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

Faron Financial Statement Release January 1 to December 31, 2021

Financial statement release *March 25, 2022 at 09:00 AM (EET) / 07:00 AM (GMT) / 03:00 AM (EDT)*
Inside information

2021 Highlights

- *Bexmarilimab* shows compelling antitumor activity in multiple advanced treatment resistant solid tumor types as a monotherapy with strongest clinical benefit rate (partial response or stable disease) observed in five different tumor types – cutaneous melanoma (30%), gastric cancer (30%), cholangiocarcinoma (30%), hepatocellular carcinoma (40%) and breast cancer (40%)
- Biomarker analysis showed patients with low baseline levels of inflammatory cytokines in blood achieved significantly higher clinical benefit following treatment with *bexmarilimab* monotherapy
- First patient dosed in Phase II/III HIBISCUS trial assessing Traumakine® as a first-line treatment for hospitalized COVID-19 patients
- Balance sheet strengthened by two successful share placings totaling EUR 25.6 million gross, both including investment from European Investment Council (EIC) Fund, a breakthrough initiative from the European Commission
- Virtual briefing and Q&A to be held today at 8:00 AM (EDT) / 12:00 PM (GMT) / 2:00 PM (EET)

Major Events After the 2021 Financial Year

- Landmark analysis estimates 70% nine-month overall survival rate (11 months from initiation of treatment) for Phase I/II MATINS study patients who benefited from treatment with *bexmarilimab* and 26% for patients who did not benefit from treatment
- Secured a debt funding agreement with IPF Partners for up to EUR 30 million – EUR 10 million was accessed in February 2022, with an additional EUR 20 million available in the future, subject to certain conditions being met
- Marie-Louise Fjällskog, M.D., Ph.D., joined Faron's Global Management Team as Chief Medical Officer, bringing with her over 30 years of experience in clinical oncology, translational research, and drug development

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Ltd (AIM: FARN, First North: FARON), a clinical stage biopharmaceutical company focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer and inflammation, today announced audited full-year financial results for January 1 to December 31, 2021 (the "period") and H2 2021 and provided an overview of recent corporate developments.

"I am extremely proud of the progress we made in 2021 across each of our pipeline programs and building our corporate infrastructure to support the ambitious plans we have for 2022 and beyond," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "Last year we accelerated the development of *bexmarilimab* as a monotherapy, where it has shown compelling antitumor activity in heavily pre-treated patients across multiple solid tumor types, while also progressing plans to study *bexmarilimab* in combination with standard of care in first-line solid tumors and in hematological malignancies. We also initiated a study of Traumakine as a first-line treatment for hospitalized COVID-19 patients without prior steroid treatment, which we believe could represent a significant step forward in the treatment of lung failure due to viral infections. We accomplished all of this while also strengthening our balance sheet, adding highly experienced team members and expanding our global footprint with a growing presence in the United States."

HIGHLIGHTS (including post period):

Pipeline Highlights

Bexmarilimab *- Faron's wholly-owned, novel precision cancer immunotherapy candidate, in Phase I/II development for difficult-to-treat cancers.*

- **Compelling antitumor activity in multiple advanced solid tumor types** was reported from patients enrolled in the completed Part I and ongoing Part II of the MATINS study, investigating *bexmarilimab* as a potential monotherapy in

patients with solid tumors who have exhausted all treatment options. The strongest results were observed in cutaneous melanoma, gastric cancer, cholangiocarcinoma, hepatocellular carcinoma and breast cancer with a 30.0% — 40.0% clinical benefit rate (CBR) across these tumor types.

- **Landmark analysis estimates 70% nine-month overall survival rate** for MATINS patients who benefited from treatment with *bexmarilimab* and 26% for patients who did not benefit from treatment. Median overall survival has not yet been reached in the clinical benefit patient group.
- **Biomarker analysis shows patients with low interferon gamma (IFNy) and tumor necrosis factor alpha (TNFa) levels experienced significantly higher clinical benefit** following treatment with *bexmarilimab*, which is opposite to what is usually seen with checkpoint inhibitors and other T cell activating agents, meaning *bexmarilimab* has the potential to bring the promise of immunotherapy to a much broader patient population compared to the relatively small percentage of cancer patients benefiting from checkpoint inhibitor therapies today.
- **A more than 100% increase in IFNy levels was seen after the first cycle of *bexmarilimab*** treatment among patients who experienced clinical benefit. In certain patients, *bexmarilimab* is able to turn cold tumors into hot tumors and may serve as a catalyst for the immune system allowing initially checkpoint inhibitor resistant patients to become responsive to PD-1 blockade.
- **Further clinical trials are planned to start in 2022** to investigate *bexmarilimab's* potential in additional clinical settings, including in combination with anti-PD-1 therapy in selected advanced solid tumors and in combination with standard of care in hematological malignancies.
- **A key patent with claims protecting the composition of matter of *bexmarilimab*** was granted by the United States Patent and Trademark Office and equivalent Japanese patent office. This patent family covers *bexmarilimab's* binding sequences and Clever-1's corresponding epitope – specific elements of the antibody-antigen binding site – with an expected expiry date, not including any potential extensions, of 2037. The European Patent Office also issued an allowance letter, which means that more than 80% of pharmaceutical markets are now covered with this patent family.
- **A new role for soluble Clever-1 was identified, related to its capacity to control T cell activation.** The scientific findings, from tests on MATINS patients' plasma, suggest that their high levels of free, soluble Clever-1 can act as a direct inhibitor of T cell activation, providing a greater immunosuppressive effect than previously expected and indicating broader applicability for *bexmarilimab*. A new patent application has been filed seeking protection for these inventions and related applications.

Traumakine - *Faron's investigational intravenous (IV) interferon beta-1a therapy, in development for the treatment of acute respiratory distress syndrome (ARDS) and other ischemic or hyperinflammatory conditions.*

- **Dosing commenced in the Phase II/III HIBISCUS trial** investigating Traumakine in the treatment of hospitalized COVID-19 patients compared to corticosteroid treatment with dexamethasone. The US Department of Defense (DoD) selected the HIBISCUS trial to receive $6.1 million of funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- **Building on Faron's already strong IP portfolio for Traumakine**, Faron signed a sub-license agreement covering a relevant manufacturing patent in the US. Faron also applied for patent protection relating to Traumakine's induction of CD73 for organ protection, through the sequential use of IV interferon beta-1a followed by corticosteroids for the treatment of systemic inflammation.
- ***Scientific Reports* published data from INFORAAA study showing Traumakine induced up-regulation of CD73 was associated with 100% survival** in surgically operated ruptured abdominal aorta aneurysm (RAAA) patients. These patients are at high risk of ischemia-reperfusion injury, with expected mortality between 30-40%.
- **Partnership established with the 59th Medical Wing of the U.S. Air Force and U.S. Army and U.S. Army Institute of Surgical Research** to explore the use of Traumakine for organ protection in combat wounds leading to multi-organ failure from ischemia and reperfusion.
- **New manufacturing process** is progressing as planned in collaboration with AGC Biologics.

HAEMATOKINE - *An AOC3 (amine oxidase copper containing 3) protein inhibitor targeting Vascular Adhesion Protein-1 (VAP-1) in development for use in regenerative medicine and to treat hematological malignancies.*

- **Faron acquired rights for this potential use of AOC3 inhibitors** and will be responsible for the future development of Haematokine and for the management, prosecution, maintenance and filing of patent applications.
- **The multidisciplinary journal *Cellular and Molecular Life Sciences* published research** showing the inhibition of VAP-1 potentially supports the expansion of human hematopoietic stem cells (HSC), which are essential to the formation of new cells within blood. This approach has the potential to benefit a variety of conditions where an expansion of HSC is

needed. This includes bone marrow transplantation, where approximately 25% of transplants fail due to poor expansion of transplanted cells.

Corporate Highlights

- **Balance sheet was strengthened by raising EUR 25.6 million gross through private placements of new ordinary shares.** This includes two placements, which encompassed existing and new investors, including the European Innovation Council Fund, a breakthrough initiative from the European Commission. In February 2022, Faron also announced a debt funding agreement with IPF Partners for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future through additional tranches of EUR 5 million and EUR 15 million, subject to certain conditions being met.
- **Anne Whitaker joined the Faron Board of Directors, bringing more than 25 years of experience in the life science industry,** including senior leadership roles with large pharmaceutical, biotech and specialty pharma companies. Anne is the current Chairman of the Board for Aerami Therapeutics Holdings, Inc. Anne previously served as Chief Executive Officer of Novoclem Therapeutics, Inc., Executive Vice President at Bausch Health, President and Chief Executive Officer of Synta Pharmaceuticals and as President, North America Pharmaceuticals at Sanofi.
- **Marie-Louise Fjällskog, M.D., Ph.D., joined Faron's Global Management Team as Chief Medical Officer**, bringing with her over 30 years of experience in clinical oncology, translational research, and drug development. Dr. Fjällskog joined Faron from Sensei Biotherapeutics (SNSE), a Nasdaq listed immuno-oncology company. As Chief Medical Officer at Sensei, she was responsible for leading clinical and development strategy and operations. Previously, she served as Vice President, Clinical Development at Merus (MRUS) and Infinity Pharmaceuticals (INFI) where she led development of multiple small molecule and immuno-oncology clinical programs. She was also formerly Global Clinical Program Leader at the Novartis Institute for Biomedical Research.
- **Faron hosted a virtual R&D Day** in February 2022 presenting the Company's plans to accelerate the development of *bexmarilimab*. The event was hosted by Dr. Markku Jalkanen, Chief Executive Officer, and members of the Global Management Team including Dr. Marie-Louise Fjällskog, Chief Medical Officer and Dr. Juho Jalkanen, Chief Operating Officer. External perspectives were provided by Dr. Tyler Curiel, Professor of Medicine and Microbiology, Immunology & Molecular Genetics at The University of Texas Health Science Center at San Antonio, United States and Dr. Maija Hollmén, Adjunct Professor of Tumour Immunology, Group Leader and Academy Research Fellow at the MediCity Research Laboratory, Institute of Biomedicine, University of Turku, Finland.

Impact of COVID-19

- Despite the ongoing global pandemic, the Company was able to continue operations with limited disruptions. This included the successful planning and execution of its clinical trials, which proceeded as planned.
- Additionally, Faron closely followed and strictly complied with the regulations and recommendations of the Finnish National Institute for Health and Welfare (THL) and other relevant local and international authorities to ensure the safety of its employees, study subjects and partners.

Financial

- On December 31, 2021, the Company held cash balances of EUR 6.9 million (2020: EUR 4.1 million).
- Loss for the period for the financial year ended December 31, 2021 was EUR 21.2 million (2020: EUR 16.9 million).
- Net assets on December 31, 2021 were EUR 2.9 million (2020: EUR -1.8 million).
- In February 2021, the Company successfully raised a total of EUR 15.0 million gross (EUR 14.4 million net) from new and existing shareholders, through issuance of a total of 3,521,127 new ordinary shares. In September 2021, the Company successfully raised a total of EUR 10.6 million gross (EUR 10.1 million net) from new and existing shareholders, through issuance of a total of 2,763,158 new ordinary shares. Proceeds from both raises will be used to accelerate and expand the clinical development of the Company's main drug candidates and to strengthen the Company's balance sheet.
- Post period, in February 2022, Faron secured a debt funding agreement with IPF Partners for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future through additional tranches of EUR 5 million and EUR 15 million, subject to certain conditions being met.

Consolidated key figures, IFRS

EUR '000	**Unaudited**	**Unaudited**	**1-12/2021**	**1-12/2020**
			12 months	**12 months**

	7-12/2021 6 months	7-12/2020 6 months		
Revenue	0	0	0	0
Other operating income	4,927	1,379	6,137	2,122
Research and Development expenses	(8,361)	(8,345)	(17,369)	(13,879)
General and Administrative expenses	(7,250)	(2,543)	(9,876)	(4,897)
Loss for the period	(10,649)	(9,603)	(21,209)	(16,946)

	Unaudited **7-12/2021** **6 months**	**Unaudited** **7-12/2020** **6 months**	**1-12/2021** **12 months**	**1-12/2020** **12 months**
Loss per share EUR	(0.21)	(0.22)	(0.42)	(0.37)
Number of shares at end of period	53,232,032	46,896,747	53,232,032	46,896,747
Average number of shares	51,836,953	44,606,204	50,723,964	45,712,111

EUR '000	**Unaudited** **30 June 2021**	**Unaudited** **30 June 2020**	**31 December** **2021**	**31 December** **2020**
Cash and cash equivalents	6,967	11,627	6,853	4,108
Equity	2,813	7,313	2,919	(1,849)
Balance Sheet total	11,865	14,343	13,182	8,367

Board of Directors' Proposal on the Dividend
The Group's loss for the accounting period was EUR 21,208,864.89 (2020: EUR 16,946,261.84).
The Board of Directors does not recommend the payment of a dividend (2020: nil).

24 March 2022
Faron Pharmaceuticals Ltd
Board of Directors

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

Webcast for investors, analysts and media
A live webcast and Q&A session for investors, analysts and media will be hosted by Dr. Markku Jalkanen, Chief Executive Officer of Faron, and Toni Hänninen, Chief Financial Officer of Faron, at 2:00 pm EET / 12:00 pm GMT / 8:00 am EDT today. The Full-year results release for 2021, presentation, webcast details, and Annual Report 2021 will be made available at www.faron.com/investors. A replay of the analyst briefing will be made available shortly afterwards.

Webcast link: https://faron.videosync.fi/2021-results

For more information please contact:

Media / Investor Contact
Faron Pharmaceuticals
Eric Van Zanten
Head of Communications
eric.vanzanten@faron.com
investor.relations@faron.com
Phone: +1 (610) 529-6219

Cairn Financial Advisers LLP, Nomad
Sandy Jamieson, Jo Turner
Phone: +44 (0) 207 213 0880

Peel Hunt LLP, Broker
Christopher Golden, James Steel
Phone: +44 (0) 20 7418 8900

Sisu Partners Oy, Certified Adviser on Nasdaq First North
Juha Karttunen
Phone: +358 (0)40 555 4727
Jukka Järvelä
Phone: +358 (0)50 553 8990

Consilium Strategic Communications
Mary-Jane Elliott, David Daley, Lindsey Neville
faron@consilium-comms.com
Phone: +44 (0)20 3709 5700

Publication of financial information during year 2022
Faron's financial statements for full year 2021 will be published today, 25 March 2022 and will also be available on the Company's website at https://www.faron.com/investors/results. The half-year financial report for the period 1 January to 30 June 2022 is scheduled to be published on 25 August 2022. The Annual General Meeting is planned for 22 April 2022. A separate stock exchange notice will be issued by Faron's Board of Directors to convene the meeting.

About *Bexmarilimab*
Bexmarilimab is Faron's wholly-owned, investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid cell function. A novel anti-Clever-1 humanised antibody, bexmarilimab targets Clever-1 positive (Common Lymphatic Endothelial and Vascular Endothelial Receptor 1) tumour associated macrophages (TAMs) in the tumour microenvironment, converting these highly immunosuppressive M2 macrophages to immune stimulating M1 macrophages. In mouse models, *bexmarilimab* has successfully blocked or silenced Clever-1, activating antigen presentation and promoting interferon gamma secretion by leukocytes. Additional pre-clinical studies have proven that Clever-1, encoded by the Stabilin-1 or STAB-1 gene, is a major source of T cell exhaustion and involved in cancer growth and spread. Observations from clinical studies to date indicate that Clever-1 has the capacity to control T cell activation directly, suggesting that the inactivation of Clever-1 as an immune suppressive molecule could be more broadly applicable and more important than previously thought. As an immuno-oncology therapy, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. Beyond immuno-oncology, it offers potential in infectious diseases, vaccine development and more.

About MATINS
The MATINS (Macrophage Antibody To INhibit immune Suppression) study is a first-in-human open label phase I/II clinical trial investigating the tolerability, safety and efficacy of *bexmarilimab* in ten different hard-to-treat metastatic or inoperable solid tumour cohorts - cholangiocarcinoma, colorectal cancer, cutaneous melanoma, ER+ breast cancer, gastric cancer, hepatocellular carcinoma, ovarian cancer, uveal melanoma, pancreatic cancer and anaplastic thyroid carcinoma - which are all known to host a significant number of Clever-1 positive tumour-associated macrophages (TAMs). The completed Part I of the trial dealt with

tolerability, safety and dose escalation. The ongoing Part II is focused on identifying patients who show an increased number of Clever-1 positive TAMs and exploring safety and efficacy. Part III will be focused on assessing efficacy. Data from MATINS have shown that bexmarilimab has the potential to be the first macrophage immune checkpoint therapy. To date, the investigational therapy has been shown to be safe and well-tolerated, making it a low-risk candidate for combination with existing cancer therapies, and has demonstrated early signs of clinical benefit in patients who have exhausted all other treatment options.

About Faron Pharmaceuticals Ltd

Faron (AIM: FARN, First North: FARON) is a clinical stage biopharmaceutical company developing novel treatments for medical conditions with significant unmet needs caused by dysfunction of our immune system. The Company currently has a pipeline based on the receptors involved in regulation of immune response in oncology, organ damage and bone marrow regeneration. *Bexmarilimab,* a novel anti-Clever-1 humanized antibody, is its investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid function. Currently in Phase I/II clinical development as a potential therapy for patients with untreatable solid tumors, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. Traumakine is an investigational intravenous (IV) interferon beta-1a therapy for the treatment of acute respiratory distress syndrome (ARDS) and other ischemic or hyperinflammatory conditions. Traumakine is currently being evaluated in global trials as a potential treatment for hospitalized patients with COVID-19 and with the 59th Medical Wing of the US Air Force and the US Department of Defense for the prevention of multiple organ dysfunction syndrome (MODS) after ischemia-reperfusion injury caused by a major trauma. Faron is based in Turku, Finland. Further information is available at www.faron.com.

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 licence 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.

Chairman's Statement

During 2021, Faron has continued to make significant progress across the business. It has maintained its focus on pipeline delivery, including the initiation of clinical trials and generation of further clinical data. The Company has developed the management team with new hires and raised funds during the period, all of which has been achieved against the continued challenges of COVID-19.

A key priority for Faron has been to continue to advance its wholly-owned novel precision cancer immunotherapy candidate, *bexmarilimab*, through the Phase I/II MATINS clinical trial. Over the course of the year the Company has generated and presented further clinical data showing that heavily pre-treated, late-stage cancer patients who receive clinical benefit from *bexmarilimab* can achieve long term survival. Through the multiple cohorts tested to date, *bexmarilimab* has generated compelling efficacy data

and has continually been shown to be safe and well-tolerated. Faron is continuing to analyze biomarker data from the trial to better understand which patients are most likely to respond.

The Company will continue to accelerate *bexmarilimab* through clinical development and is planning to study *bexmarilimab* in combination with other checkpoint inhibitors and as a treatment for hematological malignancies, in addition to the ongoing MATINS trial. The evolving data generated to date suggest *bexmarilimab* is an active drug with a novel mechanism of action which, I believe, has the potential to play a significant role in the future treatment of cancer patients.

2021 saw the COVID-19 pandemic continue to evolve. With the global call for research to identify potential therapies being widely answered by life science companies, including Faron, there has been unprecedented innovation in this space. Despite this, there is still a need for new therapeutic options to treat the serious complications of COVID-19, including acute respiratory distress syndrome (ARDS). As such, Faron was pleased to initiate the Phase II/III HIBISCUS trial, investigating Traumakine, Faron's investigational intravenous (IV) interferon (IFN) beta-1a therapy, in hospitalized COVID-19 patients.

Faron has generated a wealth of data on the potential of Traumakine during its clinical development and we were pleased to publish data from the completed Phase II INFORAAA trial showing the up-regulation of CD73 in surgically operated ruptured abdominal aorta aneurysm (RAAA) patients. The results show the role of CD73 in organ protection and its ability to benefit patients undergoing major surgery, and we remain confident that Traumakine has potential beyond ARDS, across multiple indications, where there continues to be significant unmet medical need.

Despite the difficult funding environment due to COVID-19, Faron has successfully secured further investment over the period to progress its pipeline. This is testament not only to the potential of our product candidates but also to the expertise and credibility of the management team. The Board meets regularly to discuss the Company's performance, review the clinical programs, discuss ongoing business strategy and assess the Company's financial situation in order to continue to progress the pipeline and deliver value for shareholders.

On behalf of the Board, I would like to take this opportunity to thank all the staff at Faron, without whom we would not have achieved so much this year; my colleagues on the Board for their commitment to the Company; our partner organisations and steering committee members for their support and expertise; Faron's investors for showing continued confidence in the Company and, importantly, the health professionals and patients across our trial network. I would also like to extend a warm welcome to Dr. Marie-Louise Fjällskog, our new Chief Medical Officer. Her knowledge and network will be invaluable to Faron as we continue to accelerate *bexmarilimab* through clinical development whilst progressing our other product candidates.

Finally, I would also like to thank the management team, particularly Dr. Markku Jalkanen, Chief Executive Officer, Toni Hänninen, Chief Financial Officer, and Dr. Juho Jalkanen, Chief Operating Officer, who also acted as interim Chief Medical Officer in 2021, for their leadership. Under their expert guidance, we are looking forward to another year of continued progress during 2022.

Dr. Frank Armstrong
Chairman
24 March 2022

Chief Executive Officer's Review

Despite the ongoing challenges presented by a global pandemic, 2021 was another year of significant progress for our Company. Each of our pipeline assets moved forward and our quest to harness the power of the immune system to tackle cancer and inflammation is closer to being realized. We believe strongly that all three of our programs, *bexmarilimab*, Traumakine and Haematokine, have the potential to fundamentally change treatment paradigms and meaningfully improve patient outcomes.

Since Faron was founded, our focus has been to challenge the status quo and accelerate innovation. Incremental progress is not good enough. We exist to address areas of significant unmet need; areas where there are no currently approved treatment options, or, in the case of cancer, where far too many patients are not benefiting from recent advances.

Bexmarilimab has the potential to bring the promise of immunotherapy to many more patients and in 2021 we significantly advanced its development. Our Phase I/II MATINS (Macrophage Antibody To INhibit immune Suppression) study investigating the safety and efficacy of *bexmarilimab* showed that patients across five different tumor types experienced disease control rates between 30% and 40%. The data also showed that heavily pre-treated, late-stage cancer patients who receive clinical benefit from

bexmarilimab can achieve long term survival. These results are important, and the global community took notice when we presented the data at international cancer meetings including ESMO, ESMO-IO and ASCO.

We also learned a great deal in 2021 about which cancer patients are most likely to benefit from treatment with *bexmarilimab* and what happens in the tumor microenvironment when patients respond to treatment. Biomarkers, which are proteins or other substances that are made at higher amounts by cancer cells than normal cells, are a critical missing link in attempting to identify appropriate candidates for immunotherapy and tailoring immunotherapy treatment regimens. The biomarker analysis we conducted showed clearly that patients with low baseline levels of serum interferon gamma (IFNy) and tumor necrosis factor alpha (TNFa) were more likely to experience clinical benefit following treatment with *bexmarilimab*. Patients with low levels of pro-inflammatory cytokines experiencing higher clinical benefit is opposite to what is usually seen with currently approved checkpoint inhibitors and other T-cell activating agents.

Our analysis also showed that among patients who experienced clinical benefit, IFNy levels increased over 100% after the first cycle of *bexmarilimab* treatment. Interferon gamma is a marker for inflammation which suggests bexmarilimab may amplify an immune response and serve as a catalyst for the immune system allowing initially checkpoint inhibitor resistant patients to become responsive to PD-1 blockade.

This enhanced understanding of who is most likely to respond to treatment with *bexmarilimab* and what happens in the tumor microenvironment allowed us to refocus and accelerate our development plan in 2021. In addition to the ongoing MATINS trial, we progressed plans to study *bexmarilimab* in combination with other checkpoint inhibitors and as a treatment for hematological malignancies. We are undertaking an ambitious strategy but given the data we have seen to date and our evolving understanding of which biomarkers will predict response to treatment, we believe *bexmarilimab* has the potential to broadly impact cancer care.

We have also been successful in obtaining long term patent protection for *bexmarilimab*. During 2021 the United States Patent and Trademark Office and equivalent Japanese patent office approved protection, at least through 2037, for our humanized anti-Clever-1 antibody (bexmarilimab) sequence and the counter binding site of this antibody on Clever-1. Faron has also received an allowance letter from the European Patent Office, which now means that more than 80% of pharmaceutical markets are covered with this patent family.

Leading our *bexmarilimab* development efforts moving forward will be Dr. Marie-Louise Fjällskog, who joined Faron in January 2022 as our new Chief Medical Officer. We were thrilled to add someone of Marie-Louise's caliber to our team. She has over 30 years of experience in clinical oncology, translational research, and drug development and has held senior R&D roles at several clinical stage biotech companies. She was also formerly Global Clinical Program Leader at the Novartis Institute for Biomedical Research where she led global development of oncology treatments targeting CDK4/6, BCL-2, PD-1, CSF-1 and CD73.

In addition to *bexmarilimab*, 2021 proved to be an important year for Traumakine as well. Traumakine is our investigational intravenous interferon beta-1a therapy, which we are developing for the treatment of acute respiratory distress syndrome (ARDS) and other ischemic or hyperinflammatory conditions. Traumakine works by up-regulating CD73, a critical enzyme which yields anti-inflammatory adenosine and can prevent fluid from building up in and around organs.

In August, dosing commenced in the Phase II/III HIBISCUS trial investigating Traumakine in the treatment of hospitalized COVID-19 patients. While hospitalizations and severity of disease have decreased since the initiation of this study, we continue to believe that Traumakine has the potential to become a powerful treatment option for patients who are at risk of developing ARDS as a consequence of a viral infection, such as COVID-19. This trial is supported the US Department of Defense through funding from the Coronavirus Aid, Relief, and Economic Security Act.

Additionally, research highlighting results from our Phase II INFORAAA clinical trial, which examined the effect of Traumakine on mortality of surgically operated ruptured abdominal aorta aneurysm (RAAA) patients, was published in the multidisciplinary journal Scientific Reports. Analysis showed that up-regulation of CD73 following treatment with Traumakine was associated with 100% survival compared to the expected mortality rate for operated RAAA patients, which is between 30-40%. Ischemia-reperfusion injury, tissue damage caused when blood supply returns to tissue after a period of oxygen depletion, is the main cause of death for operated RAAA patients. We believe Traumakine has the potential to prevent acute organ injury following major surgery and polytrauma by reducing inflammation and preventing vascular leakage. This could represent a significant advancement in patient care given there are currently no drugs approved for this condition.

Similar to the patent advancements we made with *bexmarilimab*, our intellectual property (IP) portfolio for Traumakine was also strengthened in 2021 by signing a sub-license agreement covering a relevant manufacturing patent in the US. In addition, we applied for patent protection relating to Traumakine's induction of CD73 for organ protection, through the sequential use of IV interferon beta-1a followed by corticosteroids for the treatment of systemic inflammation. Adding these patent protections to our already strong IP portfolio will ensure we are able to move each of the potential indications forward with the ultimate goal of making this innovative drug available to patients in the coming years.

The third program in our pipeline is Haematokine, an investigational Vascular Adhesion Protein-1 (VAP-1) inhibitor. Haematokine blocks VAP-1 enzymatic activity, which supports the expansion of human hematopoietic stem cells. This has the potential to benefit a variety of conditions where an expansion of hematopoietic stem cells is needed. Most notably, this includes bone marrow transplantation, where approximately 25% of transplants fail due to poor expansion of transplanted cells.

In November, the multidisciplinary journal Cellular and Molecular Life Sciences published research that aligns with our pre-clinical findings. Pre-clinical studies are continuing, and we believe Haematokine could have broad applicability, not just in hematological malignancies, but across the field of regenerative medicine.

Our focus for 2022 will be to accelerate *bexmarilimab's* clinical development, which in addition to the ongoing MATINS trial will include the initiation of trials investigating *bexmarilimab* in a first line setting in combination with other checkpoint inhibitors and as a treatment for hematological malignancies. We have a responsibility to the millions of cancer patients across the globe currently not benefiting from existing treatment options to move this novel asset forward as quickly as possible. We will move with urgency because patients can't wait.

I would like to thank our shareholders for their continued support of our Company and the management team. I would also like to express my profound gratitude to every Faronial, which is what we call our team members. They come to work each day committed to disrupting the current treatment landscape and fundamentally improving patient outcomes.

As critical as 2021 was, there is no doubt that 2022 will be the most important year in the history of our Company. There is also no doubt that with the team we have in place and with your continued support, we are positioned to exceed even our most ambitious goals.

Dr. Markku Jalkanen
Chief Executive Officer
24 March 2022

Financial Review

Despite challenging market conditions, we were able to conduct two successful fundraising rounds in 2021. Combined, they raised EUR 25.6 million gross and both rounds included new investors. Both also included investments by the European Investment Council (EIC) Fund, which is focused on investing in companies across Europe developing breakthrough and disruptive technologies. We were proud to become the first publicly listed company to receive an investment from the EIC Fund.

As a result of these fundraising efforts, the Company's net cash flow in 2021 showed EUR 2.9 million positive. We were able to accomplish this while also increasing R&D and G&A expenditures.

Post period, in February 2022, Faron secured a debt funding agreement with IPF Partners, one of the leading alternative financing providers focused on the healthcare sector, for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future, subject to certain conditions being met. This non-dilutive funding agreement strengthened our financial position and gives us the flexibility to access supplemental and inexpensive capital as we continue to accelerate the development of our pipeline assets.

Revenue and Other Operating Income

The Company's revenue was EUR 0.0 million for the year ended 31 December 2021 (2020: EUR nil).
The Company recorded EUR 6.1 million (2020: EUR 2.1 million) of other operating income. This consisted of mainly of the result of the arbitration ruling in favor of Faron in its case against Rentschler Biopharma SE (EUR 3.8 million) and the rest consists of government grant and loan.

Research and Development Costs

R&D costs increased by EUR 3.5 million from EUR 13.9 million in 2020 to EUR 17.4 million in 2021. The costs of outsourced clinical trial services were decreased by EUR 0.9 million from EUR 4.4 to EUR 3.5 million. The cost of employee benefits was increased by EUR 0.4 million from EUR 2.9 to EUR 3.3 million, mainly driven by additional headcount.

General and Administration Costs

Administrative expenses increased by EUR 5.0 million from EUR 4.9 million in 2020 to EUR 9.9 million in 2021. The increase was mainly due to the EUR 3.1 million increase in other G&A costs, mainly driven by legal expenses, which were offset by other income. Further, employee benefits increased by EUR 1.0 million mainly driven by additional headcount.

Taxation

The Company's tax credit for the fiscal year 2021 can be recorded only after the Finnish tax authorities have approved the tax report and confirmed the amount of tax-deductible expenses. The total amount of cumulative tax losses carried forward approved by tax authorities on 31 December 2021 was EUR 42.6 million (2020: EUR 38.2 million). The Company estimates that it can utilise most of these during the years 2020 to 2021 by offsetting them against future profits. In addition, Faron has EUR 70.1 million of R&D costs incurred in the financial years 2010 - 2020 that have not yet been deducted from taxation. This amount can be deducted over an indefinite period at the Company's discretion.

Losses

Loss before income tax was EUR 21.2 million (2020: EUR 16.9 million). Net loss for the year was EUR 21.2 million (2020: EUR 16.9 million), representing a loss of EUR 0.42 per share (2020: EUR 0.37 per share) (adjusted for the changes in number of issued shares).

Cash Flows

Net cash flow was EUR 2.9 million positive for the year ended 31 December 2021 (2020: EUR 2.8 million negative). Cash used for operating activities increased by EUR 4.7 million to EUR 22.2 million for the year, compared to EUR 17.5 million for the year ended 31 December 2020. This increase was mostly driven by an increase in R&D investments. Net cash inflow from financing activities was EUR 25.6 million (2020: EUR 14.8 million) mainly due to the successful equity placings completed in February 2021 and September 2021.

Fundraising

In February 2021, the Company successfully raised a total of EUR 15.0 million gross (EUR 14.4 million net) from new and existing shareholders, through issuance of a total of 3,521,127 new ordinary shares. In September 2021, the Company successfully raised a total of EUR 10.6 million gross (EUR 10.1 million net) from new and existing shareholders, through issuance of a total of 2,763,158 new ordinary shares. Proceeds from both raises will be used to accelerate and expand the clinical development of the Company's main drug candidates and to strengthen the Company's balance sheet. Post period, in February 2022, Faron secured a debt funding agreement with IPF Partners for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future, subject to certain conditions being met.

Financial Position

As at 31 December 2021, total cash and cash equivalents held were EUR 6.9 million (2019: EUR 4.1 million).

Going Concern

As part of their going concern review, the Directors have followed the Finnish Limited Liability Companies Act, the Finnish Accounting Act and the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks – Guidance for directors of companies that do not apply the UK Corporate Governance Code". The Company and its subsidiaries (the "Group") are subject to a number of risks similar to those of other development stage pharmaceutical companies.

These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group's commercial and development activities and generating a level of revenue adequate to support the Group's cost structure.
The Group made a net loss of EUR 21.2 million during the year ended 31 December 2021. It had a positive equity of EUR 2.9 million including an accumulated deficit of EUR 116.265 million. As at that date, the Group had cash and cash equivalents of EUR 6.9 million.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities into the fourth quarter of 2022. The Directors are continuing to explore sources of finance available to the Group and they believe they have a reasonable expectation that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis. Because the additional finance is not committed at the date of issuance of these 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.

Headcount
Headcount of the Company at the end of year was 37 (2020: 30).

Shares and Share Capital
During the period 1 January to 31 December 2021, the Company, using the share authorities granted at the Annual General Meeting held on 18 May 2020, issued a total of 3,521,127 new ordinary shares at an issuance price of EUR 4.26 per share. During the same period, the Company, using the share authorities granted at the Annual General Meeting held on 23 April 2021, issued a total of 2,763,158 new ordinary shares at an issuance price of EUR 3.80 per share.

The subscription price net of costs was credited in full to the Company's reserve for invested unrestricted equity, and the share capital of the Company was not increased.

The Company has no shares in treasury; therefore at the end of 2021 the total number of voting rights was 53,232,032.

Legal Proceedings
As announced by the Company on 9 November 2021, the arbitration tribunal appointed by the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) ruled in favor of Faron in its case against Rentschler Biopharma SE ("Rentschler"). Faron was seeking damages from Rentschler for unfounded termination of an agreement concerning the manufacturing process for Traumakine. As a result of the favorable arbitration award, Rentschler was ordered to pay Faron EUR 3.8 million in damages. The parties were jointly and severally liable towards the arbitral tribunal and the SCC for the fees and expenses of the arbitral tribunal and the fees of the SCC, which were paid in equal shares. In addition, each party carried its own legal costs. A third-party recovery services provider funded the proceedings for Faron. The funder received compensation from Faron in accordance with the litigation funding agreement.

Toni Hänninen
Chief Financial Officer
24 March 2022

Consolidated Income Statement, IFRS

EUR '000	**Unaudited 7-12/2021 6 months**	**Unaudited 7-12/2020 6 months**	**1-12/2021 12 months**	**1-12/2020 12 months**
Revenue	0	0	0	0
Other operating income	4,927	1,379	6,137	2,122
Research and development expenses	(8,361)	(8,345)	(17,369)	(13,879)
General and administrative expenses	(7,250)	(2,543)	(9,876)	(4,897)
Operating loss	**(10,684)**	**(9,509)**	**(21,108)**	**(16,654)**
Financial expense	(44)	(160)	(235)	(389)
Financial income	103	76	165	109
Loss before tax	**(10,625)**	**(9,593)**	**(21,178)**	**(16,934)**
Tax expense	(9)	(10)	(16)	(10)
Loss for the period	**(10,634)**	**(9,603)**	**(21,194)**	**(16,944)**
Other comprehensive loss	(15)		(15)	2
Total comprehensive loss for the period	**(10,649)**	**(9,603)**	**(21,209)**	**(16,946)**
Loss per ordinary share				
Basic and diluted loss per share, EUR	(0.21)	(0.22)	(0.42)	(0.37)

Consolidated Balance Sheet, IFRS

EUR '000	**31 December 2021**	**31 December 2020**
Assets		
Non-current assets		
Machinery and equipment	20	14
Right-of-use-assets	187	361
Intangible assets	899	565
Prepayments and other receivables	53	56
Total non-current assets	**1,159**	**996**
Current assets		
Prepayments and other receivables	5,170	3,263
Cash and cash equivalents	6,853	4,108
Total current assets	**12,023**	**7,371**
Total assets	**13,182**	**8,367**
Equity and liabilities		
Capital and reserves attributable to the equity holders of the Company		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	116,507	92,015
Accumulated deficit	(116,265)	(96,557)
Translation difference	(15)	2
Total equity	**2,919**	**(1,849)**
Non-current liabilities		
Borrowings	2,918	2,728
Lease liabilities	16	199
Other liabilities	151	786
Total non-current liabilities	**3,085**	**3,713**
Current liabilities		
Borrowings	429	122
Lease liabilities	184	176
Trade payables	2,229	2,115
Accruals and other current liabilities	4,336	4,090
Total current liabilities	**7,178**	**6,503**

Total liabilities	**10,263**	**10,216**
Total equity and liabilities	**13,182**	**8,367**

Consolidated Statement of Changes in Equity, IFRS

EUR '000	**Share capital**	**Reserve for invested unrestricted equity**	**Translation difference**	**Accumulated deficit**	**Total equity**
Balance as at 31 December 2019	**2,691**	**78,916**	**-**	**(79,997)**	**1,610**
Comprehensive loss for the period	-	-	2	(16,946)	(16,944)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 1,004 thousand	-	13,098	-	-	13,098
Share-based compensation	-	-	-	386	386
	-	**13,098**	**-**	**386**	**13,484**
Balance as at 31 December 2020	**2,691**	**92,015**	**2**	**(96,557)**	**(1,849)**
Comprehensive loss for the period	-	-	(15)	(21,194)	(21,209)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 1,067 thousand	-	24,492	-	-	24,492
Share-based compensation	-	-	-	1,487	1,487
	-	**24,492**	**-**	**1,487**	**25,980**
Balance as at 31 December 2021	**2,691**	**116,507**	**(15)**	**(116,265)**	**2,919**

Consolidated Cash Flow Statement, IFRS

	Unaudited	Unaudited	1-12/2021	1-12/2020
	7-12/2021	7-12/2020	12 months	12 months
EUR '000	**6 months**	**6 months**		
Cash flow from operating activities				
Loss before tax	(10,640)	(9,593)	(21,194)	(16,936)
Adjustments for:				
Received grant	(745)	(587)	(1,387)	(587)
Depreciation and amortisation	165	153	307	283
Interest expense	128	56	216	149
Tax expense	6	10	16	10
Unrealised foreign exchange loss (gain), net	434	242	153	117
Share-based compensation	644	386	1,487	386
Adjusted loss from operations before changes in working capital	(10,008)	(9,333)	(20,402)	(16,578)
Change in net working capital:				
Prepayments and other receivables	(-1259)	(1,631)	(1,919)	(1,097)
Trade payables	744	1,878	723	1,641
Other liabilities	24	(83)	(565)	(1,416)
Cash used in operations	(10,499)	(9,169)	(22,163)	(17,450)
Taxes paid	(1)	(1)	(16)	(1)
Interest paid	(10)	1	(40)	(28)
Net cash used in operating activities	**(10,508)**	**(9,169)**	**(22,218)**	**(17,479)**
Cash flow from investing activities				
Payments for intangible assets	(76)	(60)	(461)	(137)
Payments for equipment	(6)	(3)	(13)	(5)
Net cash used in investing activities	**(81)**	**(63)**	**(473)**	**(142)**
Cash flow from financing activities				
Proceeds from issue of shares	10,515	106	25,559	14,103
Share issue transaction cost	(405)	(52)	(1,067)	(1,004)
Proceeds from borrowings	145	630	662	630
Repayment of borrowings	-	-	(122)	(122)
Proceed from grants	750	1,375	750	1,375

Payment of lease liabilities	(95)	(104)	(191)	(195)
Net cash from financing activities	**10,910**	**1,955**	**25,590**	**14,787**
Net increase (+) / decrease (-) in cash and cash equivalents	320	(7,277)	2,899	(2,834)
Effect of exchange rate changes on cash and cash equivalents	(434)	(242)	(153)	(117)
Cash and cash equivalents at 1 January	6,967	11,627	4,108	7,059
Cash and cash equivalents at 31 December	**6,853**	**4,108**	**6,853**	**4,108**