Faron Pharmaceuticals Oy
("Faron")

Faron Reports Half-Year Financials, January 1 – June 30, 2021

Significant progress made in H1 2021 including acceleration of most advanced pipeline assets - *Bexmarilimab* and Traumakine®

August 26, 2021 at 7:00 am BST / 9:00 am EEST

January – June 2021 in short/ Summary of January – June 2021

- *Bexmarilimab* shows compelling antitumor activity in multiple advanced solid tumor types as a monotherapy with strongest disease control rate, DCR (30.0% - 40.0%), observed in cutaneous melanoma, gastric cancer, cholangiocarcinoma and hepatocellular carcinoma patients
- Median overall survival (OS) not yet reached in DCR patient group
- Initiation of pivotal stage (Part III) of *bexmarilimab's* MATINS study on track for Q4 2021 alongside clinical expansion into neoadjuvant setting, hematological malignancies and first line lung cancer in combination with anti-PD-1
- Secured key US patents for both *bexmarilimab* and Traumakine®
- Received $6.1 million commitment from the US Department of Defense (DoD) to support the Traumakine HIBISCUS trial as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Balance sheet strengthened by successful share placing of €15 million gross 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 12:00 pm BST / 2:00 pm EEST / 7:00 am EDT

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, 2021 (the "period") and provided an overview of recent corporate developments.

"I am extremely proud of the progress we made over the first half of 2021," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "We progressed our most advanced pipeline assets with *bexmarilimab* showing compelling antitumor activity as a monotherapy in heavily pre-treated patients across multiple solid tumor types and the initiation of the HIBISCUS trial assessing Traumakine as a first-line treatment for hospitalized COVID-19 patients, which we believe will represent a significant step forward in the treatment of lung failure due to viral infections. We also strengthened our balance sheet, which will allow us to continue investing in our pipeline and further our goal of developing new treatments for patients battling life-threatening diseases."

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, and hepatocellular carcinoma, with a 30.0% — 40.0% disease control rate across these tumor types. Additional MATINS data was accepted as a late-breaking abstract and will be presented at the European Society for Medical Oncology (ESMO) Congress 2021 in mid-September.
- **Further clinical trials are planned to start in Q4 2021** to investigate *bexmarilimab's* potential in additional clinical settings, including in combination with standard of care as a first-line therapy in selected advanced solid tumors and as a monotherapy in hematological malignancies. Additionally, trials will also investigate *bexmarilimab* as a standalone neoadjuvant therapy for patients with early-stage colorectal cancer and renal cell carcinoma.
- **A key US patent with claims protecting the composition of matter of *bexmarilimab*** was granted by the United States Patent and Trademark Office. The patent 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. This patent was also granted in Japan.

- **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.
- **Clinical Cancer Research, a journal of the American Association for Cancer Research, published research on the mode of action of *bexmarilimab*,** exploring the systemic immune signatures induced by *bexmarilimab* in advanced cancer patients with solid tumors and providing a mechanistic understanding of how a macrophage-targeted approach can promote robust activation of T cells (Clin Cancer Res 2021: 27: 4205-20), and also highlighted by the Editors.
- **Companion diagnostic for Clever-1 detection in histological samples developed and validated with Laboratory Corporation of America ("Labcorp").** The staining antibody developed can be used by Labcorp and other diagnostic service providers across the globe and will allow for efficient analysis of tumor biopsies.

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. HIBISCUS will be conducted in approximately 10 – 15 study sites across the US, enrolling 140 patients who require low flow oxygen support, but not mechanical ventilation. 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.
- **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.

Corporate Highlights

- **Balance sheet was strengthened by raising EUR 15 million gross through a private placement of new ordinary shares.** This placement encompassed existing and new investors, including the European Innovation Council Fund, a breakthrough initiative from the European Commission.
- **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. Prior to taking the role of Chairman at Aerami, Anne served as the Aerami's Chief Executive Officer and a Director. 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.

Half-Year Financial Results

- Cash balances of €7.0 million at 30 June 2021 (2020: €11.6 million).
- Operating loss of €10.4 million for the six months ended 30 June 2021 (2020: €7.1 million).
- Net assets of €2.8 million as at 30 June 2021 (2020: €7.3 million).
- In February 2021, Faron raised €15 million gross (€14.4 million net) from new and existing shareholders through an issuance of 3,521,127 new ordinary shares.

Consolidated key figures, IFRS

€'000	**Unaudited 1-6/2021 6 months**	**Unaudited 1-6/20 6 months**	**1-12/2020 12 months**
Revenue	0	0	0

Other operating income	1,210	743	2,122
Research and Development expenses	(9,008)	(5,534)	(13,879)
General and Administrative expenses	(2,626)	(2,354)	(4,897)
Loss for the period	(10,560)	(7,343)	(16,946)

	Unaudited 1-6/2021 6 months	**Unaudited 1-6/2020 6 months**	**1-12/2020 12 months**
Loss per share EUR	(0.21)	(0.16)	(0.37)
Number of shares at end of period	50,457,874	46,799,747	46,896,747
Average number of shares	49,615,167	44,584,199	45,712,111

€'000	**Unaudited 30 Jun 2021**	**Unaudited 30 Jun 2020**	**31 Dec 2020**
Cash and cash equivalents	6,967	11,627	4,108
Equity	2,813	7,313	(1,849)
Balance sheet total	11,865	14,343	8,367

25 August 2021
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 analysts will be hosted by Dr. Markku Jalkanen, Chief Executive Officer, and Toni Hänninen, Chief Financial Officer, at 12:00 pm BST / 2:00 pm EEST / 8:00 am EDT on the day of results. A presentation, webcast details will be made available at www.faron.com/investors.

A replay of the analyst briefing will be made available shortly afterwards.

Webcast link: https://www.lsegissuerservices.com/spark/FaronPharmaceuticalsOy/events/9b3b55bd-b730-43bf-8509-c1ec3e510415

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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 and Chief Executive Officer's Review

Introduction

To date, 2021 has been a year of significant accomplishments for Faron; most notably, we have been able to accelerate our lead pipeline programs and secure further funding to allow continued execution of key priorities. The latest data signaling the ability of *bexmarilimab* to increase survival in cancer patients who have exhausted all treatment options is compelling and it clearly demonstrated the importance of targeting myeloid cell control in the development of next generation immunotherapies. Additionally, the potential of Traumakine, Faron's intravenous interferon-beta 1a, to treat hospitalized COVID-19 patients, continued to be explored in the phase II/III HIBISCUS study, which is being co-funded by the US Department of Defense. We also conducted a successful fundraising round that raised EUR 15 million and included several new high-quality Continental European institutional investors. The largest of the new investors was the European Investment Council Fund (EIC) and their investment in Faron was the first time that the EIC invested in a publicly listed company. In this report we are pleased to provide further information on the progress we made in the first half of 2021 and insights into our plans for the second half of the year.

***Bexmarilimab* – Headline data from MATINS indicates compelling anti-tumor activity in multiple advanced solid tumors**

Driving the clinical development of *bexmarilimab* continues to be Faron's top priority and in the first six months of the year we made considerable progress, generating compelling clinical data and furthering our understanding of the science behind this novel asset. *Bexmarilimab* is our wholly-owned, novel precision cancer immunotherapy candidate, which causes conversion of the immune environment around a tumor from immune-suppressive to immune-stimulating, by targeting Clever-1, a receptor known to be expressed on immunosuppressive macrophages in the tumor microenvironment. *Bexmarilimab* is differentiated from other immunotherapies as it specifically targets M2 tumor-associated macrophages (TAMs), which facilitate tumor growth. Through myeloid cell plasticity, *bexmarilimab* can convert these M2 TAMs to M1s, leaving existing M1 TAMs intact and allowing both to support immune activation against tumors. We believe it has the potential to function as a novel macrophage checkpoint immunotherapy, both as a monotherapy and in combination with other immuno-oncology therapies or standard-of-care treatments.

The ongoing MATINS (Macrophage Antibody To INhibit immune Suppression) study, our first-in-human, open label phase I/II clinical trial with an adaptive design, is investigating the safety and efficacy of *bexmarilimab* monotherapy in selected metastatic or inoperable solid tumors. The completed Part I of the MATINS trial, primarily intended to investigate safety and tolerability, has shown that *bexmarilimab* promoted immune activation in all dosed patients and can downregulate a range of major inhibitory immune checkpoints (like PD-1, CTLA-4, etc.) that current immuno-oncology therapies aim to suppress. *Bexmarilimab* has also been well tolerated, showing no significant adverse events even at the highest dosing levels.

Data continued to be generated in 2021 on the strength of *bexmarilimab's* clinical efficacy across the ten different hard-to-treat solid tumor cohorts under investigation – cholangiocarcinoma, colorectal cancer, cutaneous melanoma, ER+ breast cancer, gastric cancer, hepatocellular carcinoma, ovarian cancer, uveal melanoma, pancreatic cancer and anaplastic thyroid carcinoma. Patients in the MATINS trial were all heavily pre-treated and their cancer at the time of treatment with *bexmarilimab* was significantly advanced.

To date, the strongest results have been observed in four tumor types, with a disease control rate, or DCR (partial response + stable disease rate), of 30.0% — 40.0% across the cutaneous melanoma, gastric cancer, cholangiocarcinoma and hepatocellular carcinoma cohorts. Our progress in the MATINS trial, generating clinical efficacy data, is helping us determine which patients may benefit most from treatment with *bexmarilimab*. The tumor types that yielded the best responses are now primary candidates to become expansion cohorts for Part III of the MATINS study. Together with the additional work underway investigating higher and more frequent dosing, biomarkers of efficacy and the potential for combinations in earlier lines of therapy, we are building a clear path towards the next, pivotal stage of our development program.

A striking scientific observation from the MATINS study was the discovery earlier this year of an abundant amount of free, soluble Clever-1 in the plasma of MATINS patients. Further experimental testing of isolated Clever-1 has indicated that this soluble form is a direct inhibitor of T cells and could be having an immunosuppressive effect in all locations of the body, therefore controlling the general immune capacity of patients. This would represent a broader immunosuppressive effect than previously expected. It follows that inactivation of Clever-1 with *bexmarilimab* has the potential to be more universally applicable, by improving patients' immune response and therefore enabling them to benefit from immuno-oncology therapeutics which have previously been ineffective. Following this observation, we filed a new patent application seeking protection for these inventions and related applications.

Building a global intellectual property (IP) portfolio around Clever-1 is a key priority for Faron and important for the future commercialization of *bexmarilimab*. In June 2021, the United States Patent and Trademark Office granted a new US Patent, No. 11,046,761, with claims protecting the composition of matter of *bexmarilimab* through 2037. This patent is a welcome addition to our existing global IP portfolio for targeting Clever-1, covering *bexmarilimab's* binding sequences and Clever-1's corresponding epitope - specific elements of the antibody-antigen binding site. We were granted a similar patent in Japan.

Also in June, *Clinical Cancer Research*, a journal of the American Association for Cancer Research, published a paper analyzing the mode of action of *bexmarilimab,* both *in vitro* and in patients from Part I of the MATINS study. Authored by Dr. Maija Hollmén and colleagues at the University of Turku, Finland – part of Faron's scientific network – and supported by investigators from the MATINS study, the paper explores the systemic immune signatures induced by *bexmarilimab* in advanced cancer patients with solid tumors and provides a mechanistic understanding of how a macrophage-targeted approach can promote robust activation of T cells.

The remainder of 2021 will be a critical time for *bexmarilimab's* development program as we move towards the pivotal expansion stage (Part III) of the MATINS study and the presentation of additional data at the European Society for Medical Oncology (ESMO) Congress, which will take place September 16 - 21, 2021. Following confirmation of the cancer cohorts that we intend to take into Part III, along with recommendations on dosage and dose frequency, we intend to meet with the FDA ahead of patient recruitment, which is expected to begin in H1 2022. Clinical expansion of the program will also commence in H2 2021 investigating *bexmarilimab's* potential in additional clinical settings – in combination with standard of care (SOC) as a first-line therapy in selected advanced solid tumors, as a standalone neoadjuvant therapy for patients with early-stage colorectal cancer and renal cell carcinoma, and as a potential treatment for patients with hematological malignancies.

Traumakine – Lung protection and anti-COVID-19 in one treatment under development
Faron continues to explore the potential of Traumakine, our investigational intravenous (IV) interferon (IFN) beta-1a therapy, as a treatment for acute respiratory distress syndrome (ARDS), acute kidney injury, cardiac protection, prevention of solid organ transplant failure and ischemia reperfusion injury. We believe intravenous IFN beta-1a has the potential to become a powerful treatment option for patients who are at risk of developing ARDS because of a viral infection, such as COVID-19.

Despite the progress that has been made with COVID vaccinations, there remains a critical need to identify effective treatment options for hospitalized COVID-19 patients. For over a decade, Faron has been engaged in research to identify new treatments for patients who are at risk of developing acute respiratory distress syndrome because of a viral infection. We are proud to add the weight of our experience to the ongoing global response to COVID-19 and feel strongly that Traumakine could play a significant role in the treatment of hospitalized COVID-19 patients.

One of the body's main first lines of defense against viral infection is endogenous IFN-beta production, but recent findings have shown that seriously ill COVID-19 patients have compromised interferon responses. We believe Traumakine treatment can further strengthen the body's natural defenses. Specifically, the intravenous dosing of Faron's IFN beta-1a provides the lung vasculature with optimal exposure to IFN, which we believe is a critical aspect of Traumakine's potential to increase protection against serious lung complications.

In August, the Phase II/III HIBISCUS trial assessing Traumakine as a first-line treatment for hospitalized COVID-19 patients began in the US. The study is being conducted in approximately 10-15 study sites across the US and will enroll 140 patients who require low flow oxygen support, but not mechanical ventilation. The safety and efficacy of Traumakine will be compared to corticosteroid treatment with dexamethasone. Subject to data from HIBISCUS supporting Traumakine's profile, we will work alongside regulatory authorities and other parties to identify the best path to ensure its future availability to patients.

As part of the HIBISCUS trial's protocol, concomitant corticosteroid treatment is not possible but will be enabled in a sequenced manner following treatment with Traumakine. This approach reflects feedback from the FDA, together with learnings from the earlier development of Traumakine, that further studies with our IV IFN beta-1a should exclude the use of concomitant corticosteroids since they are likely to block its desired therapeutic effect. Faron believes the sequential use of Traumakine followed by corticosteroids could be the optimal approach to provide the best patient benefit from both therapies. In light of this, Faron applied for new patent protection relating to Traumakine's induction of CD73 – the cell surface protein – for organ protection, followed by the use of corticosteroids for the treatment of systemic inflammation.

Financially, we have seen strong support for this program. In January 2021, 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. Faron has an existing working relationship with the DoD's designated military unit, the 59th Medical Wing of the US Air Force, and the US 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. The support for HIBISCUS from the DoD is further validation of the promise this potential therapy holds for severe COVID-19 patients.

Financial review

In February 2021, Faron raised EUR 15.0 million gross (EUR 14.4 million net) from new and existing shareholders through an issuance of 3,521,127 new ordinary shares. Several new high-quality Continental European institutional investors participated in the share placing, expanding our investor base, along with existing investors. The European Investment Council (EIC) Fund, a breakthrough initiative from the European Commission, was the largest of the new investors. Faron is the first publicly-listed company that the EIC Fund has invested in. 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 loss from operations for the six months ended 30 June 2021 was EUR 10.4 million (six months ended 30 June 2020: loss of EUR 7.1 million). No revenue was generated during the period or prior revenue. Research and development expenditure increased by EUR 3.5 million to EUR 9.0 million (2020: EUR 5.5 million). Administrative expenses increased by EUR 0.3 million to EUR 2.6 million (2020: EUR 2.4million).

The loss after tax for the period was EUR 10.6 million (2020: loss of EUR 7.3 million) and the basic loss per share was EUR 0.21 (2020: loss per share of EUR 0.16).

Statement of financial position and cash flows

As of June 30, 2021 net assets amounted to EUR 2.8 million (June 30, 2020: EUR 7.3 million). The net cash flow for the first six months in 2021 was EUR 2.9 million (2020: EUR 4.4 million). As of June 30, 2021 total cash and cash equivalents held were EUR 7.0 million (2020: EUR 11.6 million).

Corporate

Faron's Annual General Meeting (AGM) was held on April 23, 2021. The AGM approved all the proposals of the Board of Directors and its committees set out in the notice of the AGM published March 25, 2021. The number of members of the Board was confirmed as seven. Frank Armstrong, Markku Jalkanen, Matti Manner, Leopoldo Zambeletti, Gregory Brown and John Poulos were re-elected to the Board and Anne Whitaker was elected as a new member to the Board for a term that ends at the end of the next AGM. Additionally, Faron announced on March 29, 2021 that Peel Hunt LLP had been appointed as their sole Broker.

In June, 2021 Faron opened both a new office in Cambridge, MA and employed our first US-based employee. We expect our presence in the US to grow in the second half of 2021 or early 2022 as we add additional resources to support the acceleration of the *bexmarilimab* development program.

Impact of COVID-19

During the pandemic our ability to secure funding and remote working operations to our portfolio companies is key to continued success. Even during exceptional circumstances, we were able to continue to operate our business almost normally and the development of our clinical trials 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 authorities to ensure the safety for its employees, study subjects and partners.

Legal proceedings

As previously announced, Faron has an ongoing arbitration against Rentschler Biopharma SE relating to an agreement concerning the Traumakine API manufacturing. The arbitration is funded by a third-party recovery services provider. The final arbitration decision is expected to be issued by the arbitration tribunal in autumn 2021.

Summary & outlook

Our focus for the remainder of 2021 is the acceleration of *bexmarilimab's* clinical development. Preparations for the pivotal expansion stage (Part III) of the MATINS study, including confirmation of dosage and dose frequency, are priorities for us, ahead of patient recruitment, which is expected to begin in H1 2022 following an advice meeting with the US Food & Drug Administration. In H2 2021 we also expect trials to commence investigating the potential of *bexmarilimab* in combination with standard of care (SOC) as a first-line therapy in selected advanced solid tumors, as a standalone neoadjuvant therapy in multiple indications and as a potential monotherapy in patients with hematological malignancies. Alongside this activity, we will continue patient recruitment in the HIBISCUS trial, investigating the potential of Traumakine in hospitalized COVID-19 patients. 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

€'000	**Unaudited 1-6/2021 6 months**	**Unaudited 1-6/2020 6 months**	**1-12/2020 12 months**
Revenue		0	0
Other operating income	1,210	743	2,122
Research and development expenses	(9,008)	(5,534)	(13,879)
General and administrative expenses	(2,626)	(2,354)	(4,897)
Operating loss	**(10,424)**	**(7,145)**	**(16,654)**
Financial expense	(191)	(230)	(389)
Financial income	61	31	107
Loss before tax	**(10,554)**	**(7,343)**	**(16,936)**

Tax expense	(6)	0	(10)
Loss for the period	**(10,560)**	**(7,343)**	**(16,946)**
Other comprehensive income			
Total comprehensive loss for the period	**(10,560)**	**(7,343)**	**(16,946)**
Loss per ordinary share			
Basic and diluted loss per share, EUR	(0.21)	(0.16)	(0.37)

Consolidated Balance Sheet, IFRS *€'000*	Unaudited 30 June 2021	Unaudited 30 June 2020	31 December 2020
Assets			
Non-current assets			
Machinery and equipment	19	13	14
Right-of-use-assets	273	456	361
Intangible assets	920	560	565
Prepayments and other receivables	53	80	56
Total non-current assets	**1,265**	**1,109**	**996**
Current assets			
Prepayments and other receivables	3,634	1,607	3,263
Cash and cash equivalents	6,967	11,627	4,108
Total current assets	**10,600**	**13,234**	**7,371**
Total assets	**11,865**	**14,343**	**8,367**
Equity and liabilities			
Capital and reserves attributable to the equity holders of the Company			
Share capital	2,691	2,691	2,691
Reserve for invested unrestricted equity	106,396	91,960	92,015
Accumulated deficit	(106,274)	(87,339)	(96,557)
Translation difference	(1)	1	2
Total equity	**2,813**	**7,313**	**(1,849)**
Non-current liabilities			
Borrowings	3,231	2,303	2,728
Lease liabilities	109	288	199
Other liabilities	**146**	0	786
Total non-current liabilities	**3,486**	**2,591**	**3,713**
Current liabilities			
Borrowings	0	0	122
Lease liabilities	178	181	176
Trade payables	4,555	2,729	4,608
Other current liabilities	832	1,529	1,597
Total current liabilities	**5,565**	**4,439**	**6,503**
Total liabilities	**9,052**	**7,030**	**10,216**
Total equity and liabilities	**11,865**	**14,343**	**8,367**

Consolidated Statement of Changes in Equity, IFRS

€'000	Share capital	Reserve for invested unrestricted equity	Translation difference	Accumulated deficit	Total equity
Balance as at 1 January 2020	**2,691**	**78,916**		**(79,997)**	**1,610**
Comprehensive loss for the first six months 2020	-	-	1	(7,343)	(7,342)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 952 thousand	-	13,044		-	13,044
Share-based compensation	-	-		-	-
	-	**13,044**		**-**	**13,044**
Balance as at 30 June 2020	**2,691**	**91,960**	**1**	**(87,339)**	**7,313**
Comprehensive loss for the last six months 2020	-	-	1	(9,603)	(9,602)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 52 thousand	-	54		-	54
Share-based compensation	-	-		386	386
	-	**54**		**386**	**440**
Balance as at 31 December 2020	**2,691**	**92,015**	**2**	**(96,557)**	**(1,849)**
Comprehensive loss for the first six months 2021	-	-	(1)	(10,560)	(10,561)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs EUR 662 thousand	-	14,381	-	-	14,381
Share-based compensation	-	-	-	843	843
		14,381		**843**	**15,224**
Balance as at 30 June 2021	**2,691**	**106,396**	**(1)**	**(106,274)**	**2,813**

Consolidated Cash Flow Statement, IFRS

€'000	**Unaudited 1-6/2021 6 months**	**Unaudited 1-6/2020 6 months**	**1-12/2020 12 months**
Cash flow from operating activities			
Loss before tax	(10,554)	(7,343)	(16,936)
Adjustments for:			
Received grant	(642)	0	(587)
Depreciation and amortisation	142	130	283
Interest expense	88	93	149
Tax expense	10	0	10
Unrealised foreign exchange loss (gain), net	(27)	(125)	117
Share-based compensation	843	0	386
Adjusted loss from operations before changes in working capital	(10,141)	(7,245)	(16,578)
Change in net working capital:			
Prepayments and other receivables	(660)	534	(1,097)
Trade payables	(21)	(237)	1,641
Other liabilities	(337)	(1,333)	(1,416)
Cash used in operations	(11,158)	(8,281)	(17,450)
Taxes paid	(15)	0	(1)
Interest paid	(30)	(29)	(28)
Net cash used in operating activities	**(11,204)**	**(8,310)**	**(17,479)**
Cash flow from investing activities			
Payments for intangible assets	(385)	(77)	(137)
Payments for equipment	(7)	(2)	(5)
Net cash used in investing activities	**(392)**	**(79)**	**(142)**
Cash flow from financing activities			
Proceeds from issue of shares	15,044	13,997	14,103
Share issue transaction cost	(662)	(952)	(1,004)
Proceeds from borrowings	264	0	630
Repayment of borrowings	(122)	(122)	(122)
Proceed from grants	0	0	1,375
Payment of lease liabilities	(96)	(91)	(195)
Net cash from financing activities	**14,427**	**12,832**	**14,787**
Net increase (+) / decrease (-) in cash and cash equivalents	2,831	4,443	(2,834)
Effect of exchange rate changes on cash and cash equivalents	27	125	(117)
Cash and cash equivalents at 1 January	4,108	7,059	7,059
Cash and cash equivalents at the end of period	6,967	11,627	4,108

Notes to the financial statements

1. Corporate information

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

The Company has been listed on the London Stock Exchange's AIM market since 17 November 2015, with a ticker FARN, 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 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 (IFRS IC). The financial statements have been prepared on a historical cost basis, unless otherwise stated.

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

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

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

2.2. Going concern

The Company has forecasted its estimated cash requirements over the next twelve months. In order to make these forecasts the Company has made a number of assumptions regarding the quantity and timing of future expenditure and income as well as other key factors. Though these estimates have been made with caution and care, they continue to contain a significant amount of uncertainty. Based on the forecast the Company believes that it has adequate financial resources to continue its operations into Q4 2021 and therefore these unaudited financial statements have been prepared on a going concern basis. In its meeting on 25 August 2021 the Board of Directors of the Company approved the publishing of these interim financial statements.

The Company has taken several acts to secure further financing during the rest of the year 2021. The Directors believe that the Company can gain access to further resources to sustain operations over the next 12 months. At this stage the Company 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 Company’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.