount of equity instruments that will eventually vest and its estimate on related expense. Cumulatively, expenses are recognized only for equity instruments granted that will vest. The expenses for option programs are recognized in employee benefits, with corresponding increase in equity.

At grant date, the expense recognized for the option programs is based on the Group's estimate of the option rights that will vest during the vesting period. The estimate is revised at each reporting date. Changes in the estimate are recognized through profit and loss. The fair value of option rights is measured using Black-Scholes valuation model. When option rights are exercised, the proceeds from the subscription of shares are recognized in the reserve for invested unrestricted equity.

**Significant management judgements**

The Group recognizes expenses for share-based payments in the statement of comprehensive income. Management uses judgment when determining certain assumptions used in the option pricing model, such as volatility, fair value of shares at the grant date, estimated number of options that will eventually vest and the probable exercise date of options.



## 21 Financial risk management

Nanoform is exposed to various financial risks such as liquidity risk, foreign exchange risk and interest rate risk as well as credit and counterparty risk. Most significant risks relate to foreign exchange rates. Group CFO is responsible for the Group's risk management. The aim of the Group is to minimize its risks with financing activities to the extent it is financially beneficial and reasonable.

### Capital management and liquidity risk

Nanoform's objective in managing capital is to safeguard the Group's ability to continue its operations and to

enable the development and commercialization of its nanofforming technology in the future (see note 18). For maintaining or adjusting the capital structure, the Group may issue new shares, request for debt financing or change the realization of its planned growth investments.

The Group's management monitors the capital through net debt to equity ratio, which was -86.5 as at December 31, 2020 (2019: -45.9) percentage. Net debt includes interest-bearing liabilities, net of cash and cash equivalents. Interest bearing liabilities include R&D loans at below market-interest through government grants and lease liabilities.

EUR	Group		Parent company	
	2020	2019	2020	2019
Net debt	-54,156,059	-3,639,940	-54,089,172	-3,639,940
Total equity	62,635,364	7,931,826	62,626,139	7,931,826
<b>Net debt equity ratio</b>	<b>-86.5 %</b>	<b>-45.9 %</b>	<b>-86.4 %</b>	<b>-45.9 %</b>

Cash flow from operating activities for the financial year ended December 31, 2020 was EUR 14,156 thousand negative and cash outflow for investing activities was EUR -4,040 thousand. The Group's cash and cash equivalents totaled to EUR 61,025 thousand as at December 31, 2020. The Group's liquidity position is monitored regularly and projected both in short and long term to ensure that the Group has sufficient funding and cash and cash equivalents available to meet obligations when due. The management monitors the forecasts on the Group's cash

flows based on expected future cash flows. The Group has no committed credit facilities available.

In the past, the Group has financed its operations mainly with equity financing, with R&D loans at below market-interest through government grants, and to lesser extent with income from contracts with customers.

The tables below disclose the Group's financial liabilities based on relevant maturity groupings. The amounts disclosed in the tables are the contractual undiscounted cash flows.

At December 31, 2020, the Group's contractual maturity of financial liabilities was as follows:

EUR	2021	2022	2023	2024 - thereafter	Total
Finance leases	1,057,379	1,047,083	971,053	3,593,590	6,669,104
Trade payables	1,218,532				1,218,532
Repayment of R&D loans	77,500	77,500	166,449	1,069,796	1,391,245
Interest expenses of R&D loans	13,912	13,137	12,362	30,315	69,727
<b>Total</b>	<b>2,367,323</b>	<b>1,137,720</b>	<b>1,149,864</b>	<b>4,693,701</b>	<b>9,348,608</b>

At December 31, 2019, the Group's contractual maturity of financial liabilities was as follows:

EUR	2020	2021	2022	2023 - thereafter	Total
Finance leases	494,237	429,887	417,677	1,935,025	3,276,826
Trade payables	570,691				570,691
Repayment of R&D loans	77,500	77,500	77,500	731,268	963,768
Interest expenses of R&D loans	8,195	7,403	7,008	18,008	40,614
<b>Total</b>	<b>1,150,622</b>	<b>514,790</b>	<b>502,185</b>	<b>2,684,301</b>	<b>4,851,899</b>

At December 31, 2020, the Parent company's contractual maturity of financial liabilities was as follows:

EUR	2021	2022	2023	2024 - thereafter	Total
Finance leases	1,057,379	1,047,083	971,053	3,593,590	6,669,104
Trade payables	1,217,619				1,217,619
Repayment of R&D loans	77,500	77,500	166,449	1,069,796	1,391,245
Interest expenses of R&D loans	13,912	13,137	12,362	30,315	69,727
<b>Total</b>	<b>2,366,410</b>	<b>1,137,720</b>	<b>1,149,864</b>	<b>4,693,701</b>	<b>9,347,695</b>

At December 31, 2019, the Parent company's contractual maturity of financial liabilities was as follows:

EUR	2020	2021	2022	2023 - thereafter	Total
Finance leases	494,237	429,887	417,677	1,935,025	3,276,826
Trade payables	570,691				570,691
Repayment of R&D loans	77,500	77,500	77,500	731,268	963,768
Interest expenses of R&D loans	8,195	7,403	7,008	18,008	40,614
<b>Total</b>	<b>1,150,622</b>	<b>514,790</b>	<b>502,185</b>	<b>2,684,301</b>	<b>4,851,899</b>

#### Foreign exchange risk

Nanoform is exposed mainly to foreign exchange fluctuations arising from SEK, GBP, USD and NOK currencies. Part of the revenue and the expenses are nominated in GBP, USD and SEK currencies, all loans are nominated in euros.

Currency positions arise from cross-border bank deposits in SEK, USD, GBP and NOK currencies. The following table illustrates the effect of +/- 10 per cent changes in foreign currencies. Nanoform does not hedge its currency risk.

Factor	Change (%)	Effect of change in cash position (thousand €)	Effect of change in cash position (%)	Effect of change on profit (%)
Currency SEK	+/-10%	+/- 1,559	+/- 2.6	+/- 8.0
Currency USD	+/-10%	+/- 1,380	+/- 2.3	+/- 7.1
Currency GBP	+/-10%	+/- 575	+/- 0.9	+/- 3.0
Currency NOK	+/-10%	+/- 307	+/- 0.5	+/- 1.6

#### Interest rate risk

Nanoform is exposed to a potential interest risk through its Business Finland loans and through its cash and cash equivalent balances. Interest on Business Finland loans is the base rate as defined by the Finnish Ministry of Finance minus three percentage points, subject to minimum rate of 1%. As the interest during the reporting periods presented have been below the minimum level and the Group has paid the minimum interest of 1%, the interest risk is considered as minimal. As the market interest rates have been negative the EUR currency, bank deposits have generated interest payable which has been recognized in the financial period. In the event of rising interest rates Nanoform would be a relative winner due to its positive

net cash position. A one percentage point change in market interest rates would affect earnings by EUR +/- 610 (2019: 70) thousand. Nanoform does not hedge its interest rate risk.

#### Credit risk and counterparty risk

The Group's counterparty risk consists mainly of contracts between external customers, suppliers, partners in cooperation and financial institutions. Counterparty risk with financial institutions concerns creditworthy banks and financial institutions. Counterparty risk with the customer contracts is low because when selecting counterparty, only counterparties with high creditworthiness are approved.

Counterparty creditworthiness is evaluated constantly, and the required actions are considered case by case if significant changes in the creditworthiness of a counterparty occur. Credit risk is managed by defining the rules for payment terms, authorizations and credit control. The credit quality is evaluated both based on the aging of the receivables as well as on the basis of individual case by case customer analysis in order to identify customers with potential higher credit risk due to individual customer

specific reasons. The expected credit loss for the trade receivables is recognized based on this credit quality evaluation. The Group follows credit rating of customers given by credit institutions.

#### Stock market risk

Stock market risk factors the changes in share prices. The following table illustrates the effect of +/-30% change in share price in share investments. Nanoform does not hedge its share investment risk.

Factor	Change (%)	Effect of change in cash position (thousand €)	Effect of change in cash position (%)	Effect of change on profit (%)
Herantis Pharma Plc shares (FVPL)	+/-30%	+/- 538	+/- 0.9	+/- 2.8

## 22 Financial assets and liabilities

EUR	Fair Value Hierarchy	Group		Parent company	
		Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
<b>Financial assets at fair value through profit or loss</b>					
Quoted shares	1	1,794,593		1,795,495	
<b>Financial assets measured at amortised cost</b>					
Trade receivables	2	225,920	20,000	225,920	20,000
Other receivables	2	115,732	170,430	115,732	170,430
Cash and cash equivalents	2	61,025,364	7,302,666	60,958,478	7,302,666
<b>Total</b>		<b>63,161,609</b>	<b>7,493,096</b>	<b>63,095,624</b>	<b>7,493,096</b>

EUR	Fair Value Hierarchy	Group		Parent company	
		Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
<b>Financial liabilities measured at amortised cost</b>					
Trade payables	2	1,218,532	570,691	1,217,619	570,691
Lease liabilities	2	5,820,960	2,986,097	5,820,960	2,986,097
R&D loans	2	1,048,346	676,629	1,048,346	676,629
<b>Total</b>		<b>8,087,837</b>	<b>4,233,417</b>	<b>8,086,925</b>	<b>4,233,417</b>

R&D loans are granted to specific development projects and cover a contractually defined portion of the underlying development project's R&D expenses. The below-market interest rate for these loans is the base rate set by the Ministry of Finance minus three (3) percentage points, subject to a minimum rate of 1%. Repayment of these loans shall be initiated after 5 years, thereafter loan principals shall be paid back in equal instalments over a 5-year period, unless otherwise agreed with Business Finland.

In 2020, the carrying amount of R&D loans was EUR 1,048 thousand and the fair value was EUR 834,3 (2019: 766,0) thousand. During the financial years 2020–2019 the discount rate has been 7 percentage and during the financial years 2017–2018 10 percentage. The interests on R&D loans amounted to EUR 66,2 (2019: 62,1) thousand.

Fair value of the R&D loans from Business Finland is calculated by discounting estimated future cash flows for the loans using appropriate interest rate at the reporting date. The discount rate considers the risk-free interest rate and estimated margin for the Group's own credit risk. Discounted future cash flows are derived from the loan terms containing the timing and the amounts of repayment and the cash payments for interest. The valuation of R&D loans relies on unobservable market data, and the loans are classified in Level 3 (Measurement of financial instruments is not based on verifiable market information).

### Accounting policy

#### Classification and value of financial assets

The Group's financial assets are classified at the amortized cost and at fair value in financial assets. The financial assets are classified at the time of initial acquisition. Purchases and sales of financial assets are recognized to the balance sheet at the transaction date when the Group has committed to buy or sell the financial instrument. The derecognition of financial assets occurs when the Group has lost its contractual right to cash flows or has significantly transferred the risks and income outside the group.

Financial assets valued at fair value through profit or loss are classified as investments in equity instruments of non-group companies. Those financial instruments are measured at fair value and any changes in value are recognized in the income statement for the occurring period.

Financial assets are recognized at amortized cost including trade receivables and other receivables. Trade receivables are measured at accrued cost netted with any impairment losses. More information on principles of credit loss calculations in the note 17.

Cash and cash equivalents consist of bank deposits, partially also in foreign currency. Changes in the foreign currency bank deposit values are stemming from converting assets to exchange rate of the balance sheet date. Foreign exchange gains and losses are recognized in the financial income and expenses through profit or loss statement. More information of currency risk management in the note 21.

#### Classification and value of financial liabilities

The Group's financial liabilities are classified as liabilities measured at amortized cost. The financial liabilities of the Group's consists of interest-bearing R&D loans, lease liabilities, trade payables and other non-current and current liabilities. Withdrawals, purchases and sales of financial liabilities are recognized in the balance sheet on the contract date. A financial liability is derecognized when the obligation specified in the contract has been met, cancelled or has expired. Long-term financial liabilities that mature more than one year are classified as non-current, short-term financial liabilities that mature less than one year are classified as current.

R&D loans with below-market interest rate from government agency Business Finland are classified at amortized cost. The fair value of the loans is measured by discounting the future cash flows from the loans using a rate of the balance sheet date. The discount rate considers the risk-free interest rate and forecasted margin of the company's own credit risk. The discounted future cash flows have been derived from the terms of the loan, including the amounts and dates of the repayments and interest payments. The below-market interest rate represents a government grant that is recognized as income in the income statement at the same time as the expenses which are basis for the loan. Loans are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. The value of the grant component generated by the below-market rate has been calculated by deducting the fair value of the loan from the nominal value of the loan. The classification of R&D loans is based on the not observable market information thus reflecting the classification of the fair value of the loan to level 3 (Measurement of the financial instrument is not based on verifiable market data).

Amortized cost liabilities are including lease liabilities and trade payables. The classification of trade and other payables is current unless the company has an implicit right to defer the settlement for at least 12 months from the end of the financial year, in which case they would be classified as non-current liabilities. More information about lease liabilities in the note 15.

## 22.1 Changes in liabilities arising from financing

## Net debt reconciliation

EUR	Group		Parent company	
	2020	2019	2020	2019
Cash and cash equivalents	61,025,364	7,302,666	60,958,478	7,302,666
Short-term R&D loans	-77,500	-77,500	-77,500	-77,500
Long-term R&D loans	-970,846	-599,129	-970,846	-599,129
Short-term lease liabilities	-900,644	-413,074	-900,644	-413,074
Long-term lease liabilities	-4,920,316	-2,573,024	-4,920,316	-2,573,024
<b>Net debt</b>	<b>54,156,059</b>	<b>3,639,940</b>	<b>54,089,172</b>	<b>3,639,940</b>

EUR	Group					
	Other assets	Liabilities from financing activities				
	Cash and cash equivalents	Short-term lease liabilities	Long-term lease liabilities	Short-term R&D loans	Long-term R&D loans	Total
<b>Net debt as at Jan 1, 2019</b>	<b>5,594,974</b>	<b>-189,588</b>	<b>-1,656,427</b>		<b>-554,537</b>	<b>3,194,422</b>
Cash flows	1,739,454	292,120			-121,903	1,909,671
Other non-cash movements	-31,763	-515,606	-916,597	-77,500	77,311	-1,464,155
<b>Net debt as at Dec 31, 2019</b>	<b>7,302,666</b>	<b>-413,074</b>	<b>-2,573,024</b>	<b>-77,500</b>	<b>-599,129</b>	<b>3,639,940</b>
Cash flows	53,661,630	631,919			-371,718	53,921,831
Other non-cash movements	61,068	-1,119,489	-2,347,292			-3,405,713
<b>Net debt as at Dec 31, 2020</b>	<b>61,025,364</b>	<b>-900,644</b>	<b>-4,920,316</b>	<b>-77,500</b>	<b>-970,847</b>	<b>54,156,059</b>

EUR	Parent company					
	Other assets	Liabilities from financing activities				
	Cash and cash equivalents	Short-term lease liabilities	Long-term lease liabilities	Short-term R&D loans	Long-term R&D loans	Total
<b>Net debt as at Jan 1, 2019</b>	<b>5,594,974</b>	<b>-189,588</b>	<b>-1,656,427</b>		<b>-554,537</b>	<b>3,194,422</b>
Cash flows	1,739,454	292,120			-121,903	1,909,671
Other non-cash movements	-31,763	-515,606	-916,597	-77,500	77,311	-1,464,155
<b>Net debt as at Dec 31, 2019</b>	<b>7,302,666</b>	<b>-413,074</b>	<b>-2,573,024</b>	<b>-77,500</b>	<b>-599,129</b>	<b>3,639,940</b>
Cash flows	53,594,744	631,919			-371,718	53,854,945
Other non-cash movements	61,068	-1,119,489	-2,347,292			-3,405,713
<b>Net debt as at Dec 31, 2020</b>	<b>60,958,478</b>	<b>-900,644</b>	<b>-4,920,316</b>	<b>-77,500</b>	<b>-970,847</b>	<b>54,089,172</b>

## 23 Provisions

EUR	Group	Parent company
	Onerous contracts	
Jan 1, 2019		
Additional provisions recognised	19,079	19,079
Amounts used during the year		
Unused amounts reversed		
<b>Dec 31, 2019</b>	<b>19,079</b>	<b>19,079</b>
Additional provisions recognised		
Amounts used during the year		
Unused amounts reversed	-19,079	-19,079
<b>Dec 31, 2020</b>		

In 2019 the Group has recognized a provision from an onerous customer contract amounting to EUR 19,1 thousand which has been reversed in 2020.

EUR	Group		Parent company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Long-term provisions				
Short-term provisions		19,079		19,079
<b>Total</b>		<b>19,079</b>		<b>19,079</b>

## Accounting policy

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are measured at the present value of the payments required to cover the obligation. The discount factor used in calculation of the present value reflects the time value of money and specific risks related to the obligation. In case it is virtually certain that the Group will receive reimbursement to cover the obligation partially from a third party, the reimbursement is recognized as separate asset.

A contingent liability is a possible obligation, that arises from past events and whose existence is confirmed only when an uncertain event outside the control of the Group is realized. An existing liability that is not likely to require the fulfilment of the payment obligation or whose amount cannot with sufficient reliability measured is also considered a contingent liability. At the reporting date the Group doesn't have contingent liabilities. In the financial statements the Group has recognized a provision relating to an onerous customer contract.

## 24 Trade payables and other current liabilities

### Accruals

EUR	Group		Parent company	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Holiday pay liabilities	507,700	252,920	507,700	252,920
Pension contributions and other statutory personnel related insurance premium	41,534	26,210	41,534	26,210
Interest expenses	11,956	4,476	11,956	4,476
Other accruals	2,334,105	292,284	2,295,009	292,284
<b>Total</b>	<b>2,895,294</b>	<b>575,889</b>	<b>2,856,199</b>	<b>575,889</b>

Other accruals include the accrued bonus payment of the management and the accrued acquisition cost of assets.

## 25 Contingencies and commitments

The Group has commitments related to services and purchases of property, plant and equipment amounted to EUR 636 thousand at the end of 2020.

### Disputes and litigations

The Group's management is not aware of any open disputes or litigations, which could have a significant impact on the Group's financial position.

## 26 Related party transactions

The Group's related parties are as follows:

- Members of the Board of Directors and their closely related family members and the entities over which they have control or joint control
- Group's Management team and their closely related family members and the entities over which they have control or joint control
- Nanoform Group's intercompany transactions
- The University of Helsinki, which had a significant influence over the Company based on the ownership in 2019 14.5 percentage and its right to nominate a representative to the Company's Board of Directors as at end of December 2019, has been ceased to be a related party after the First North Growth Market Premier listing at June 4, 2020.

Nanoform has not had interests in other entities as at and for the years ended December 31, 2020 and 2019.

### Key management personnel

The Group's key management personnel consist of the members of the Board of Directors and the management team including CEO.

Compensation and fees recognized as expenses for the members of the Board of Directors

EUR	2020		2019	
	Fees	Share-based payments	Fees	Share-based payments
Rabbe Klemets	13,332	4,604	29,997	106,953
Miguel Maria Calado	37,497	302,483	22,500	71,302
Albert Haeggström, CFO	19,992	202,679	19,992	71,302
Mads Laustsen	27,498	233,143	6,664	60,015
Cynthia Schwalm	6,644	71,223		
<b>Total</b>	<b>104,963</b>	<b>814,132</b>	<b>79,153</b>	<b>309,572</b>

Nanoform Finland Ltd Board of Directors consisted Jan 1, 2020 – April 7, 2020 of Mr. Rabbe Klemets (chairman), Mr. Albert Hæggström, Mr. Miquel Calado (vice chairman) and Mr. Mads Laustsen. Nanoform Finland Plc Board of Directors consisted April 7, 2020 – August 30, 2020 of Mr. Miquel Calado (chairman), Mr. Albert Hæggström and Mr. Mads Laustsen. During September 1, 2020 – December 31, 2020 the Board of Directors consisted of Mr. Miquel Calado (chairman), Mr. Albert Hæggström, Mr. Mads Laustsen and Ms. Cynthia Schwalm.

Salaries and other short-term employee benefits consist of salaries and benefits, incentive bonuses and performance bonuses. Contributions to statutory pension schemes are presented in the post-employment benefits.

CEO's period of notice is 6 months and the severance payment 6 and 2/3 months of base salary in case of termination by the Company. The retirement age corresponds to the Finnish Statutory Employment Pension Scheme.

During 2020, a total of 909,726 (2019: 830,000) options were granted to the members of the Board of Directors and the management team, of which a total of 309,726 (2019: 350,000) were granted to the members of the Board of Directors, excluding the CFO.

EUR	CEO	Management team <sup>*)</sup>
<b>2020</b>		
Salaries and other short-term employee benefits	271,482	2,855,020
Post-employment benefits	50,088	489,493
Share-based compensation		771,365
<b>Total</b>	<b>321,570</b>	<b>4,115,878</b>
<b>2019</b>		
Salaries and other short-term employee benefits	109,100	836,453
Post-employment benefits	23,976	124,634
Share-based compensation		274,570
<b>Total</b>	<b>133,076</b>	<b>1,235,658</b>

<sup>\*)</sup> Management team without CEO, whose compensations are presented separately.

Management shareholding	Dec 31, 2020	Dec 31, 2019
Number of shares (pcs)	6,214,530	9,672,150
Shareholding, percentage	9.3%	26.9%

Board shareholding <sup>*)</sup>	Dec 31, 2020	Dec 31, 2019
Number of shares (pcs)		526,000
Shareholding, percentage	0.0%	1.5%
Total number of shares outstanding (pcs)	66,600,443	42,095,365

<sup>\*)</sup> Board of Directors' shareholding, excluding the members of the management team.



## Transactions with related parties and open balance

EUR	Group			
	Purchases	Liabilities	Sales	Receivables
<b>2020</b>				
University of Helsinki				
Key management personnel		827,288		
Other related parties				
<b>Total</b>		<b>827,288</b>		
<b>2019</b>				
University of Helsinki	159,218			
Key management personnel		231,504		
Other related parties	5,835			
<b>Total</b>	<b>165,053</b>	<b>231,504</b>		

EUR	Parent entity			
	Purchases	Liabilities	Sales	Receivables
<b>2020</b>				
University of Helsinki				
Intercompanies	267,881			16,768
Key management personnel		827,288		
Other related parties				
<b>Total</b>	<b>267,881</b>	<b>827,288</b>		<b>16,768</b>
<b>2019</b>				
University of Helsinki	159,218			
Intercompanies				
Key management personnel		231,504		
Other related parties	5,835			
<b>Total</b>	<b>165,053</b>	<b>231,504</b>		

## 27 Group's structure

During 2020 Group financial statement consisted of parent company Nanoform Finland Plc and its 100% owned subsidiary in the United States (Nanoform USA Inc, domicile United States of America).

## 28 Events after reporting date

Early January, a new near-term business target was announced: "At least 12 new non-GMP and at least one GMP customer project in 2021".

In January, Nanoform announced positive interim results from its clinical study. The interim results obtained from the ongoing clinical trial, suggest that a nanoformed oral piroxicam tablet achieved significantly faster absorption when compared to the reference tablet from the originator Pfizer. The final results of the study are expected before the end of Q2/2021.

In February, Nanoform and Herantis Pharma Plc signed a Biologics Proof of Concept Agreement aiming to enhance nasal drug delivery to the brain of Herantis' CDFN therapies for Parkinson's disease using Nanoform's proprietary biological nanoparticle technology. As a result, Nanoform has achieved its near-term business target of "First Biologics PoC project signed in 2021".

In February, a PoC agreement was signed with an East Coast US Biotech company.

On February 26, a new near-term business target was announced: "At least 3 new non-GMP lines in 2021 and 2 new GMP lines in 2022".

# Signatures for the Financial Statements

Helsinki 25, February 2021

Miguel Calado  
Chairman of the Board of Directors

Albert Hæggström  
Member of the Board of Directors

Mads Laustsen  
Member of the Board of Directors

Cynthia Schwalm  
Member of the Board of Directors

Edward Hæggström  
CEO

## Auditor's statement

A report on the audit performed was given today

Helsinki 25, February 2021

PricewaterhouseCoopers Oy  
Authorized Public Accountant Firm

Tomi Moisio  
Authorized Public Accountant (KHT, JHT)



## Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Nanoform Finland Plc

### Audit of the Financial statements

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#### Opinion

In our opinion the consolidated and the parent company's financial statements give a true and fair view of the group's and the parent company's financial performance and financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

#### What we have audited

We have audited the financial statements of Nanoform Finland Plc (business identity code 2730572-8) for the financial year ended 31 December 2020. The financial statements comprise:

- the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.
- the parent company's statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes.

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#### 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.

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#### 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 consolidated and the parent company's financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and comply with the 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 company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going



concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

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

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

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

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

Helsinki 25 February 2021

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Tomi Moisio  
Authorised Public Accountant (KHT, JHT)

# Financial ratios and definitions

Ratio	Definition
Gross Profit	Revenue + Other operating income - Materials and services expenses
Gross Margin (EBITDA)	Operating loss before depreciations, amortizations, and impairment losses
Equity ratio %	Total equity / Total assets - advances received
Gearing %	Interest-bearing net debt / Total equity
Gearing excluding lease liabilities %	Interest-bearing net debt / Total equity excluding lease liabilities
Net debt	Long-term and short-term R&D loans + long-term and short-term lease liabilities - cash and cash equivalents
Net debt excluding lease liabilities	Long-term and short-term R&D loans - cash and cash equivalents
R&D expenses	Employee benefit expenses for R&D personnel and other operating expenses related to R&D activities
Investments	Investments in Property, Plant and Equipment as presented in cash flow statement

## Group Share Indicators definitions

Ratio	Definition
Basic EPS (EUR)	Profit for the period / adjusted average number of shares during the period
Equity per share	Shareholder's equity / adjusted number of shares at the end of financial period - own shares
Dividend per share	Total dividend / adjusted number of shares at the end of the financial period - own shares
Dividend, % of earnings	Dividends per share / earnings per share x 100
Effective dividend yield	Dividend per share x 100 / adjusted share price at the end of the financial period
P/E ratio	Earnings per share / market value per share

## Further enquiries:

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## Financial calendar

Interim Report for January–March  
2021 will be published May 27, 2021.

Capital Markets Day in Helsinki,  
June 4, 2021.

