

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

**Interim Results for the six months ended 30 June 2017**

- *INTEREST Phase III Traumakine® trial patient recruitment to complete in Q4 2017 and FDA advice received regarding advancement to BLA*
- *Traumakine clinical development broadened to include organ protection opportunities*
- *Clevegen® advancing towards clinic*

**TURKU – FINLAND, 6 September 2017** – Faron Pharmaceuticals Ltd ("Faron") (LON: FARN), the clinical stage biopharmaceutical company, today announces its unaudited Interim Results for the six months ended 30 June 2017 (the "Period").

## HIGHLIGHTS

### Operational (including post period-end)

- ***Pipeline progress with portfolio of products focused on acute organ traumas, vascular damage and cancer immunotherapy***
- ***Traumakine - lead product in late Phase III with opportunity to become world's only approved ARDS treatment***
  - Pivotal, pan-European, Phase III INTEREST trial with Faron's lead product Traumakine for the treatment of Acute Respiratory Distress Syndrome ("ARDS") continues as planned and is expected to complete recruitment of the targeted 300 patients during the fourth quarter of 2017.
  - Faron announced plans to initiate a program for compassionate use of Traumakine treatment once the trial is closed to new patients.
  - FDA proposal to proceed directly to BLA submission for Traumakine® upon completion of European and Japanese Phase III studies following successful discussions with the Agency as announced 4 September 2017.
  - Collaboration was initiated with INC Research/inVentiv Health – a global biopharmaceutical solutions organization with end-to-end clinical development and commercialization capabilities – to develop the pre-launch commercialization strategy for Traumakine.
  - Japanese partner Maruishi continues to progress their pivotal Phase III ARDS trial in Japan and has received two IDMC recommendations to continue the trial as planned. Maruishi anticipates completion of recruitment in this 120 patient study during H1 2018.
  - Formulation patent granted in Finland and filed in the US and PCT for Faron's IV dose form of interferon-beta.
  - First patient enrolled in February in the Phase II INFORAAA clinical trial of Traumakine for the treatment of Multi-Organ Failure (MOF) and mortality prevention of surgically operated Ruptured Abdominal Aorta Aneurysm (RAAA).
  - INFORAAA program open at five sites in Finland with three to four more planned in Estonia and Lithuania in the near future; filing in progress to open three to four sites in the UK.
- ***Clevegen - wholly-owned novel cancer immunotherapy in development***

- Preclinical toxicity studies commenced as planned following successful production of technical batches of Clevegen by manufacturing partner Abzena.
- Agreement signed with the University of Birmingham Medical School, UK, to initiate a liver cancer clinical trial program, focused on the protocol design for a Phase I/II trial.
- Initiated protocol design to treat melanoma, pancreas and ovarian cancer with Clevegen and to be submitted to the Finnish regulatory authority, FIMEA, later this year.

### Financial

- Raised approximately £5.0 million before expenses through a placing of 1,422,340 Ordinary Shares at an issue price of 350 pence per share in March 2017.
- Cash balances of €10.3 million (2016: €8.9 million) at 30 June 2017 aided by prudent cost control.
- Operating loss of €7.2 million (2016: €3.0 million) for the six months ended 30 June 2017.
- Net assets of €9.5 million (2016: €7.7 million) on 30 June 2017.

### Corporate

- Dr Juho Jalkanen was appointed as Vice President of Business Development in April and stepped down from the Board in May.
- Two new Board members, Dr Gregory Brown and Mr John Poulos, with significant global networks, were appointed as Non-Executive Directors in May.

**Commenting on the results, Dr Markku Jalkanen, CEO of Faron, said:** *“Our aim is to build Faron into a global business dedicated to addressing areas of significant unmet need, utilising the opportunities contained within our wholly owned pipeline of novel drug candidates. The Traumakine Phase III INTEREST study for ARDS completed two further independent safety reviews and is approaching completion of recruitment in Q4 2017. We are looking forward to the data readout, which if favourable, will pave the way for our first commercial launch of Traumakine. We were further encouraged by the FDA’s recent proposal to allow Traumakine to proceed directly to BLA submission upon completion of the European and Japanese trials and which will likely result in a faster and cheaper route to market in the US in the event of positive data.*”

*“Beyond ARDS, we believe that Traumakine has excellent potential for application in other areas of organ protection. Impairment of endothelial barrier can be a reason for many organ dysfunctions. We are currently exploring its efficacy in addressing Multi-Organ Failure and mortality in patients with surgically operated Ruptured Abdominal Aorta Aneurysm (RAAA) through a Phase II trial.*”

*“We are also pleased to have made substantial progress with our novel cancer immunotherapy candidate Clevegen, which works to remove immune suppression around tumours caused by tumour associated type-2 macrophages (TAM). Following the development of our new TIET platform and the commencement of preclinical toxicity studies we are now preparing to embark upon an extensive clinical program to investigate this promising candidate. In addition to its potential application in oncology, we are excited by Clevegen’s potential application in a broader range of indications including chronic infections and vaccination enhancement.”*

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**About Faron Pharmaceuticals Ltd**

Faron (AIM:FARN) is a clinical stage biopharmaceutical company developing novel treatments for medical conditions with significant unmet needs. The Company currently has a pipeline focusing on acute organ traumas, vascular damage and cancer immunotherapy. The Company's lead candidate Traumakine, to prevent vascular leakage and organ failures, is currently the only treatment for Acute Respiratory Distress Syndrome (ARDS) undergoing Phase III clinical trials. There is currently no approved pharmaceutical treatment for ARDS. An additional European Phase II Traumakine trial is underway for the Rupture of Abdominal Aorta Aneurysm ("RAAA"). Faron's second candidate Clevegen is a ground breaking pre-clinical anti-Clever-1 antibody. Clevegen has the ability to switch immune suppression to immune activation in various conditions, with potential across oncology, infectious disease and vaccine development. This novel macrophage-directed immuno-oncology switch called Tumour Immunity Enabling Technology ("TIET") may be used alone or in combination with other immune checkpoint molecules for the treatment of cancer patients. Faron is based in Turku, Finland. Further information is available at [www.faron.com](http://www.faron.com)

## **Chairman's and Chief Executive Officer's Review**

### **Introduction**

We are pleased to report on the progress of Faron Pharmaceuticals during the six months ended 30 June 2017, a period which has seen the Company make significant progress in the development of its most advanced drug candidates Traumakine and Clevegen. We believe that the Company is now well placed to move into its next stage of development as a commercial entity as we anticipate the outcome of data from the INTEREST trial. As such, during the period we established a collaboration with a biopharmaceutical solutions organization to prepare a commercialization strategy for Traumakine for execution in the event of a positive INTEREST trial outcome. In addition, we believe that in time Faron could become the world's leading company around organ protection in cardiovascular surgery, transplantation, and other ischemic-reperfusion injuries of vital central organs.

### **Traumakine – progressing towards completion of Phase III recruitment in Q4 2017**

Faron's lead candidate Traumakine continues to progress through the clinic and we anticipate that INTEREST, the pivotal, pan-European, Phase III trial for the treatment of Acute Respiratory Distress Syndrome ("ARDS") will complete recruitment of the targeted 300 patients during the fourth quarter of 2017. In August, Faron announced plans to initiate an early access program for compassionate use of Traumakine once the trial is closed to new patients following the fifth meeting of the trial's Independent Data Monitoring Committee (IDMC) which recommended continuation of the study as planned. The early access programme will allow compassionate use of Traumakine in eligible named patients at European ICU hospitals, who may benefit from Traumakine treatment ahead of the product's potential regulatory approval.

Following successful pre-IND discussions, we are pleased to report that the FDA has proposed that Faron can proceed directly to Biologics License Application (BLA) submission pending positive results from the two ongoing Phase III trials in Europe and Japan. In the letter received on 1 September 2017, the FDA proposed that, subject to the FDA being satisfied with data from the trials, the BLA application for Traumakine can be filed purely with data obtained from the ongoing trials outside of the US. In the event of positive outcomes of the ongoing trials this FDA feedback is therefore expected to shorten the time for approval of Traumakine in US.

Faron has decided to discuss this new important feedback with its US experts, who have been involved in planning the development of Traumakine in the US. Based on the outcome of these discussions the Company will refine its strategy to build its US presence based on the recent FDA feedback.

In preparation, we are in the process of recruiting a clinical/regulatory head for our Boston office to coordinate US Traumakine development. The US will be a key market for Faron, as demonstrated by the FDA's Office of Orphan Products Development (OOPD), which has estimated that US annual diagnoses for ALI/ARDS totals 300,000 cases, based on information in the national inpatient sample (NIS) and national hospital discharge survey (NHDS) databases. This is a larger market than previously estimated, which makes Traumakine ineligible for Orphan Drug Designation in the US.

Our partner Maruishi continues to progress its pivotal Phase III trial in Japan and two IDMC recommendations to continue the trial as planned have been received. Maruishi expects to complete recruitment in the first half

of 2018. The Company believes that in Korea and Greater China, where commercial partnerships have already been established, further clinical studies may not be needed to secure approval in the event of a positive outcome from the INTEREST trial.

While the Company's primary focus is on gaining approval for Traumakine in the treatment of ARDS, we also believe that the product has the potential for application in additional disease areas. In February, the first patient was enrolled in the Phase II INFORAAA clinical trial of Traumakine, for the treatment of Multi-Organ Failure (MOF) and mortality prevention of surgically operated Ruptured Abdominal Aorta Aneurysm (RAAA).

Ruptured Abdominal Aortic Aneurysm (RAAA) is a surgical emergency with an overall mortality of 70 to 80% and requires immediate surgery and aortic repair. The main cause of death for these patients is multiple organ failure following a post-operative reperfusion injury of ischemic organs including kidneys, liver, brain and intestines. We believe that Traumakine has the potential to offer significantly improved outcomes for patients following surgery for RAAA. Furthermore, there is the possibility that a positive INFORAAA outcome could be supported by data from the INTEREST trial towards regulatory filings. We also believe that the clinical data from the INFORAAA trial could also provide us with valuable information on the recovery of ischemic single organ injuries and are planning further trials to treat these injuries. The INFORAAA program now has six sites open in Finland with three to four more expected to open in Estonia and Lithuania in the near future. Applications to open three to four sites in the UK are also in progress.

### **Clevegen – novel cancer immunotherapy approaching start of first Phase I/II trials**

Faron's second product, its pre-clinical immunotherapy candidate, Clevegen, causes conversion of the immune environment around a tumour from immune suppressive to immune stimulating by reducing the number and function of tumour-associated macrophages (TAMs). Recent developments in the exciting field of cancer immunotherapy have been well documented with a number of important indications of clinical success. We believe that Clevegen is differentiated from other immunotherapies through its specific targeting of M2 TAMs which facilitate tumour growth, while leaving intact the M1 TAMs that support immune activation against tumours.

Preclinical toxicity studies of Clevegen have commenced as planned, following successful production of technical batches by our manufacturing partner Abzena. In April the Company signed an agreement with the University of Birmingham Medical School, UK, to initiate a liver cancer clinical trial program, focused on the protocol design for a Phase I/II trial, TIETALC, (Tumour Immunity Enabling Technology Against Liver Cancer). We expect to receive regulatory feedback for the Phase I/II liver cancer protocol from the UK regulatory authority (MHRA) during the second half of 2017. In addition, feedback on the protocol for other solid tumours (melanoma, ovarian and pancreas cancers) from the Finnish regulatory authority (FIMEA) is also expected during the second half of 2017.

Faron also continues a close collaboration with the MediCity unit of Turku University Medical School, where Faron has sponsored a set of Clevegen related preclinical experiments. Data reported at the international Juselius Symposium (June 2017, Helsinki, Finland) demonstrated how genetic depletion of macrophage Clever-1 resulted in tumour growth resistance and prevented the spread of Lewis lung cancer in preclinical models. Furthermore, signs of strong immune activation were observed, as evidenced by CD8 positive T-cells at the tumour site, in line with the expected effect of Clevegen.

### **Financial Review**

During the period, Faron continued to maintain its focused and cost-conscious financial strategy, without compromising the intensity of the development work. The Company raised approximately £5.0 million before expenses through the Placing of 1,422,340 Ordinary Shares at a premium to the Company's share price, which indicates the level of confidence our investors, both new and established, have in our products, our strategy and the ability of our management team to deliver. The R&D expenses increased significantly but less than anticipated resulting to an operating loss of €7.2 million. The loss combined with the placing during the period, resulted in a fairly modest cash outflow. Thus the cash balances at the end of the period stood at €10.3 million and were stronger than anticipated. No operating income from the EU FP7 grant was recorded during the period as the report for the period ended in May 2017 has not yet been approved by EU. After the EU FP7 grant has been fully utilised, the Company will continue its proven active and successful strategy to utilise various forms of public funding – both grants and loans.

### **Summary & Outlook**

Faron is on track to complete recruitment in the pivotal Phase III INTEREST trial in the fourth quarter of 2017. If the data are favourable this will represent a significant milestone for the Company and will pave the way for the launch of our first commercial product Traumakine, for the treatment ARDS, an area of genuine unmet medical need with poor patient prognosis. We are preparing for potential commercialisation in Europe and plan to make Traumakine available to patients on a compassionate use basis ahead of potential approval. We continue to explore additional opportunities for Traumakine to protect organs beyond the lung in order to maximise the opportunity for our lead asset. We also look forward to making significant progress with our exciting immuno-oncology candidate, Clevegen, now in primate toxicological studies. The Board is confident that both Traumakine and Clevegen position Faron well for the future and looks forward to the coming period with great confidence.

### **Caution regarding forward looking statements**

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "expect", "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 outcome of clinical trials (including, but not limited to the Company's INTEREST trial) 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 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, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Statement of comprehensive income (Stated in 1,000 euros)	Note	Unaudited six months ended 30 Jun 2017	Unaudited six months ended 30 Jun 2016 <sup>(1)</sup>	Year ended 31 Dec 2016
Revenue	2	7 419	419	1 153
Cost of sales		-	-	-
Gross profit		7 419	419	1 153
Other operating income	3, 4	103	968	1 742
Administrative expenses		(1 320)	(974)	(2 161)
Research and development expenses		(5 709)	(3 795)	(9 592)
Operating result		(6 919)	(3 382)	(8 858)
Financial income		6	0	
Financial expenses		(299)	(305)	(361)
Net financial costs		(293)	(305)	(361)
Loss before income taxes		(7 212)	(3 686)	(9 219)
Income tax expense		(1)	-	(75)
<b>Total comprehensive income for the period</b>		<b>(7 213)</b>	<b>(3 686)</b>	<b>(9 294)</b>
<b>Total comprehensive income, attributable to:</b>				
Equity holders of the Company		(7 213)	(3 686)	(9 294)
<b>Loss per share attributable to equity holders of the Company</b>				
Basic and diluted loss per share, euro	5	(0,26)	(0,16)	(0,39)

Balance sheet (Stated in 1,000 euros)	Note	Unaudited	Unaudited	
		30 Jun 2017	30 Jun 2016 <sup>(1)</sup>	31 Dec 2016
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		18	24	21
Intangible assets		897	926	933
		<b>915</b>	<b>950</b>	<b>954</b>
<b>Current assets</b>				
Inventories		1503	1 021	1 451
Trade and other receivables		3 333	3 161	3 404
Cash and cash equivalents		10 333	8 862	11 478
		<b>15 169</b>	<b>13 044</b>	<b>16 333</b>
<b>Total assets</b>		<b>16 084</b>	<b>13 994</b>	<b>17 287</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital		2 691	2 691	2 691
Reserve for invested non-restricted equity		39 815	25 244	34 006
Retained earnings		(33 027)	(20 206)	(25 814)
<b>Total equity</b>		<b>9 480</b>	<b>7 729</b>	<b>10 884</b>
<b>Non-current liabilities</b>				
Interest-bearing financial liabilities	4	2 434	2 057	2 033
		<b>2 434</b>	<b>2 057</b>	<b>2 033</b>
<b>Current liabilities</b>				
Interest-bearing financial liabilities		65	93	93
Non-interest-bearing financial liabilities		2 011	1 009	1 874
Other current liabilities		2 094	3 105	2 403
		<b>4 170</b>	<b>4 207</b>	<b>4 371</b>
<b>Total liabilities</b>		<b>6 604</b>	<b>6 265</b>	<b>6 404</b>
<b>Total equity and liabilities</b>		<b>16 084</b>	<b>13 994</b>	<b>17 287</b>

<sup>(1)</sup> Restated to reflect that €0.75m of revenue (relating to the signing fee paid by PharmBio) was reclassified from revenue to a current liability in the balance sheet in the year ended 31 December 2016. Accordingly, to provide comparability with the prior period, the same reclassification has been applied for the 6 months ended 30 June 2016 above. The impact of this on associated taxes has also been restated.

Statement of changes in equity (Stated in 1,000 euros)	Share capital	Reserve for invested non- restricted equity	Retained earnings	Total equity
<b>Balance at 31 December 2015</b>	<b>2 691</b>	<b>24 533</b>	<b>(16 046)</b>	<b>11 178</b>
Total comprehensive income for the first six months 2016			(2 580)	(2 580)
Transactions with equity holders of the Company				-
Share base payment			237	237
Increase of share capital		-	-	-
Transaction costs on share capital issued				-
Conversion of convertible notes			-	-
	-	-	(2 342)	(2 342)
<b>Balance at 30 June 2016</b>	<b>2 691</b>	<b>24 533</b>	<b>(18 389)</b>	<b>8 836</b>
Total comprehensive income for the last six months 2016			(6 714)	(6 714)
Transactions with equity holders of the Company				-
Share base payment			243	243
Increase of share capital		9 330	-	9 330
Transaction costs on share capital issued		(811)		(811)
Conversion of convertible notes			-	-
	-	8 519	(6 471)	2 048
<b>Balance at 31 December 2016</b>	<b>2 691</b>	<b>33 052</b>	<b>(24 860)</b>	<b>10 884</b>
Total comprehensive income for the first six months 2017			(7 213)	(7 213)
Transactions with equity holders of the Company				-

Share base payment				-
Increase of share capital		6 197	-	6 197
Transaction costs on share capital issued		(388)		(388)
Conversion of convertible notes			-	-
<b>Balance at 30 June 2017</b>	-	5 809	(7 213)	(1 404)
	<b>2 691</b>	<b>38 861</b>	<b>(32 073)</b>	<b>9 480</b>

### Statements of cash flows

(Stated in 1,000 euros)

	Unaudited 1 Jan - 30 Jun 2017	Unaudited 1 Jan - 30 Jun 2016	1 Jan - 31 Dec 2016
<b>Cash flow from operating activities</b>			
Loss(-) / profit(+) attributable to equity holders of the Company	(7 213)	(3 686)	(9 294)
Adjustments for			
Depreciation and amortization	80	79	168
Financial items	293	305	361
Income taxes	1	-	75
Expensed R&D	-	-	-
Non-cash items (options granted)	-	237	480
Change in net working capital:			
Trade and other receivables	71	(1 086)	(1 330)
Inventories	(52)	(728)	(802)
	(173)	2 162	2 325
Interest and other financial costs paid	(299)	(305)	(361)
Interest and other financial income received	6	0	0
Income taxes paid	(1)	-	(75)
<b>Net cash used in / from operating activities (A)</b>	<b>(7 287)</b>	<b>(2 666)</b>	<b>(8 452)</b>
<b>Cash flow from investment activities</b>			
Investments in machinery and equipment and intangible assets	(41)	-	(92)
<b>Net cash from/used in investing activities (B)</b>	<b>(41)</b>	<b>-</b>	<b>(92)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital issue, net	5 809	-	8 519
Proceeds from issue of convertible notes	-	-	-
Proceeds from current borrowings	-	-	(151)
Proceeds from non-current borrowings	401	611	587
Repayment of current borrowings	(28)	(151)	-
<b>Net cash used in financing activities (C)</b>	<b>6 182</b>	<b>460</b>	<b>8 955</b>

<b>Net increase(+) / decrease (-) in cash and cash equivalents (A+B+C)</b>	<b>(1 145)</b>	<b>(2 206)</b>	<b>410</b>
Cash and cash equivalents at 1 January	11 478	11 068	11 068
<b>Cash and cash equivalents at end of period</b>	<b>10 333</b>	<b>8 862</b>	<b>11 478</b>

## **Note 1 Basis of Preparation**

### Corporate information

Faron Pharmaceuticals Ltd. (hereafter "Faron" or "Company") is a Finnish private limited liability company organized under the laws of Finland and domiciled in Turku, Finland. The Company's registered address is Joukahaisenkatu 6 B, 20520 Turku, Finland. Faron Pharmaceuticals Ltd. is a clinical stage drug discovery and development company. Currently Faron has three major drug development projects focusing on: acute trauma, inflammatory diseases; and cancer growth and spread.

### Basis of accounting

The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (and as published by the International Accounting Standards Board (IASB) and in force as at 30 June 2017. In the EU IFRS are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. These policies are consistent with those used in the financial statements for the year ended 31 December 2016 and with those that the Company expects to apply in its financial statements for the year ending 31 December 2017.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 "Interim Financial Reporting". Additionally though the interim financial statements have been prepared in accordance with IFRS, they are not in full compliance with IFRS.

### Going Concern

The Company has prepared forecasts to estimate the Company's 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 for the foreseeable future (at least twelve months from the date of this report) and therefore these interim financial statements have been prepared on a going concern basis.

In its meeting on 5 September 2017 the Board of Directors of Faron Pharmaceuticals Ltd. approved the publishing of interim financial statements.

## **Note 2 Revenue**

The revenue for the first six months in 2017 EUR 7,463 euro. This consisted of payment of INF-beta production.

## **Note 3 Other operating income**

Other operating income of EUR 103 097 consists of the grant component of government subsidized loan. In accordance with IFRS 39 below-market level government loans must be divided into Fair-value -component and Grant component. Thus, the Tekes -loan drawn down during 2016 and 2017 have been decomposed and the grant component is recorded in Other operating income.

## **Note 4 Tekes loans**

During H1 2017 Faron drew down a fourth instalment of EUR 452,908 of the Tekes loan for the Clevegen development work, bringing the total amount of the third Tekes loan to EUR 1,228,080 and the total amount of all Tekes loans drawn down to EUR 2,890,660. The third loan has also a maturity of 10 years from the first instalment, of which the first five years are free of repayment. The interest rate for all Tekes loans is currently one per cent. Loans are unsecured and if the projects fall short of their goals and results cannot be commercialised, part of the loans may be converted into a grant.

<b>Note 5 Loss per share</b>	<b>H1 2017</b>	<b>H1 2016</b>	<b>2016</b>
	€ '000	€ '000	€ '000
<u>Basic</u>			
Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.			
Loss attributable to equity holders of the Company (EUR 1,000)	(7 213)	(3 686)	(9 294)
Weighted average number of ordinary shares in issue	27 290 736	23 111 704	23 979 650
Basic (and dilutive) loss per share, EUR	(0,26)	(0,16)	(0,39)
Issued ordinary shares at 1 January	23 111 704	23 111 704	23 111 704
Effect of shares issued	4 179 032	-	867 946
Weighted-average number of ordinary shares at end of period	27 290 736	23 111 704	23 979 650
<u>Diluted</u>			
Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.			
Loss attributable to equity holders of the Company (EUR 1,000)	(7 213)	(3 686)	(9 294)
Interest adjustment		-	
Diluted weighted average number of ordinary shares in issue	27 593 783	23 164 610	23 979 650
Basic loss per share, EUR	(0,26)	(0,16)	(0,39)
Weighted-average number of ordinary shares			
Issued ordinary shares at 1 January	23 111 704	23 111 704	23 111 704
Effect of shares issued	4 179 032	0	867 946
Weighted-average number of ordinary shares at end of period	27 290 736	23 111 704	23 979 650
Dilution effect of convertible loans			-
Dilution effect of outstanding options	303 047	52 906	-
Diluted weighted-average number of ord. shares at end of period	27 593 783	23 164 610	23 979 650

## FURTHER INFORMATION TO SHAREHOLDERS

AIM: FARN

Company number: (ISIN) FI4000153309

Investor website: <http://www.faron.com/investor-relations>

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Directors:

- Frank Armstrong (Non-Executive Chairman)
- Matti Manner (Non-Executive Vice-Chairman)
- Gregory B. Brown (Non-Executive Director)
- Markku Jalkanen (CEO)
- Jonathan Knowles (Non-Executive Director)
- Huaizheng Peng (Non-Executive Director)
- John Poulos (Non-Executive Director)
- Leopoldo Zambelletti (Non-Executive Director)
- Yrjö Wichmann (CFO)