Interim results

Released : September 23, 2019

RNS Number : 2452N
Faron Pharmaceuticals Oy
23 September 2019

Faron Pharmaceuticals Ltd
("Faron" or the "Company")

Interim results for the six months ended 30 June 2019

TURKU - FINLAND, 23 September 2019 - Faron (AIM: FARN), the clinical stage biopharmaceutical company, today announces its unaudited interim results for the six months ended 30 June 2019 (the "Period").

HIGHLIGHTS

Operational (including post Period-end):

Clevegen® - wholly-owned novel cancer immunotherapy in clinical development

- Dose escalation reached its planned maximum level of 10mg/kg in the open label phase I/II MATINS study and data from 11 subjects, dosed across three sites in Finland and the UK, indicated Clevegen's potential early efficacy and good tolerability.
- All subjects showed a switch in their immune cell profiles towards increased immune activation, demonstrating the biological effect of Clevegen.
- The first partial responder observed among colorectal cancer (CRC) patients showed a continuation of lung and lymph node metastasis shrinkage. The subject's tumour load biochemical marker, carcinoembryonic antigen (CEA), also normalised.
- CRC was selected as a first expansion cohort for part II of the trial. Simon's two-stage statistical design will be utilised during parts II and III to predict cohort sizes for efficacy and regulatory acceptance.
- A pre-IND package was filed with the FDA, to be followed by the IND submission and to enable new trial site openings in the US. Planning commenced to include top clinical cancer research centres in France and Spain as the next European countries to join the trial.
- New experimental data supporting the immunotherapeutic blockade of Clever-1 as an alternative to, or in combination with PD-1 checkpoint inhibition to reactivate immunity against immunosuppressive tumours was published in *Clinical Cancer Research*, a journal of the American Association for Cancer Research.
- Data from the MATINS study was selected for a poster discussion presentation at the European Society of Medical Oncology (ESMO) 2019 Congress, taking place in Barcelona between 27 September and 1 October 2019.
- Several new patent filings have been carried out during the period to further strengthen the existing IP around Clevegen use in conditions where harmful immune suppression causes serious diseases.
- Manufacturing has been established to supply drug product for cohort expansions in part II of the MATINS study.
- Partnering discussions continue with the aim of supporting expansion of clinical development and exploring the potential of Clevegen in combination with existing immunotherapies.

Traumakine® - in development for the treatment of ARDS and organ failures without interfering corticosteoids

- Top-line data from the phase III ARDS trial with Japanese partner Maruishi Pharmaceutical Co., Ltd were, as expected, consistent with the INTEREST study results, showing that treatment with Traumakine did not result in reduced mortality or an increased number of ventilator-free survival

days when compared to placebo. In the study very high concomitant glucocorticoid use (77%) was observed.
- A phase I study in healthy volunteers (pharmacokinetic/dynamic YODA study), examining the administration and concomitant use of corticosteroids with Traumakine, confirmed observations previously seen in the INTEREST study. Traumakine produced the expected levels of bioactivity, suggesting drug formulation was not a factor in the outcome of that trial and that concomitant corticosteroid use interferes in the desired interferon-beta effect on CD73.
- Interim results from the phase II INFORAAA study examining the effect of Traumakine on mortality (predominantly for Multi-Organ Failure, MOF) and on pharmacodynamic biomarkers in surgically operated Ruptured Abdominal Aorta Aneurysm (RAAA) patients, showed biomarker (MxA and CD73) responses indicating a good interferon-beta response from Traumakine. A trend toward reduction of mortality was seen in patients increasing their CD73 plasma levels.
- Based on the advice from the INFORAAA Independent Data Monitoring Committee and investigators, the Company has decided to close the INFORAAA trial, as unexpected high use of concomitant corticosteroids prevent the scientific implementation of the INFORAAA protocol.
- Faron remains focused on designing a new global phase III trial for Traumakine treatment (CALIBER) for the treatment of ARDS taking into account the high levels of concomitant steroids used as a standard of care for ARDS and some RAAA patients, and is in the process of seeking scientific advice from regulatory authorities on the proposed new trial structure.
- It is the understanding of the Company that the current API manufacturing process used to manufacture Traumakine requires significant upgrading to secure MAA/BLA approval. Various options are currently explored.
- The Company envisages that further Traumakine trials are likely to be funded through a third party.

Group financial

- Raised EUR 4.5 million (net EUR 4.2 million) in aggregate through a placing and subscription in March and May 2019 at an issue price of Eur 0.76 (£0.65) per share.
- Cash balances of EUR 2.9 million at 30 June 2019 (2018: EUR 11.2 million).
- Operating loss of EUR 6.3 million for the six months ended 30 June 2019 (2018: EUR 14.0 million).
- Net assets of EUR −1.8 million (2018: EUR 6.7 million) as at 30 June 2019.
- Post the Period-end raised approximately EUR 2.5 million (before expenses) through an issue of equity consisting of subscriptions and an open offer at an issue price of EUR 1.19 (GBP 1.06) per share.
- The net proceeds of the post-Period fundraise are expected to provide the Company with working capital into Q1 2020.

Commenting on the results, Dr Markku Jalkanen, CEO of Faron, said: *"We have focused on two important matters during H1-2019, MATINS study progress and the re-design of Traumakine's development pathway. I am delighted to report that both of these have advanced significantly. Our novel precision cancer immunotherapy, Clevegen, has been well tolerated in cancer patients with advanced solid tumours, all showing an immune switch that we predicted based on the preclinical data and expected mode of action of Clevegen. We have also observed a first partial responder showing a constant decline of tumour burden in tumour imaging and biochemical markers. The response in this patient, who suffers from colorectal cancer (MSI low type) and has failed on all previous treatments, is a promising indicator of Clevegen's potential.*

"It has become clear that Traumakine's development requires a study design which would avoid concomitant corticosteroid use. Faron's solution is a design which would allow corticosteroid use within the standard of care arm but never in combination with Traumakine. As soon as the Company receives feedback for this new design, we will finalise plans to allow us to progress third party funding discussions. The unmet medical need among these patients is significant and the widespread use of corticosteroids for ARDS and multi-organ failures requires serious re-consideration.

"I am pleased that, through the recent fundraise, the Company is in a more secure financial position while we explore partnering activities for Clevegen and funding opportunities for Traumakine. I would like to thank shareholders, both new and existing, for their support of Faron."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

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About Faron Pharmaceuticals Ltd

Faron (AIM:FARN) is a clinical stage biopharmaceutical company developing novel treatments for medical conditions with significant unmet needs. The Company currently has a pipeline based on the endothelial receptors involved in regulation of immune response, in oncology and organ damage. Clevegen, its precision immunotherapy, is a novel anti-Clever-1 antibody with the ability to switch immune suppression to immune activation in various conditions, with potential across oncology, infectious disease and vaccine development. Currently in phase I/II clinical development as a novel macrophage checkpoint immunotherapy for patients with untreatable solid tumours, Clevegen has potential as a single-agent therapy or in combination with other immune checkpoint molecules. Traumakine, the Company's pipeline candidate to prevent vascular leakage and organ failures, has completed a phase III clinical trial in Acute Respiratory Distress Syndrome (ARDS).Plans for its future development are being finalised to avoid interfering steroid use together with Traumakine. Faron is based in Turku, Finland. Further information is available at www.faron.com.

Chairman's and Chief Executive Officer's Review

Introduction

Faron's two projects Clevegen and Traumakine are based on long term research findings made by the Company's scientific network. This network has shown again its vital role through our work to understand the unexpected results from the INTEREST study - the interfering role of corticosteroids on exogenous and endogenous action of interferon-beta. This analysis has penetrated to molecular signalling pathways and could have a significant impact on the wide use of corticosteroids in emergency conditions. Similarly, Clevegen's mode of action has advanced the detailed understanding of how Clever-1 blockade results in an immune switch needed by cancer patients who are immune suppressed by their disease progress. Therefore, the Company believes that both projects are today on solid grounds to move forward and in this report we provide further information on their progress.

Clevegen - encouraging phase I/II MATINS data show potential of novel cancer immunotherapy
In the first half of 2019, the Company's focus has been on progressing the MATINS study, the first-in-human open label phase I/II clinical trial with an adaptive design to investigate the safety and efficacy of Clevegen in selected metastatic or inoperable solid tumours. The selected tumours under investigation are cutaneous melanoma, hepatobiliary/hepatocellular, pancreatic, ovarian and colorectal cancer, all known to host a significant number of Clever-1 positive tumour associated macrophages (TAM). Together these five target groups consist of approximately 2 million annual cases worldwide. Cancer patients with high Clever-1 expression are identified with a simple blood myeloid cell staining with Clevegen ("liquid biopsy").

Clevegen dosing reached its planned maximum of 10mg/kg in mid-June, which has continued to be well tolerated. No dose limiting toxicity (DLT) nor maximally tolerated dose (MTD) has been observed so far. The trial includes an option to administer a 20mg/kg dose.

Of the 11 subjects dosed so far in the trial, across three clinical trial sites in Finland and the UK, two subjects have shown clinical anti-cancer responses. The first patient, a partial responder with colorectal cancer (CRC) whose initial treatment progress was announced on 11 April 2019, showed a continuation of lung metastasis shrinkage according to the latest tumour imaging report at the end of May. In July, we announced that the subject's tumour load marker CEA (carcinogenic embryonal antigen), which measures tumour mass of CRC, had also normalised and that a second subject with CRC had shown an initial decrease in CEA (−40%) and tumour stabilization.

All study subjects dosed in the trial have experienced a switch in their immune cell profiles following treatment with Clevegen towards increased immune activation. Typically this has been observed by one or more of the following: increased CD8+ cells, an increase in the CD8+/CD4+ ratio, a decrease in regulatory T-cells (T-regs) and a substantial increase in mobile natural killer (NK) cells in the blood. These changes were measurable immediately post-dosing, indicating a dynamic response in the immunological switch to immune-activation after the immunotherapeutic blockade of Clever-1. Data indicate that dose escalation results in prolonged Clever-1 occupancy of the blood monocytes during the first two weeks of the three-week dosing cycle before a decrease to baseline levels prior to the next dosing cycle. Key data will be presented in a poster discussion session at the European Society of Medical Oncology (ESMO) meeting in Barcelona September 27 - October 1.

The majority of patients in the trial have received 5-7 different treatment lines prior to entering the MATINS study. Faron is investigating why the observed immune activation has not turned into anti-

tumour activity in all study subjects but only in part. The Company believes the patient's immune system receiving Clevegen as a last line of therapy could have been adversely affected by the underlying therapies they have received prior to taking part in the MATINS study, as previous chemotherapies can inactivate bone marrow, preventing revitalization of the immune system. It is also important to note that the partial responder patient with CRC (MSI low type) is resistant to PD-1 treatments, increasing the significance of this response.

The planned distinct cohort expansions during part II of the study will focus on identification of patients who show an increased number of Clever-1 positive circulating monocytes and the safety and efficacy of the treatment. The Company has announced that CRC has been selected as the first expansion cohort in part II and that initiation of this expansion is expected in Q4 2019. Faron also intends, subject to regulatory approval, to amend the MATINS trial to allow inclusion of hormone receptor-positive breast cancer, gastric cancer and uveal melanoma, based on striking translational data on Clever-1 positive cancer types and current poor survival rates and associated with high Clever-1 expression. Additionally, Faron has filed a pre-IND package to the FDA and intends to file a final IND package in early Q4-2019. If accepted, Faron plans to open new sites in the US and facilitate expansion of the CRC cohort as fast as possible. Similarly, Faron is planning to include top cancer centres in France and Spain as the next European countries to join the MATINS trial.

Traumakine - determining a path for future development
Following the detailed analyses undertaken by the Company and its scientific network during 2018 to understand the INTEREST trial results, in 2019 Faron has continued to further explore the potential causes and to determine a way forward for Traumakine's continued development.

The final part of the pharmacokinetic/dynamic YODA study, examining the administration of concomitant steroids and Traumakine in healthy volunteers, confirmed earlier observations from parts I and II of the study that the INTEREST study drug produced the expected levels of bioactivity, suggesting drug formulation was not a factor in the outcome of the INTEREST trial. Results from YODA also showed that concomitant use of interferon-beta and the corticosteroid prednisolone reduced interferon-beta action, compared to subjects who did not receive steroids. This was evident through both clinical signs of the subjects and reduction of cluster of differentiation 73 (CD73) activity responses measured from blood samples of these subjects.

Results from the Japanese Traumakine phase III trial for ARDS, which included high levels of concomitant corticosteroid use, were in line with results from the INTEREST trial with the effect of corticosteroids showing similar trends to those observed from the INTEREST study.

Interim results of the Company's phase II study examining the effect of Traumakine on mortality (predominantly MOF) and pharmacodynamic biomarkers of surgically operated RAAA patients (INFORAAA trial) also indicated corticosteroid interference with Traumakine action. Whilst biomarker (MxA and CD73) responses indicated a good interferon-beta response from Traumakine, unexpectedly, concomitant corticosterone was recorded both in the active and placebo treatment arms. The removal of corticosteroid-treated patients from statistical analysis reduced group sizes and made statistical interim mortality analysis meaningless; however, a trend toward reduction of mortality was seen in the Traumakine-treated patients who did not receive corticosteroids.

The Company has conducted a full review of all the Traumakine data with key opinion leaders in order to make decisions on Traumakine's future development. This review has led to the decision to close the INFORAAA trial given unexpected levels of concomitant corticosteroid use seen in the trial to date which would prevent the scientific implementation of the INFORAAA protocol. The Company is designing a new global phase III trial for Traumakine treatment (CALIBER) for the treatment of ARDS taking into account the high levels of concomitant steroids used as a standard of care for ARDS and some RAAA patients, and is in the process of seeking regulatory feedback on the proposed trial. The Company envisages that further Traumakine trials are likely to be funded through a third party.

Financial review

During the Period, in March and May 2019, the Company successfully raised approximately EUR 4.5 million from new and existing shareholders, employees and Company Directors. The majority of these proceeds are being used to advance Clevegen through the MATINS trial, further Traumakine development through the design and preparation of the global phase III CALIBER clinical trial and advance partnering discussions in respect of both Traumakine and Clevegen.

Statement of comprehensive income

The loss from operations for the six months ended 30 June 2019 was EUR 6.3 million (six months ended 30 June 2018: loss of EUR 14.0 million). No revenue was generated during the the period or prior revenue. Research and development expenditure decreased by EUR 6.7 million to EUR 5.0 million (2018: EUR 11.7 million). Administrative expenses decreased by EUR 1.0 million to EUR 1.4 million (2018: EUR 2.4 million). Both the research and development and the administrative expenses include the IFRS charge resulting from the options allocated by the Board to the personnel. This had no impact on the cash flow or the Company's equity.

The loss after tax for the Period was EUR 6.4 million (2018: loss of EUR 14.1 million) and the basic loss per share was 0.17 (2018: loss per share of 0.45).

Statement of financial position and cash flows

At 30 June 2019, net assets amounted to EUR −1.8 million (30 June 2018: EUR 6.7 million). The net cash flow for the first six months in 2019 was EUR −1.1 million (2018: EUR 1.8 million positive). As at 30 June 2019, total cash and cash equivalents held were EUR 2.9 million (2018: EUR 11.2 million).

Events after the Period

In August 2019, the Company successfully raised approximatey EUR 2.5 million (before expenses) from existing Shareholders. The net proceeds are expected to provide the Company with working capital into early Q1 2020 to further the clinical development of Clevegen.

Corporate

Yrjö Wichmann left his role as the Company's Chief Financial Officer to take up the new position of Vice President, Financing and Investor Relations. Mr. Wichmann remains a member of the senior management team but stepped down from the Board with effect from 28 May 2019.

Toni Hänninen was appointed as Faron's new CFO from 1 June 2019, being responsible for both internal and external reporting.

The annual general meeting held on 28 May 2019 resolved the number of members of the Board as six. Frank Armstrong, Markku Jalkanen, Matti Manner, Leopoldo Zambeletti, Gregory Brown and John Poulos were re-elected to the Board for a term that ends at the end of the next AGM.

Summary & outlook

The successful financing undertaken in H1 2019 will allow us to further progress the clinical programme for Clevegen which, we continue to believe, offers significant potential as a novel immunotherapy for patients in need of new treatment options. Successful completion of part I of the MATINS study and initiation of the cohort expansion phase in colorectal cancer in Q4 2019 will provide important data to support our ongoing negotiations as we seek to enter a licensing agreement for Clevegen. We will also fund the commercialisation preparation of Traumakine by seeking scientific advice and regulatory approval for the CALIBER study in H2 2019.

On behalf of the Board, we would like to thank our new and existing shareholders for their continued support and belief in Faron. While work continues apace to progress development of our two clinical assets we will also continue to preserve cash in order to drive value for shareholders. We look forward to updating shareholders on the pathways for Clevegen and Traumakine over the coming months.

Caution regarding forward looking statements

Certain statements in this announcement are, or may be deemed to be, forward-looking statements. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "expect", "hope", "seek", "envisage", "estimate", "intend", "may", "plan", "potentially", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward-looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results and expectations discussed in the forward-looking statements, many of which are beyond the control of the Company. In particular, the early data from initial patients in the MATINS trial may not be replicated in larger patient numbers and the outcome of clinical trials may not be favourable or clinical trials over and above those currently planned may be required before the Company is able to apply for marketing approval for a product. In addition, other factors which could cause actual results to differ materially include the ability of the Company to successfully license its programmes within the anticipated timeframe or at all, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets or other sources of funding, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Statement of comprehensive income

	Group			Parent		
EUR '000	**Unaudited six months**	**Unaudited six months**	**For the year ended 31**	**Unaudited six months**	**Unaudited six months**	**For the year ended 31**

	ended 30 Jun 2019	ended 30 Jun 2018	Dec 2018	ended 30 Jun 2019	ended 30 Jun 2018	Dec 2018
Revenue	-	20	19	-	20	19
Other operating income	-	14	205	-	14	205
Research and development expenses	(4,982)	(11,701)	(16,463)	(4,982)	(11,701)	(16,463)
General and administrative expenses	(1,361)	(2,372)	(3,750)	(1,334)	(2,368)	(3,740)
Operating loss	**(6,343)**	**(14,038)**	**(19,989)**	**(6,316)**	**(14,034)**	**(19,979)**
Financial expense	(73)	(327)	(397)	(73)	(327)	(397)
Financial income	5	305	302	5	305	302
Loss before tax	**(6,411)**	**(14,060)**	**(20,084)**	**(6,384)**	**(14,055)**	**(20,074)**
Tax expense	(0)	-	(2)	(0)	-	(2)
Loss for the period	**(6,412)**	**(14,060)**	**(20,086)**	**(6,384)**	**(14,055)**	**(20,076)**
Comprehensive loss for the period attributable to the equity holders of the Company	(6,412)	(14,060)	(20,086)	(6,384)	(14,055)	(20,076)
Loss per ordinary share						
Basic and diluted loss per share, EUR	(0,17)	(0,45)	(0,65)	(0,17)	(0,45)	(0,65)

Balance Sheet	**Group**			**Parent**		
EUR '000	**Unaudited six months ended 30 Jun 2019**	**Unaudited six months ended 30 Jun 2018**	**For the year ended 31 Dec 2018**	**Unaudited six months ended 30 Jun 2019**	**Unaudited six months ended 30 Jun 2018**	**For the year ended 31 Dec 2018**
Assets						
Non-current assets						
Machinery and equipment	14	20	17	14	20	17
Subsidiary shares	0	0	0	18	18	18
Intangible assets	522	419	525	522	419	525
Prepayments and other receivables	595	1,305	636	668	1,305	636
Total non-current assets	**1,131**	**1,744**	**1,177**	**1,222**	**1,761**	**1,195**
Current assets						
Prepayments and other receivables	1,080	3,805	2,759	1,080	3,805	2,759
Cash and cash equivalents	2,892	11,168	4,067	2,829	11,155	4,058
Total current assets	**3,972**	**14,973**	**6,825**	**3,909**	**14,960**	**6,817**
Total assets	**5,103**	**16,716**	**8,002**	**5,131**	**16,721**	**8,012**
Equity and liabilities						
Capital and reserves attributable to the equity holders of the Company						
Share capital	2,691	2,691	2,691	2,691	2,691	2,691
Reserve for invested unrestricted equity	68,695	64,464	64,464	68,694	64,464	64,464
Accumulated deficit	(73,146)	(60,433)	(66,786)	(73,108)	(60,429)	(66,775)
Translation difference	(0)		-	-		-
Total equity	**(1,761)**	**6,722**	**369**	**(1,723)**	**6,727**	**380**

Non-current liabilities						
Borrowings	2,363	2,105	1,887	2,363	2,105	1,887
Total non-current liabilities	**2,363**	**2,105**	**1,887**	**2,363**	**2,105**	**1,887**
Current liabilities						
Borrowings	0	0	245	0	0	245
Trade payables	2,868	4,869	3,534	2,868	4,869	3,533
Other current liabilities	1,633	3,020	1,967	1,623	3,020	1,967
Total current liabilities	**4,501**	**7,889**	**5,745**	**4,491**	**7,889**	**5,744**
Total liabilities	**6,864**	**9,994**	**7,633**	**6,854**	**9,994**	**7,631**
Total equity and liabilities	**5,103**	**16,716**	**8,002**	**5,131**	**16,721**	**8,012**

Parent Company Statement of changes in equity

EUR '000	**Share capital**	**Reserve for invested unrestricted equity**	**Accumulated deficit**	**Total equity**
Balance as at 1 January 2018	**2,691**	**48,579**	**(46,524)**	**4,743**
Comprehensive loss for the first six months 2018	-	-	(14,055)	(14,055)
Transactions with equity holders of the Company				
Issue of ordinary shares, net of transaction costs EUR 1,135 thousand	-	15,888	-	15,888
Share-based compensation	-	0	150	150
	-	**15,888**	**150**	**16,038**
Balance as at 30 June 2018	**2,691**	**64,464**	**(60,429)**	**6,727**
Comprehensive loss for the last six months 2018	-	-	(6,021)	(6,021)
Transactions with equity holders of the Company				
Issue of ordinary shares, net of transaction costs EUR 0 thousand	-	-	-	-
Share-based compensation	-	-	(326)	(326)
	-	**-**	**(326)**	**(326)**
Balance as at 31 December 2018	**2,691**	**64,464**	**(66,775)**	**380**
Comprehensive loss for the first six months 2019	-	-	(6,384)	(14,055)
Transactions with equity holders of the Company				-
Issue of ordinary shares, net of transaction costs EUR 230 thousand	-	4,230	-	4,230
Share-based compensation	-	-	51	51
	-	**4,230**	**51**	**4,281**
Balance as at 30 June 2019	**2,691**	**68,694**	**(73,108)**	**(1,723)**

Group Statement of changes in equity

EUR '000	**Share capital**	**Reserve for invested**	**Translation difference**	**Accumulated deficit**	**Total equity**

		unrestricted equity		
Balance as at 1 January 2018	**2,691**	**48,576**	**-**	**(46,524)**	**4,743**
Comprehensive loss for the first six months 2018	-	-		(14,060)	(14,060)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 1,135 thousand	-	15,888		-	15,888
Share-based compensation	-	0		150	150
	-	**15,888**		**150**	**16,038**
Balance as at 30 June 2018	**2,691**	**64,464**	**-**	**(60,434)**	**6,722**
Comprehensive loss for the last six months 2018	-	-		(6,026)	(6,026)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 0 thousand	-	-		-	-
Share-based compensation	-	-		(326)	(326)
	-	**-**		**(326)**	**(326)**
Balance as at 31 December 2018	**2,691**	**64,464**	**-**	**(66,786)**	**369**
Comprehensive loss for the first six months 2019	-	-		(6,412)	(6,412)
Transactions with equity holders of the Company					-
Issue of ordinary shares, net of transaction costs EUR 230 thousand	-	4,230		-	4,230
Share-based compensation	-	-		51	51
	-	**4,230**		**51**	**4,281**
Balance as at 30 June 2019	**2,691**	**68,695**	**-**	**(73,146)**	**(1,761)**

Statement of cash flows

	Group			**Parent**		
EUR '000	**Unaudited six months ended 30 Jun 2019**	**Unaudited six months ended 30 Jun 2018**	**For the year ended 31 Dec 2018**	**Unaudited six months ended 30 Jun 2019**	**Unaudited six months ended 30 Jun 2018**	**For the year ended 31 Dec 2018**
Cash flow from operating activities						
Loss before tax	(6,411)	(14,060)	(20,084)	(6,384)	(14,056)	(20,074)
Adjustments for:						
Depreciation and amortisation	48	42	100	48	42	100
Interest expense	39	47	121	39	47	121
Unrealised foreign exchange loss (gain), net	29	(35)	(36)	29	(35)	(36)
Share-based compensation	51	150	(176)	51	150	(176)
Adjusted loss from operations before changes in working capital	(6,245)	(13,855)	(20,075)	(6,217)	(13,852)	(20,065)

Change in net working capital:						
Prepayments and other receivables	1,679	120	1,836	1,647	120	1,836
Trade payables	(641)	1,668	338	(680)	1,668	337
Other liabilities	(334)	(1,502)	(2,595)	(344)	(1,502)	(2,595)
Cash used in operations	(5,541)	(13,570)	(20,496)	(5,594)	(13,566)	(20,487)
Taxes paid	0	0	(2)	0	0	(2)
Interest paid	(26)	(13)	(27)	(26)	(13)	(27)
Net cash used in operating activities	**(5,567)**	**(13,583)**	**(20,525)**	**(5,620)**	**(13,579)**	**(20,516)**
Cash flow from investing activities						
Payments for acquisition of shares in subsidiaries	(0)	0	0	(0)	(18)	(18)
Payments for intangible assets	(41)	(132)	(293)	(41)	(132)	(293)
Payments for equipment	(0)	(2)	(2)	(0)	(2)	(2)
Net cash used in investing activities	**(41)**	**(134)**	**(295)**	**(152)**	**(152)**	**(313)**
Cash flow from financing activities						
Proceeds from issue of shares	4,461	17,023	17,023	4,461	17,023	17,023
Share issue transaction cost	(230)	(1,135)	(1,135)	(230)	(1,135)	(1,135)
Proceeds from borrowings	231	-	-	231	-	-
Repayment of borrowings	(0)	(347)	(347)	(0)	(347)	(347)
Net cash from financing activities	**4,461**	**15,541**	**15,541**	**4,461**	**15,541**	**15,541**
Net increase (+) / decrease (-) in cash and cash equivalents	1,147	1,824	5,279	1,200	1,810	5,288
Effect of exchange rate changes on cash and cash equivalents	(29)	35	36	(29)	35	36
Cash and cash equivalents at 1 January	4,067	9,310	9,310	4,058	9,310	9,310
Cash and cash equivalents at the end of period	2,892	11,168	4,067	2,829	11,155	4,058

Notes to the financial statements

1. Corporate information

Faron Pharmaceuticals Ltd (the "Company") is a clinical stage biopharmaceutical company incorporated and domiciled in Finland, with its headquarters at Joukahaisenkatu 6, 20520 Turku, Finland. The Company currently has a pipeline based on the endothelial receptors involved in regulation of immune response, in oncology and organ damage.

The Company has been listed on the London Stock Exchange's AIM market since 17 November 2015, with a ticker FARN.

2. Summary of significant accounting policies

2.1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) and as adopted by the European Union (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). The financial statements have been prepared on a historical cost basis, unless otherwise stated.

The interim financial statements have been prepared on the basis of a full retrospective application of IFRS 15, Revenue from Contracts with Customers, with the adoption date as of 1 January 2017.

In January 2016, the IASB published IFRS 16, *Leases*, its new leasing standard. As a result of the new standard, the Company has reviewed all of the group's leasing arrangements over the year. The Company applies the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All lease arrangements are both short-term and low value leases.

The interim consolidated financial statements incorporate the parent company, Faron Pharmaceuticals Ltd, and all subsidiaries in which it holds over 50% of the voting rights (the "Group").

All amounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest euro thousand.

2.2. Going concern

The Company has forecasted its estimated cash requirements over the next twelve months. In order to make these forecasts the Company has made a number of assumptions regarding the quantity and timing of future expenditure and income as well as other key factors. Though these estimates have been made with caution and care, they continue to contain a significant amount of uncertainty. Based on the forecast and the Company's existing cash resources, the Company believes that it has adequate financial resources to continue its operations until Q1 2020. The Company continues to explore additional potential sources of funding and the Board believe that they have a reasonable expectation of securing further financing during H2 2019 to sustain operations over the next 12 months and therefore these interim financial statements have been prepared on a going concern basis. In its meeting on 20 September 2019 the Board of Directors of the Company approved the publishing of these interim financial statements.

Because additional finance is not committed at the date of issuance of these interim financial statements, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required, including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise.

END

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