Faron Pharmaceuticals Oy
("Faron" or "Company")

Faron Reports Half-Year Financial Results, January 1 – June 30, 2022

August 25, 2022 at 2:00 am EDT / 7:00 am BST / 9:00 am EEST

Summary of January – June 2022

- New data reinforces *bexmarilimab's* potential to bring the promise of immunotherapy to cancer patients who are currently not benefiting from approved checkpoint inhibitors
- Compelling 12-month survival data reported from Phase I/II MATINS study with 100% survival among checkpoint refractory melanoma and cholangiocarcinoma patients who benefited from *bexmarilimab* treatment
- Biomarker data presented at AACR and ASCO Annual Meetings showed a clear biomarker profile (low baseline levels of inflammatory markers like IFN-gamma and TNF-alpha) among patients who experienced clinical benefit following *bexmarilimab* treatment – benefiting patients also showed a higher level of Clever-1 positive intra-tumoral macrophages
- Biomarker profile of patients benefiting from *bexmarilimab* matches that of patients who are usually refractory to PD-1 blockade, which further validates anti-PD1 combination development strategy
- First patient dosed in the Phase I/II BEXMAB study investigating *bexmarilimab* in combination with standard of care in myeloid hematological malignancies including acute myeloid leukemia (AML)
- Significant worldwide expansion of *bexmarilimab* epitope patents which now cover more than 90% of pharmaceutical markets until at least 2037
- Erik Ostrowski, joined the Faron Board of Directors, and the Leadership team was enhanced with the addition of Marie-Louise Fjällskog, M.D., Ph.D., as Chief Medical Officer and the appointment of Juho Jalkanen, M.D., Ph.D., as Chief Operating Officer
- Cash position strengthened by debt funding agreement with IPF Partners for up to EUR 30 million and successful private placement including an investment from The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP)
- Virtual briefing and Q&A to be held today at 7:00 am EDT / 12:00 pm BST / 2:00 pm EEST

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Oy (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 unaudited half-year financial results for January 1 to June 30, 2022 (the "period").

"I am extremely proud of the progress we made over the first half of 2022," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "We advanced our ambitious *bexmarilimab* development program, which beyond the MATINS trial includes combination studies in both solid tumors and hematologic malignancies, we presented data showing patients whose tumors express elevated levels of Clever-1 and low levels of PD-L1, a population that does not typically respond to or is ineligible for treatment with currently approved checkpoint inhibitors, are likely to experience clinical benefit and immune ignition following treatment with *bexmarilimab*, and we reported patients benefiting from *bexmarilimab* treatment experienced nearly a six-fold survival advantage over those who did not. We also strengthened our cash position and welcomed not just a new investor, The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP), but in them a partner whose organization and network will help us further accelerate our development of *bexmarilimab*."

Pipeline Highlights

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

- Updated survival data today show that 63% of patients who benefited from treatment with *bexmarilimab* were alive at 12-months compared to 9% of those who did not. The strongest survival benefit was seen in checkpoint refractory melanoma and cholangiocarcinoma, where 12-month survival was 100% among patients who benefited from *bexmarilimab* treatment and 6% for patients who did not benefit from treatment. The analysis included 134 heavily pre-treated, advanced disease patients across 10 solid tumor cohorts from Parts I and II of the MATINS study.
- Biomarker data presented at the American Association for Cancer Research (AACR) Annual Meeting 2022 showed patients with low baseline levels of serum interferon gamma (IFNy) and tumor necrosis factor alpha (TNFa) experienced

significantly higher clinical benefit following *bexmarilimab* treatment. When used together, IFNy and TNFa are highly predictive of response to *bexmarilimab*.

- Additional biomarker data presented at the American Society of Clinical Oncology Annual Meeting showed that that the tumors of patients benefiting from treatment with *bexmarilimab* had statistically significant higher levels of Clever-1 positive intra-tumoral cells and a trend towards low PD-L1 levels, a population that does not typically respond to or is ineligible for treatment with currently approved checkpoint inhibitors. These patients with immunologically cold tumors also exhibited an ignition of immune response, as indicated by increased levels of IFNy following therapy, which suggests *bexmarilimab* may serve as a catalyst for the immune system allowing initially checkpoint inhibitor resistant or ineligible patients to become responsive to PD-1 blockade.
- The first patient was dosed in the Phase I/II BEXMAB study investigating *bexmarilimab* in combination with standard of care in multiple hematological malignancies. This marks the first time *bexmarilimab* is being assessed as part of a clinical study in hematologic malignancies. Based on initial safety data, there is potential for Phase II expansion and to include a first line triplet therapy of *bexmarilimab*, azacitidine and venetoclax in newly diagnosed acute myeloid leukemia (AML) patients who are not able to tolerate chemotherapy.
- AACR journal *Molecular Cancer Therapeutics* published research examining the discovery and preclinical development of *bexmarilimab*. Reporting the humanization and nonclinical characterization steps used to determine the physicochemical properties, biological potency, and safety profile of *bexmarilimab*, the authors conclude that *bexmarilimab* could induce an immunostimulatory tumor microenvironment that leads to anti-tumor efficacy.
- Data was presented at the European Hematology Association 2022 Congress showing Clever-1 is expressed in patient bone marrow blasts and monocytes in acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS) and that blocking Clever-1 with *bexmarilimab* in these patients induced immune activation as observed through increased antigen presenting molecule, human leucocyte antigen DR (HLA-DR) expression and declined PD-1 expression.
- The proprietary position of *bexmarilimab* was significantly increased with patents granted in Europe, China, South Korea and Mexico. With previously received patents in the US and Japan, *bexmarilimab* epitope patents now cover more than 90% of pharmaceutical markets until at least 2037.

Traumakine® - *Faron's investigational intravenous (IV) interferon beta-1a therapy, in development for the treatment of ischemic or hyperinflammatory conditions.*

- *Scientific Reports* published data from Faron's INFORAAA study showing Traumakine-induced up-regulation of CD73 prevents death after emergency open aortic surgery. Up-regulation of CD73 was associated with 100% survival compared to expected mortality between 30-40%.
- Research was published identifying novel genetic factors that underly the interaction of corticosteroids with interferon beta signaling in acute respiratory distress syndrome (ARDS) and COVID-19. The research identified a deleterious effect of glucocorticosteroids when given together with intravenous IFN beta-1a therapy. The Company and its scientific collaborators found that patients receiving Traumakine carrying the single nucleotide polymorphism (SNP) rs9984273 (C/T) in subunit 2 of interferon receptor (INFAR2) showed a substantial reduction in mortality compared to patients without the gene mutation. The same SNP that was also associated with better outcome in COVID-19.
- Phase II/III HIBISCUS trial assessing Traumakine (Intravenous Interferon beta-1a; IFN beta-1a) as a first-line treatment for hospitalized COVID-19 patients who require low flow oxygen support was closed due to low COVID-19 hospitalization rates and a shortage of patients not already receiving steroids. Study resources were re-focused on the development of *bexmarilimab*.
- Development of Traumakine continues together in collaboration with the 59th Medical Wing of the US Air Force and Wake Forest University Medical School for ischemia-reperfusion injury and battlefield injuries that lead to polytrauma and systemic inflammation. The latest primate results will be presented at the annual Military Health System Research Symposium (MHSRS) on the 13th of September in Orlando, Florida. MHSRS is the biggest military research symposium in the USA.

Corporate Highlights

- Secured a debt funding agreement with IPF Partners for up to EUR 30 million. The first tranche of EUR 10 million was accessed in February 2022, with an additional EUR 20 million available in the future, subject to certain conditions being met. As part of the arrangement relating to the debt funding, Faron grants IPF warrants entitling them to subscribe for ordinary shares of the Company against payment. In total 319,944 Warrants were issued to IPF in relation to the first tranche utilized.
- Cash position strengthened with successful private placement totaling gross EUR 5.0 million, the final portion of which amounting to EUR 0.5 million settled in early July 2022. The placing included investment from The Leukemia & Lymphoma

Society Therapy Acceleration Program® (LLS TAP), a funding initiative to accelerate innovative blood cancer therapeutics and change the standard of care in leukemia, lymphoma, and multiple myeloma. In total Faron raised EUR 5.0 million with the fundraise and 2,006,621-ordinary shares were issued to investors (of which 1,806,621 shares in June).

- Erik Ostrowski, BS, MBA, veteran biotech and financial executive with significant fundraising and investment bank experience, joined the Faron Board of Directors in April 2022. He is currently the Chief Financial Officer and Treasurer of AVROBIO (Nasdaq: AVRO), a role he has served since joining the company in January 2019. Prior to joining AVROBIO, he served as CFO of Summit Therapeutics plc. (Nasdaq: SMMT) and vice president of finance at Organogenesis Inc. (Nasdaq: ORGO). He previously worked in investment banking, most recently as a director with Leerink Partners LLC., having begun his career as an accountant with Coopers & Lybrand (now PricewaterhouseCoopers).
- 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.
- Juho Jalkanen, M.D., Ph.D., was appointed Chief Operating Officer. In this role, Dr. Jalkanen leads business strategy and daily operations for Faron including oversight of academic and industry partnerships, resource prioritization and allocation, chemistry, manufacturing and controls, supply chain and driving performance measures.

Half-Year Financial Results

- Cash balances of EUR 9.9 million at 30 June 2022 (2021: EUR 7.0 million).
- Operating loss of EUR 13.4 million for the six months ended 30 June 2022 (2021: EUR 10.4 million).
- Net assets of EUR -5.2 million as at 30 June 2022 (2021: EUR 2.8 million).
- Cash position strengthened by debt funding agreement with IPF Partners for EUR 10 million and successful private placement of EUR 5.0 million

Consolidated key figures, IFRS

EUR'000	**Unaudited 1-6/2022 6 months**	**Unaudited 1-6/2021 6 months**	**1-12/2021 12 months**
Revenue	0	0	0
Other operating income	485	1 210	6 137
Research and Development expenses	(10 047)	(9 008)	(17 369)
General and Administrative expenses	(3 801)	(2 626)	(9 876)
Loss for the period	(13 121)	(10 560)	(21 194)

	Unaudited 1-6/2022 6 months	**Unaudited 1-6/2021 6 months**	**1-12/2021 12 months**
Loss per share, EUR	(0,25)	(0,21	-0,42
Number of shares at end of period	56,575,453*	50,457,874	46,799,747
Average number of shares	53,235,643	49,615,167	44,584,199

	Unaudited 30 Jun 2022	**Unaudited 30 Jun 2021**	**31 Decmber 2021**
Cash and cash equivalents	9 936	6 967	6 853
Equity	(5 194)	2 813	2 919
Balance sheet total	16 729	11 865	13 182

** of which 1,311,800 are held in Treasury*

24 August 2022
Faron Pharmaceuticals
Board of Directors

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

Conference call information
A virtual briefing and Q&A session for investors, analysts and media will be hosted by Dr. Markku Jalkanen, Chief Executive Officer, and Toni Hänninen, Chief Financial Officer, today, August 25, 2022 at 7:00 am (EDT) / 12:00 pm (BST) / 2:00 pm (EEST) on the day of results.

Webcast registration link: https://faron.videosync.fi/2022-halfyear-results

The half-year report, presentation, and a replay of the webcast will be available on the Company's website at www.faron.com/investors.

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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 in both solid tumors and hematologic malignancies. 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 BEXMAB

The BEXMAB study is a first-in-human open label phase I/II clinical trial investigating *bexmarilimab* in combination with standard of care (SoC) in aggressive hematological malignancies including acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS). The primary objective is to determine the safety and tolerability of *bexmarilimab* in combination with SoC (azacitidine) treatment and to identify the recommended Phase 2 dose. Based on initial safety data, there is potential for expansion to include a first line triplet therapy of *bexmarilimab*, azacitidine and venetoclax in newly diagnosed AML patients who are not able to tolerate chemotherapy. Clever-1 is highly expressed in both AML and MDS and associated with therapy resistance, limited T cell activation and poor outcomes. Directly targeting Clever-1 could limit the replication capacity of cancer cells, increase antigen presentation, ignite an immune response, and allow current chemotherapy treatments to be more effective.

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 solid tumors and hematologic malignancies, *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 by 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 and Chief Executive Officer's Review

Introduction

The first half of 2022 has been a period of significant progress for Faron. Most notably, we continued to accelerate our ambitious *bexmarilimab* development program. Key to this is our advanced understanding of which patients are likely to respond to treatment and what happens in the tumor microenvironment when they do. These findings, in addition to the significant 12-month survival advantage experienced by patients who responded to treatment, further strengthen our belief that *bexmarilimab* has the potential to bring the promise of immunotherapy to a much broader patient population, both as a monotherapy and in combination with currently approved standard of care treatments.

Bexmarilimab

Driving the clinical development of *bexmarilimab* continues to be Faron's top priority, which is why we recruited Marie-Louise Fjällskog, M.D., Ph.D. to join the Company as our new Chief Medical Officer. Dr. Fjällskog has over 30 years of experience in clinical oncology, translational research, and drug development. She joined us from Sensei Biotherapeutics (SNSE), where she served as Chief Medical Officer for the Nasdaq listed immuno-oncology focused biopharmaceutical company. Prior to her tenure at Sensei, she was Vice President, Clinical Development at both Merus (MRUS) and Infinity Pharmaceuticals (INFI) where she led development of multiple small molecule and immunotherapy clinical programs. Earlier in her career she spent time at the Novartis Institute for Biomedical Research as Global Clinical Program Leader responsible for the development of oncology treatments targeting CDK4/6, BCL-2, PD-1, CSF-1 and CD73.

Dr. Fjällskog has been instrumental in advancing our *bexmarilimab* development program, which is focused in three areas, monotherapy in late-stage solid tumors, combination with anti-PD-1 in first-line solid tumors, and combination with standard of care in hematologic malignancies. She has also significantly advanced our translational research efforts.

Data from the completed Part 1 and Part II of the MATINS trial continue to be analyzed, but we were able to report updated 12-month survival data in June. The further updated analysis shows that 63% of patients who benefited from treatment with *bexmarilimab* were alive at 12-months compared to 9% of patients who did not benefit from treatment. The strongest survival benefit was seen in checkpoint refractory melanoma and cholangiocarcinoma where 12-month survival was 100% among patients who benefited from *bexmarilimab* treatment and 6% for patients who did not benefit from treatment. The updated survival data is significant, especially when you consider these were heavily pre-treated patients with substantially advanced disease. It's highly encouraging that an anti-tumor immune response was activated in these heavily compromised patients and that almost two-thirds of the patients who benefited from treatment had a durable response lasting at least 12-months.

We look forward to sharing this data and additional translational research with the FDA late this year or in early 2023. With their input, we will finalize a dose, frequency and design of the next step, which we anticipate will be a randomized study to confirm survival benefit against comparator (physician choice of chemo or potentially best supportive care).

We also plan to engage the FDA around the design of our planned trial investigating *bexmarilimab* in combination with anti-PD1 in first line solid tumors. We are extremely excited about this combination given the translational research we reported earlier this year at the American Association for Cancer Research and American Society of Clinical Oncology Annual Meetings. This data identified a clear biomarker profile among patients who responded to treatment with *bexmarilimab*. Notably, these patients, those with low baseline levels of inflammatory cytokines and tumors that expressed low levels of PD-L1, typically do not respond

to or are ineligible for treatment with currently approved checkpoint inhibitors. This means that *bexmarilimab* works where anti-PD1 treatments do not. Patients with immunologically cold tumors also exhibited an ignition of immune response, as indicated by increased levels of IFN-γ following therapy, which suggests *bexmarilimab* may serve as a catalyst for the immune system allowing initially checkpoint inhibitor resistant or ineligible patients to become responsive to PD-1 blockade.

In addition to solid tumors, we also believe *bexmarilimab* can become an important treatment option in hematologic malignancies. In June we enrolled the first patient in our Phase I/II BEXMAB study. The primary objective of BEXMAB is to determine the safety, tolerability and preliminary efficacy of *bexmarilimab* in combination with standard of care in patients with relapsed acute myeloid leukemia (AML), myelodysplastic syndrome (MDS), or chronic myelomonocytic leukemia (CMML). Based on initial safety data, there is potential for Phase II expansion and to include a first line triplet therapy of *bexmarilimab*, azacitidine and venetoclax in newly diagnosed AML patients who are not able to tolerate chemotherapy.

This opportunity is so exciting because we know that certain blood cancer cells carry significant amounts of cell surface Clever-1, which may limit the body's ability to mount an immune response. In fact, research has shown a clear survival benefit among certain blood cancer patients with low Clever-1 expression. By adding *bexmarilimab* to standard of care we expect to downregulate Clever-1 expression, thereby increasing antigen presentation and allowing the immune system to better identify and kill cancer cells. This could provide a deeper and more durable clinical benefit compared to what most patients experience with currently approved treatments.

Patent progress

Building a global intellectual property (IP) portfolio around Clever-1 remains a key priority for Faron as it is critical for the future commercialization of *bexmarilimab*. We continued to make progress towards this goal over the first half of 2022 with patents granted in Europe, China, South Korea, and Mexico. These, in addition to the previously received patents mean that we now have *bexmarilimab* epitope patents covering more than 90% of pharmaceutical markets until at least 2037.

Traumakine and Haematokine

Beyond *bexmarilimab*, we continue to be excited about the potential of our two additional pipeline assets, Traumakine and Haematokine, even though we made the difficult decision in April to discontinue our Phase II/III HIBISCUS trial assessing Traumakine as a first-line treatment for hospitalized COVID-19 patients. The emergence of the less severe Omicron variant, widespread vaccinations, and the continued early use of steroids severely limited our potential patient pool and made it impossible for us to reach our enrollment targets.

Our near-term development focus for Traumakine has shifted to settings where steroid use is not as widespread. This includes major operations and polytrauma where patients are at high risk of ischemia-reperfusion injury, which is tissue damage caused when blood supply returns to tissue after a period of oxygen depletion. Data from our INFORAAA trail published earlier this year showed that Traumakine up-regulates CD73, a key organ protective endothelial enzyme that reduces inflammation and prevents vascular leakage. The data also showed up-regulation of CD73 was associated with 100% survival among surgically operated ruptured abdominal aorta aneurysm (RAAA) patients – a patient population with expected mortality between 30-40%.

The focus of our Haematokine development program was further validated this year with the publication of research in the multidisciplinary journal *Cellular and Molecular Life Sciences* showing the inhibition of Vascular Adhesion Protein-1 (VAP-1) potentially supports the expansion of human hematopoietic stem cells (HSC). The research showed for the first time that VAP-1 serves as a check point-like inhibitor, restricting the expansion of hematopoietic stem cells. As a result, we believe that inhibiting the enzymatic activity of VAP-1 enables the expansion of hematopoietic stem cells, which are essential to the formation of new cells and that this approach could have broad applicability in the fields of regenerative medicine and the treatment of hematological malignancies.

Financial review

In February 2022, Faron entered into a secured debt agreement with IPF Partners, a leading alternative financing provider focused on the healthcare sector. This agreement allowed Faron to access EUR 10 million immediately and subject to certain conditions being met, Faron may have access to an additional EUR 20 million in funding. Not only did this agreement strengthen our financial position, but it also added flexibility to our funding strategy by adding a debt instrument into our funding tools. We were also able to complete a successful private placement totaling EUR 5.0 million, including investment from The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP), a funding initiative to accelerate innovative blood cancer therapeutics and change the standard of care in leukemia, lymphoma, and multiple myeloma. We were delighted to receive this significant support

from our existing and new investors, providing additional financial resources to allow the further acceleration of our development programs and significantly strengthening our balance sheet.

Statement of comprehensive income
The operating loss for the six months ended 30 June 2022 was EUR 13.4 million (six months ended 30 June 2021: loss of EUR 10.4 million). No revenue was generated during the period or prior period. Research and development expenses increased by EUR 1.0 million to EUR 10.0 million (2021: EUR 9.0 million). General and administrative expenses increased by EUR 1.2 million to EUR 3.8 million (2021: EUR 2.6 million).

The loss for the period was EUR 13.1 million (2021: loss of EUR 10.6 million) and the basic and diluted loss per share was EUR 0.25 (2021: loss per share of EUR 0.21).

Statement of financial position and cash flows
As of June 30, 2022 net assets amounted to EUR -5.2 million (June 30, 2021: EUR 2.8 million). The net cash flow for the first six months in 2022 was EUR 3.1 million (2021: EUR 2.8 million). As of June 30, 2022 total cash and cash equivalents held were EUR 9.9 million (2021: EUR 7.0 million).

Corporate
Faron's Annual General Meeting (AGM) was held on April 22, 2021. The AGM adopted the financial statements of the Company and re-elected audit firm PricewaterhouseCoopers Oy ("PwC") as the Company's auditor. Additionally, the number of members of the Board was confirmed as seven. Frank Armstrong, Gregory Brown, John Poulos, Leopoldo Zambeletti, Markku Jalkanen and Anne Whitaker were re-elected to the Board and Erik Ostrowski was elected as a new member to the Board for a term that ends at the end of the next AGM.

Summary & outlook
Our focus for the remainder of 2022 continues to be the acceleration of *bexmarilimab*'s clinical development. Preparations for the pivotal expansion stage of the MATINS study, including confirmation of dosage, dose frequency and tumor type, are priorities for us. We also continue planning for the initiation of our Company sponsored trial investigating *bexmarilimab* in combination with anti-PD1 in first-line tumors and expect to see early data from BEXMAB by year-end. Alongside these activities, we will continue to explore the potential of Traumakine, with a focus on preventing multiple organ dysfunction syndrome after ischemia-reperfusion injury caused by a major trauma, and Haematokine.

On behalf of the Board, we would like to thank our shareholders, existing and new, for their support of Faron. We would also like to thank our employees for their continued commitment to our mission and the patients we serve. We look forward to updating the market on our progress throughout the course of the year.

Dr Markku Jalkanen
Chief Executive Officer

Dr Frank Armstrong
Chairman

Consolidated Income Statement, IFRS

EUR'000	**Unaudited 1-6/2022 6 months**	**Unaudited 1-6/2021 6 months**	**1-12/2021 12 months**
Revenue	0	0	0

Other operating income	485	1 210	6 137
Research and development expenses	(10 047)	(9 008)	(17 369)
General and administrative expenses	(3 801)	(2 626)	(9 876)
Operating loss	**(13 364)**	**(10 424)**	**(21 108)**
Financial expense	(430)	(191)	(235)
Financial income	692	61	165
Loss before tax	**(13 102)**	**(10 554)**	**(21 179)**
Tax expense	(19)	(6)	(15)
Loss for the period	**(13 121)**	**(10 560)**	**(21 194)**
Translation difference	11		(15)
Comprehensive loss for the period attributable to the equity holders of the Parent company	**(13 110)**	**(10 560)**	**(21 209)**
Loss per ordinary share			
Basic and diluted loss per share, EUR	*(0.25)*	*(0.21)*	*(0.42)*

Consolidated Balance Sheet, IFRS

EUR'000	Unaudited 30 June 2022	Unaudited 30 June 2021	31 December 2021
Assets			
Non-current assets			
Machinery and equipment	17	19	20
Right-of-use-assets	98	273	187
Intangible assets	1 011	920	899
Prepayments and other receivables	53	53	53
Total non-current assets	**1 179**	**1 265**	**1 159**
Current assets			
Prepayments and other receivables	5 614	3 634	5 170
Cash and cash equivalents	9 936	6 967	6 853
Total current assets	**15 550**	**10 600**	**12 023**
Total assets	**16 729**	**11 865**	**13 182**

	Unaudited 30 June 2022	Unaudited 30 June 2021	31 December 2021
Capital and reserves attributable to the equity holders of the Parent company			
Share capital	2 691	2 691	2 691
Reserve for invested unrestricted equity	120 839	106 396	116 507
Translation difference	2	(1)	(15)
Accumulated deficit	(128 726)	(106 274)	(116 265)
Total equity	**(5 194)**	**2 813**	**2 919**
Non-current liabilities			
Borrowings	12 250	3 231	2 918
Lease liabilities	0	109	16
Other liabilities	539	146	151
Total non-current liabilities	**12 789**	**3 486**	**3 085**
Current liabilities			
Borrowings	0	0	429
Lease liabilities	106	178	184
Trade payables	7 791	4 555	5 295
Other current liabilities	1 238	832	1 270
Total current liabilities	**9 135**	**5 565**	**7 178**
Total liabilities	**21 924**	**9 052**	**10 263**
Total equity and liabilities	**16 729**	**11 865**	**13 182**

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 2020	**2 691**	**92 015**	**2**	**-96 557**	**-1 849**
Comprehensive loss for the last six months 2021	0		(1)	(10 560)	(10 561)
Transactions with equity holders of the Parent company					
Issue of ordinary shares	0	14 381	0	0	14 381
Share-based compensation	0	0	0	843	843
	0	**14 381**	**0**	**843**	**15 224**
Balance as at 30 June 2021	**2 691**	**106 396**	**(1)**	**(106 274)**	**2 813**
Comprehensive loss for the year 2021	0	0	(15)	(21 194)	(21 209)
Transactions with equity holders of the Parent company					
Issue of ordinary shares	0	24 492		0	24 492
Share-based compensation	0	0		1 487	1 487
	0	**24 492**	**0**	**1 487**	**25 980**
Balance as at 31 December 2021	**2 691**	**116 507**	**(15)**	**(116 265)**	**2 919**
Comprehensive loss for the last six months 2022	0	0	11	(13 121)	(13 110)
Transactions with equity holders of the Parent company					
Issue of ordinary shares	0	4 332		0	4 332
Share-based compensation	0	0	0	665	665
	0	**4 332**	**0**	**665**	**4 997**
Balance as at 30 June 2022	**2 691**	**120 839**	**2**	**(128 726)**	**(5 194)**

Consolidated Cash Flow Statement, IFRS

€'000	Unaudited 1-6/2022 6 months	Unaudited 1-6/2021 6 months	1-12/2021 12 months
Cash flow from operating activities			
Loss before tax	(13 102)	(10 554)	(21 194)
Adjustments for:			
Received grant	(415)	(642)	(1 387)
Depreciation and amortisation	151	142	307
Interest expense	529	88	216
Tax expense	(19)	10	16
Unrealised foreign exchange loss (gain), net	(12)	(27)	153
Share-based compensation	665	843	1 487
Adjusted loss from operations before changes in working capital	(12 204)	(10 141)	(20 402)
Change in net working capital:			
Prepayments and other receivables (increase -)	819	(660)	(1 919)
Trade payables (increase +)	1 211	(21)	723
Other liabilities	(1 014)	(337)	(566)
Cash used in operations	(11 187)	(11 158)	(22 163)
Taxes paid	0	(15)	(16)
Interest paid	(108)	(30)	(40)
Net cash used in operating activities	**(11 295)**	**(11 204)**	**(22 218)**
Cash flow from investing activities			
Payments for intangible assets	(167)	(385)	(461)
Payments for equipment	0	(7)	(13)
Net cash used in investing activities	**(167)**	**(392)**	**(473)**
Cash flow from financing activities			
Proceeds from issue of shares	4 331	14 382	24 492
Proceeds from borrowings	10 389	264	662
Repayment of borrowings	(108)	(122)	(122)
Proceeds from grants	0	0	750
Payment of lease liabilities	(96)	(96)	(191)
Net cash from financing activities	**14 516**	**14 427**	**25 590**
Net increase (+) / decrease (-) in cash and cash equivalents	3 054	2 831	2 899
Effect of exchange rate changes on cash and cash equivalents	28	27	(153)
Cash and cash equivalents at 1 January	6 853	4 108	4 108
Cash and cash equivalents at the end of period	9 936	6 967	6 853

Notes to the interim financial report

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, and since 3 December 2019, the Company has been listed on the Nasdaq First North Growth Market list with a ticker FARON.

2. Summary of significant accounting policies

2.1. Basis of preparation

The unaudited H1 interim financial report has 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 (IFRIC).

The principal accounting policies applied in the preparation of these interim financial report is set out below. The Company has consistently applied these policies to all the periods presented, unless otherwise stated. The areas of the report involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial report, are disclosed in note 2.2.

The unaudited interim financial report incorporate the parent company, Faron Pharmaceuticals Ltd, and all subsidiaries (the "Group").

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

2.2. Going concern

The Group has forecasted its estimated cash requirements over the next twelve months. In order to make these forecasts the Group 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 the Group believes that it has adequate financial resources to continue its operations into Q1 2023 and therefore this unaudited financial report has been prepared on a going concern basis. In its meeting on 24 August 2022 the Board of Directors of the Company approved the publishing of this interim financial report.

The Group has taken several acts to secure further financing during the rest of the year 2022. The Directors believe that the Group can gain access to further resources to sustain operations over the next 12 months. At this stage the Group cannot disclose any of these options.

Because the additional finance is not committed at the date of issuance of these H1 reports, these circumstances represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a 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.