

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private
Issuer Pursuant to Rule
13a-16 or 15d-16 of the
Securities Exchange Act
of 1934

August 5, 2021

Commission File
Number: 001-38283

InflaRx N.V.

Winzerlaer Str. 2
07745 Jena,
Germany
(+49) 3641508180
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

INCORPORATION BY REFERENCE

Exhibits 99.1 and 99.2 to this Report on Form 6-K shall be deemed to be incorporated by reference into (i) the registration statements on Form S-8 (Registration Numbers 333-221656 and 333-240185) and (ii) the registration statement on Form F-3 (Registration Number 333-239759) of InflaRx N.V. and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit 99.3 to this Report on Form 6-K shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jena, Germany, August 5, 2021.

INFLARX N.V.

By: /s/ Niels Riedemann

Name: Niels Riedemann

Title: Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description of Exhibit</u>
<u>99.1</u>	InflaRx N.V. Unaudited Condensed Consolidated Financial Statements as of and for the Three and Six Months Ended June 30, 2021
<u>99.2</u>	InflaRx N.V. Management's Discussion and Analysis of Financial Condition and Results of Operations
<u>99.3</u>	InflaRx N.V. Press Release dated August 5, 2021

INFLARX N.V.

UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS – JUNE 30, 2021

These unaudited condensed financial statements are consolidated financial statements for the group consisting of InflaRx N.V. and its wholly-owned subsidiaries InflaRx GmbH, Jena, Germany, and InflaRx Pharmaceutical Inc., Ann Arbor, Michigan, United States (together, the “Group”). The financial statements are presented in Euro (€).

InflaRx N.V. is a company limited by shares, incorporated and domiciled in Amsterdam, The Netherlands. Its registered office and principal place of business is in Germany, Jena, Winzerlaer Str. 2.

INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2021

Unaudited Condensed Consolidated Financial Statements

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2021 and 2020	3
Unaudited Condensed Consolidated Statements of Financial Position as of June 30, 2021 and December 31, 2020	4
Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2021 and 2020	5
Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020	6
Notes to the Unaudited Condensed Consolidated Financial Statements	7
1. Summary of significant accounting policies and other disclosures	7
(a) Reporting entity and Group's structure	7
(b) Basis of preparation	7
(c) New and amended standards adopted by the Group	7
(d) Significant events of the quarter and changes in circumstances	8
2. Net Financial Result	10
3. Other assets	11
4. Financial assets and financial liabilities	11
5. Cash and cash equivalents	12
6. Equity	12
7. Share-based payments	13
(e) Equity settled share-based payment arrangements	13
(f) Share options exercised	14
(g) Share-based payment expense recognized	14
8. Protective foundation	14
9. Contractual Obligations and Commitments	15
10. Subsequent Events	15

InflaRx N.V. and subsidiaries

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss
for the three and six months ended June 30, 2021 and 2020

(in €, except for share data)	Note	For the three months ended June 30,		For the six months ended June 30,	
		2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Operating Expenses					
Research and development expenses		(11,299,270)	(7,356,326)	(16,206,155)	(14,655,125)
General and administrative expenses		(2,697,839)	(2,326,895)	(5,720,177)	(4,891,698)
Total Operating Expenses		<u>(13,997,109)</u>	<u>(9,683,221)</u>	<u>(21,926,332)</u>	<u>(19,546,822)</u>
Other income		15,216	102,332	20,678	197,292
Other expenses		(279)	(3,450)	(844)	(9,170)
Operating Result		<u>(13,982,172)</u>	<u>(9,584,339)</u>	<u>(21,906,498)</u>	<u>(19,358,701)</u>
Finance income	2	35,622	348,321	58,584	749,756
Finance expenses	2	(3,050)	(3,111)	(6,734)	(5,258)
Foreign exchange result	2	(826,303)	(593,703)	905,367	547,974
Other financial result	2	(5,000)	(200,000)	43,000	(200,000)
Income Taxes		—	—	—	—
Loss for the Period		<u>(14,780,903)</u>	<u>(10,032,832)</u>	<u>(20,906,280)</u>	<u>(18,266,229)</u>
Share Information					
Weighted average number of shares outstanding		44,186,279	26,172,023	39,024,533	26,138,639
Loss per share (basic/diluted)		(0.33)	(0.38)	(0.54)	(0.70)
Loss for the Period		<u>(14,780,903)</u>	<u>(10,032,832)</u>	<u>(20,906,280)</u>	<u>(18,266,229)</u>
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign currency		(1,427,302)	(1,452,973)	2,077,397	260,895
Total Comprehensive Loss		<u>(16,208,205)</u>	<u>(11,485,805)</u>	<u>(18,828,883)</u>	<u>(18,005,334)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

InflaRx N.V. and subsidiaries
 Unaudited Condensed Consolidated Statements of Financial Position
 as of June 30, 2021 and December 31, 2020

(in €)	Note	June 30, 2021 (unaudited)	December 31, 2020
ASSETS			
Non-current assets			
Property and equipment		334,556	408,263
Right-of-use assets		1,592,801	546,694
Intangible assets		291,969	350,183
Other assets	3	342,899	353,522
Financial assets	4	272,390	272,268
Total non-current assets		<u>2,834,615</u>	<u>1,930,930</u>
Current assets			
Current other assets	3	4,140,348	3,734,700
Current tax assets		852,464	1,419,490
Financial assets	4	54,837,260	55,162,033
Cash and cash equivalents	5	72,360,428	25,968,681
Total current assets		<u>132,190,500</u>	<u>86,284,904</u>
TOTAL ASSETS		<u>135,025,116</u>	<u>88,215,834</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	6	5,302,354	3,387,410
Share premium	6	280,261,994	220,289,876
Other capital reserves		28,946,783	26,259,004
Accumulated deficit		(189,251,900)	(168,345,620)
Other components of equity		(1,649,393)	(3,726,791)
Total equity		<u>123,609,838</u>	<u>77,863,880</u>
Non-current liabilities			
Lease liabilities	4	1,244,785	220,525
Other liabilities		33,990	33,323
Total non-current liabilities		<u>1,278,775</u>	<u>253,847</u>
Current liabilities			
Trade and other payables	4	8,930,859	8,258,133
Lease liabilities	4	360,221	338,516
Employee benefits		720,441	1,368,731
Other liabilities		124,982	117,727
Provisions		—	15,000
Total current liabilities		<u>10,136,503</u>	<u>10,098,107</u>
Total Liabilities		<u>11,415,278</u>	<u>10,351,954</u>
TOTAL EQUITY AND LIABILITIES		<u>135,025,116</u>	<u>88,215,834</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

InflaRx N.V. and subsidiaries
 Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity
 for the six months ended June 30, 2021 and 2020

(in €, except for share data)	Note	Shares outstanding	Issued capital	Share premium	Other capital reserves	Accumulated deficit	Other compo- nents of equity	Total equity
Balance as of January 1, 2021		28,228,41	3,387,410	220,289,876	26,259,004	(168,345,620)	(3,726,790)	77,863,880
Loss for the period		—	—	—	—	(20,906,280)	—	(20,906,280)
Exchange differences on translation of foreign currency		—	—	—	—	—	2,077,397	2,077,397
Total comprehensive loss		—	—	—	—	(20,906,280)	2,077,397	(18,828,883)
Issuance of common shares and warrants	6	15,610,02	1,873,203	63,269,346	—	—	—	65,142,549
Transaction costs	6	—	—	(4,219,222)	—	—	—	(4,219,222)
Equity-settled share-based payments	7	—	—	—	2,687,779	—	—	2,687,779
Share options exercised	7	347,842	41,741	921,994	—	—	—	963,735
Balance as of June 30, 2021*		44,186,27	5,302,354	280,261,994	28,946,783	(189,251,900)	(1,649,393)	123,609,838
Balance as of January 1, 2020		26,105,25	3,132,631	211,006,606	25,142,213	(134,362,006)	2,227,228	107,146,673
Loss for the period		—	—	—	—	(18,266,229)	—	(18,266,229)
Exchange differences on translation of foreign currency		—	—	—	—	—	260,895	260,895
Total comprehensive loss		—	—	—	—	(18,266,229)	260,895	(18,005,334)
Equity-settled share-based payments	7	—	—	—	1,484,972	—	—	1,484,972
Share options exercised	7	164,974	19,797	477,149	—	—	—	496,946
Balance as of June 30, 2020*		26,270,22	3,152,427	211,483,756	26,627,185	(152,628,234)	2,488,124	91,123,258

*unaudited

The accompanying notes are an integral part of these condensed consolidated financial statements.

InflaRx N.V. and subsidiaries
 Unaudited Condensed Consolidated Statements of Cash Flows
 for the six months ended June 30, 2021 and 2020

(in €)	Note	For the six months ended June 30, 2021 (unaudited)	For the six months ended June 30, 2020 (unaudited)
Operating activities			
Loss for the period		(20,906,280)	(18,266,229)
Adjustments for:			
Depreciation & amortization of property and equipment, right-of-use assets and intangible assets		337,581	353,976
Net finance income	2	(1,000,217)	(1,092,472)
Share-based payment expense	7	2,687,779	1,484,972
Net foreign exchange differences		71,050	(789,528)
Other non-cash adjustments		—	
Changes in:			
Other assets		172,001	560,449
Employee benefits		(662,388)	(122,411)
Other liabilities		7,020	341,012
Trade and other payables		672,727	(1,783,200)
Interest received		371,665	1,096,651
Interest paid		(5,491)	(5,455)
Net cash used in operating activities		<u>(18,254,553)</u>	<u>(18,222,235)</u>
Investing activities			
Purchase of intangible assets, property and equipment		(18,734)	(35,107)
Purchase of current financial assets		(27,535,842)	(59,196,096)
Proceeds from the maturity of financial assets		29,497,122	79,504,059
Net cash from investing activities		<u>1,942,546</u>	<u>20,272,857</u>
Financing activities			
Proceeds from issuance of common shares	6	65,142,549	—
Transaction costs from issuance of common shares	6	(4,219,222)	—
Proceeds from exercise of share options	7	963,735	496,946
Repayment of lease liabilities		(183,128)	(183,970)
Net cash from financing activities		<u>61,703,934</u>	<u>312,976</u>
Net increase in cash and cash equivalents		45,391,927	2,363,597
Effect of exchange rate changes on cash and cash equivalents		999,820	903,700
Cash and cash equivalents at beginning of period		25,968,681	33,131,280
Cash and cash equivalents at end of period	5	<u>72,360,428</u>	<u>36,398,578</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Summary of significant accounting policies and other disclosures

(a) Reporting entity and Group's structure

InflaRx N.V. is a Dutch public company with limited liability (naamloze vennootschap) with its corporate seat in Amsterdam, The Netherlands, and is registered in the Commercial Register of The Netherlands Chamber of Commerce Business Register under CCI number 68904312. The Company's registered office is at Winzerlaer Straße 2 in 07745 Jena, Germany. Since November 10, 2017, InflaRx N.V.'s common shares have been listed on The NASDAQ Global Select Market under the symbol IFRX.

InflaRx is a clinical-stage biopharmaceutical Group focused on applying its proprietary anti-C5a technology to discover and develop first-in-class, potent and specific inhibitors of the complement activation factor known as C5a.

These consolidated financial statements of InflaRx comprise the Company and its wholly-owned subsidiaries InflaRx GmbH, Jena, Germany and InflaRx Pharmaceutical Inc., Ann Arbor, Michigan, United States (together referred to as "the Group").

InflaRx GmbH is a clinical-stage biopharmaceutical company founded in 2008. In 2017, InflaRx N.V. became the sole shareholder of InflaRx GmbH through the contribution of the subsidiary's shares to InflaRx N.V. by its existing shareholders in exchange of new shares issued by InflaRx N.V.

(b) Basis of preparation

These interim condensed consolidated financial statements for the three and six-month reporting periods ended June 30, 2021 and 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, this report is to be read in conjunction with the financial statements in our annual report for the year ended December 31, 2020 on Form 20-F.

The interim condensed consolidated financial statements were authorized for issue by the board of directors on August 4, 2021.

The financial statements are presented in Euro (€). Euro is the functional currency of InflaRx GmbH. The functional currency of InflaRx N.V. and InflaRx Pharmaceutical Inc. is U.S. Dollars. All financial information presented in Euro has been rounded. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them or may deviate from other tables.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021 as set out below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) New and amended standards adopted by the Group

The below listed amendments and interpretations were adopted effective January 1, 2021, but did not have a material impact on the consolidated financial statements of the Group:

- Interest Rate Benchmark Reform — Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-related Rent Concessions, Amendment to IFRS 16

The following standards issued will be adopted in a future period and the potential impact, if any, they will have on the Group's consolidated financial statements is being assessed:

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(d) Significant events of the quarter and changes in circumstances

vilobelimab in pyoderma gangraenosum (PG)

In April 2021, the Company announced the completion of enrollment in its Phase IIa proof-of-concept clinical study with vilobelimab in PG. This open-label trial enrolled 18 patients with moderate to severe PG at sites in the U.S., Canada and Europe. Patients in three different ascending dose groups are being treated with vilobelimab for 27 weeks with a two-month follow-up period. The main objectives of the study are the evaluation of the safety and efficacy of vilobelimab in patients with PG. Top-line data from this study are expected to be available in the first half of 2022.

Vilobelimab for Hidradenitis Suppurativa (HS)

In 2021, the Company submitted a Special Protocol Assessment (SPA) to the U.S. FDA for the Phase III HS program, and in May the Company received an official response. The FDA agreed to the dosing regimen in the protocol but did not agree with the assessment of the primary endpoint using the International Hidradenitis Suppurativa Severity Score (IHS4). At the FDA's suggestion, in July the Company has requested a Type A meeting to discuss the primary endpoint measure in more detail.

Once the Company receives final feedback from the FDA on the proposed Phase III primary endpoint, the Company will determine the best path forward for the global development program in HS.

vilobelimab in ANCA-associated vasculitis (AAV)

In May 2021, the Company announced results from its US Phase IIa clinical study in AAV patients (IXPLORE). The results of the IXPLORE trial show vilobelimab is safe and well tolerated when added to standard of care therapy for AAV. These results support the continued study of vilobelimab for the treatment of AAV.

vilobelimab in cutaneous squamous cell carcinoma (cSCC)

In June 2021, the Company announced the dosing of the first patient in the multicenter Phase II clinical trial with vilobelimab in cSCC. So far, a total of three patients have been enrolled in the monotherapy arm. A safety assessment after at least five weeks of treatment will determine continuation of enrollment in the monotherapy and opening of the combination arm. The Phase II clinical trial is expected to enroll approximately 70 patients at sites in Europe, the U.S. and elsewhere. The study will investigate two independent arms: vilobelimab alone and vilobelimab in combination with pembrolizumab. The main objectives of the trial are to assess the safety and antitumor activity of vilobelimab monotherapy and to determine the maximum tolerated or recommended dose, safety and antitumor activity in the combination arm.

COVID-19 Pandemic

The COVID-19 pandemic, which began in December 2019 has spread worldwide and continues to cause many governments to maintain measures to slow the spread of the outbreak through quarantines, travel restrictions, closure of borders and requiring maintenance of physical distance between individuals.

During the first six months of 2021, the Company's employees have continued to be able to work from their home offices and partially return to the Company's offices. Our service providers also continued at regular operational levels and the recruitment of patients and new clinical trial sites likewise continued in the first six month of 2021 through the date of issuance of these interim financial statements.

The Phase III part of the global Phase II/III trial evaluating vilobelimab in mechanically ventilated patients with COVID-19 was initiated in mid-September 2020, and recruitment has reached 299 patients, with 49 sites initiated across several countries in the U.S., Europe, Latin America and other regions. An interim analysis by an independent data monitoring committee took place in July 2020 analyzed the data of the first 180 patients evaluable for the 28-day mortality endpoint that completed the study and led to the recommendation to continue the study as planned.

Changes to the Board and Management

Ms. Katrin Uschmann did not stand for re-election as member of the Board at the Annual General Meeting on May 19, 2021. On May 19, 2021, Mr. Anthony Gibney was elected as Member of the Board and to the Audit Committee.

2. Net Financial Result

The net financial result is comprised of the following items for the three and six months ended June 30:

(in €)	For the three months ended June 30,		For the six months ended June 30,	
	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>
Financial income				
Interest income	35,622	348,321	58,584	749,756
Financial expenses				
Interest expenses	(305)	(1,063)	(2,885)	(1,063)
Interest on lease liabilities	(2,745)	(2,048)	(3,849)	(4,195)
Total	<u>32,572</u>	<u>345,210</u>	<u>51,850</u>	<u>744,498</u>

Interest income results from marketable securities and short-term deposits in U.S. Dollars held by the Company and its subsidiaries.

(in €)	For the three months ended June 30,		For the six months ended June 30,	
	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>
Foreign exchange result				
Foreign exchange income	1,635,201	261,123	4,092,239	1,518,680
Foreign exchange expense	(2,461,504)	(854,826)	(3,186,872)	(970,706)
Total	<u>(826,303)</u>	<u>(593,703)</u>	<u>905,367</u>	<u>547,974</u>

Foreign exchange income and expense is mainly derived from the translation of the U.S. Dollar cash, cash equivalents and securities held by the Company and its subsidiaries.

(in €)	For the three months ended June 30,		For the six months ended June 30,	
	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>
Other financial result	<u>(5,000)</u>	<u>(200,000)</u>	<u>43,000</u>	<u>(200,000)</u>

Other financial result includes an allowance for expected credit loss on marketable securities.

3. Other assets

(in €)

	As of June 30, 2021 (unaudited)	As of December 31, 2020
Non-current other assets		
Prepaid expense	342,899	353,522
Total	342,899	353,522
Current other assets		
Prepayments on research & development projects	3,117,593	2,340,643
Current tax assets	852,464	1,419,490
Prepaid expense	1,022,755	1,295,682
Other	—	98,374
Total	4,992,812	5,154,190

Prepaid expense mainly consists of prepaid insurance expense.

Prepayments on research & development projects consists of prepayments on clinical and production contracts. Mainly due to higher expense for the phase III part of our COVID-19 trial and the payments made under the related CRO contract, prepayments have increased as of June 30, 2021 compared to December 31, 2020.

Current tax assets as of June 30, 2021 mainly include VAT of €0.2 million and tax reclaims because of dividend tax withheld of €0.6 million. Such tax is withheld by our banks from securities interest payments, and the Company and its subsidiaries is reimbursed after filing a tax return.

4. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities, other than cash and cash equivalents, held by the Group as of June 30, 2021 and December 31, 2020:

(in €)	As of June 30, 2021 (unaudited)	As of December 31, 2020
Financial assets at amortized cost		
Non-current financial assets	272,390	272,268
Current financial assets	54,837,260	55,162,033
Financial liabilities at amortized cost		
Trade and other payables	8,930,859	8,258,133
Interest bearing loans and borrowings		
Non-current lease liabilities	1,244,785	220,525
Current lease liabilities	360,221	338,516

As of June 30, 2021, the fair value of current and non-current financial assets (primarily quoted debt securities) amounted to €55,057 thousand (Level 1). The Group's debt instruments at amortized cost consist solely of quoted securities that are graded highly by credit rating agencies such as S&P Global and, therefore, are considered low credit risk investments.

In May 2021, the Company entered into an agreement to amend its original lease of office space in Martinsried, Germany, by extending the contractual lease term for an additional five years. This resulted in an €1,046 thousand increase to the lease obligation and associated right-of-use asset.

5. Cash and cash equivalents

(in €)	As of June 30, 2021 (unaudited)	As of December 31, 2020
Short-term deposits		
Deposits held in U.S. Dollars	61,456,114	22,616,767
Deposits held in Euro	—	1,800,000
Total	61,456,114	24,416,767
Cash at banks		
Cash held in U.S. Dollars	3,947,500	362,788
Cash held in Euro	6,956,814	1,189,126
Total	10,904,314	1,551,914
Total cash and cash equivalents	72,360,428	25,968,681

6. Equity

On July 8, 2020, the Company filed a Form F-3 (Registration Statement) with the United States Securities and Exchange Commission (SEC) with respect to the offer and sale of securities of the Company. The Company also filed with the SEC a prospectus supplement (Prospectus Supplement) relating to an at-the-market program providing for the sale of up to \$50,000,000 of its common shares over time pursuant a Sales Agreement with SVB Leerink LLC.

During the three months ended March 31, 2021, the Company issued 610,022 common shares under its at-the-market program resulting in €2.8 million in net proceeds. No common shares were issued under this program in the second quarter of 2021. Following these and previous issuances under this program, the remaining value authorized for sale under the Sales Agreement amounts to \$35.2 million.

On February 25, 2021, the Company sold an aggregate of 15,000,000 common shares through a public offering. The common shares were sold at a price of \$5.00 per share and have a nominal value of €0.12 per share. For each common share purchased, an investor also received a warrant to purchase a common share at an exercise price of \$5.80. The warrants are exercisable immediately and have a term of up to one year. The shares and warrants were issued and the transaction closed on March 1, 2021 with gross offering proceeds to the Group from this offering being \$75.0 million (€62.2 million), before deducting \$4.5 million (€3.7 million) in underwriting discounts and other offering expenses of \$0.4 million (€0.5 million). As of the date that these interim condensed consolidated financial statements were authorized for issue, no warrants had been exercised.

7. Share-based payments

(e) Equity settled share-based payment arrangements

During its historical financing rounds prior to 2016 InflaRx GmbH granted options under the 2012 Stock Option Plan. Those InflaRx GmbH options were converted into options for common shares of InflaRx N.V. in November 2017:

Number of share options	2021	2020
Outstanding as of January 1,	<u>148,433</u>	<u>148,433</u>
Exercised during the six months ended June 30	—	—
Outstanding as of June 30,	<u>148,433</u>	<u>148,433</u>
thereof vested	148,433	148,433

Under the terms and conditions of the share option plan 2016 InflaRx GmbH granted rights to subscribe for InflaRx GmbH's common shares to directors, senior management, and key employees. Those InflaRx GmbH options were converted into options for common shares of InflaRx N.V. in November 2017:

Number of share options	2021	2020
Outstanding as of January 1,	<u>1,094,852</u>	<u>1,181,484</u>
Exercised during the six months ended June 30	(202,020)	(86,632)
Outstanding as of June 30,	<u>892,832</u>	<u>1,094,852</u>
thereof vested	892,832	1,094,852

In conjunction with the closing of its initial public offering, InflaRx N.V. established a new incentive plan (the "2017 Long-Term Incentive Plan"). The initial maximum number of common shares available for issuance under equity incentive awards granted pursuant to the 2017 Long-Term Incentive Plan amounts to 2,341,097 common shares.

The annual general meeting on July 16, 2020, approved an amendment to the 2017 Long-Term Incentive Plan (LTIP) with effect from January 1, 2021:

- increasing the maximum annual number of common shares in the Company's capital available for issuance under the LTIP, starting on January 1, 2021, to 4% (from 3%) of the Company's outstanding common shares (determined as of December 31 of the immediately preceding year); and
- removing certain restrictions from the LTIP, which will allow the committee administering the LTIP and the Board to (i) lower the exercise price per share of any options and/or share appreciation rights issued under the LTIP or take any other action treated as a 'repricing' of an award and (ii) cancel any option and/or share appreciation rights in exchange for cash or another award granted under the LTIP, in either case, without prior approval of the Company's shareholders.

Number of share options	2021	2020
Outstanding as of January 1,	<u>2,146,478</u>	<u>2,181,105</u>
Granted during the six months ended June 30	870,928	—
Exercised during the six months ended June 30	(145,822)	(78,342)
Forfeited during the six months ended June 30	(15,000)	(7,686)
Outstanding as of June 30,	<u>2,856,584</u>	<u>2,095,077</u>
thereof vested	1,954,858	1,557,157

The number of share options granted during the six months ended June 30, 2021 under the plan was as follows:

Share options granted	Number	Fair value per option	FX rate as of grant date	Fair value per option	Share price at grant date / Exercise price	Expected volatility	Expected life (midpoint based)	Risk-free rate (interpolated, U.S. sovereign strips curve)
2021								
January 4	839,260	\$4.53	0.8133	€3.68	\$5.14	1.35	5.31	0.5%
January 4	31,668	\$4.57	0.8133	€3.72	\$5.14	1.35	5.50	0.5%
	870,928							

Of the 870,928 options granted in the six months ended June 30, 2021, 795,000 were granted to members of the executive management or Board of Directors. In the six months ended June 30, 2021, 15,000 options were forfeited.

Expected dividends are nil for all share options listed above.

(f) Share options exercised

In the six months ended June 30, 2021, 347,842 shares were issued upon the exercise of share options, resulting in proceeds to the Company in the amount of €964 thousand. Of the share options exercised, 202,020 were granted under the 2016 Share Option Plan and 145,822 were granted under the 2017 Long-Term Incentive Plan.

In the six months ended June 30, 2020, no options under the 2012 Stock Option Plan were exercised.

(g) Share-based payment expense recognized

For the six months ended June 30, 2021, the Company recognized €2,688 thousand (2020: €1,485 thousand) of share-based payment expense in the statements of operations and comprehensive loss.

None of the share-based payments awards were dilutive in determining earnings per share due to the Group's loss position.

8. Protective foundation

According to the articles of association of the Company, up to 55,000,000 ordinary shares and up to 55,000,000 preferred shares with a nominal value of €0.12 per share are authorized to be issued. All shares are registered shares. No share certificates shall be issued.

In order to deter acquisition bids, the Company's general meeting of shareholders approved the right of an independent foundation under Dutch law, or protective foundation, to exercise a call option pursuant to the call option agreement, upon which preferred shares will be issued by the Company to the protective foundation of up to 100% of the Company's issued capital held by others than the protective foundation, minus one share. The protective foundation is expected to enter into a finance arrangement with a bank or, subject to applicable restrictions under Dutch law, the protective foundation may request us to provide, or cause the Company's subsidiaries to provide, sufficient funding to the protective foundation to enable it to satisfy its payment obligation under the call option agreement.

These preferred shares will have both a liquidation and dividend preference over the Company's common shares and will accrue cash dividends at a pre-determined rate. The protective foundation would be expected to require us to cancel its preferred shares once the perceived threat to the Company and its stakeholders has been removed or sufficiently mitigated or neutralized. We are of the opinion that the call option does not represent a significant fair value based on a Level 3 valuation, since the preference shares are restricted in use and can be cancelled by us.

In the three and six months ended June 30, 2021, the Company expensed €15 thousand and €30 thousand, respectively, (2020: €13 thousand, €30 thousand) of ongoing costs to reimburse expenses incurred by the protective foundation.

9. Contractual Obligations and Commitments

The Group enters contracts in the normal course of business with CROs and clinical sites for the conduct of clinical trials, professional consultants for expert advice and other vendors for clinical supply manufacturing or other services.

10. Subsequent Events

Effective August 1, 2021, Mrs. Korinna Pilz has been promoted to Chief Clinical Development Officer.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis is designed to provide you with a narrative explanation of our financial condition and results of operations. We recommend that you read this discussion together with our unaudited condensed consolidated financial statements, including the notes thereto, as of and for the three- and six- month periods ended June 30, 2021 and 2020 included as Exhibit 99.1 to the Report on Form 6-K to which this discussion is attached as Exhibit 99.2. We also recommend that you read our management's discussion and analysis and our audited consolidated financial statements for fiscal year 2020, and the notes thereto, which appear in our Annual Report on Form 20-F for the year ended December 31, 2020 (the "Annual Report") filed with the U.S. Securities and Exchange Commission (the "SEC"). In addition, we recommend that you read any public announcements made by InflaRx N.V.

The following discussion is based on our financial information prepared in accordance with IFRS as issued by the IASB, which may differ in material respects from generally accepted accounting principles in the United States and other jurisdictions. We maintain our books and records in Euros. Unless otherwise indicated, all references to currency amounts in this discussion are in Euros. We have made rounding adjustments to some of the figures included in this discussion and analysis. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them.

The following discussion includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described under "Risk Factors" in the Annual Report.

Unless otherwise indicated or the context otherwise requires, all references to "InflaRx" or the "company," "we," "our," "ours," "us" or similar terms refer to InflaRx N.V. and its subsidiaries InflaRx GmbH and InflaRx Pharmaceuticals, Inc.

Overview

We are a clinical-stage biopharmaceutical company focused on applying our proprietary anti-C5a technology to discover and develop first-in-class, potent and specific inhibitors of the complement activation factor known as C5a. C5a is a powerful inflammatory mediator involved in the progression of a wide variety of autoimmune and other inflammatory diseases. Our lead product candidate, vilobelimab (IFX-1), is a novel intravenously delivered first-in-class anti-C5a monoclonal antibody that selectively binds to free C5a and has demonstrated disease-modifying clinical activity and tolerability in multiple clinical settings.

We are developing vilobelimab for the treatment of hidradenitis suppurativa (HS), a chronic debilitating systemic inflammatory skin disease. In June 2019, we announced that our Phase IIb clinical trial of vilobelimab in HS did not meet its primary endpoint. On July 18, 2019 we published a post-hoc analysis showing multiple signals of efficacy for the vilobelimab high dose group compared to the placebo group within the initial phase of the SHINE study. In June 2020, we completed an end of Phase II meeting with the FDA to discuss a Phase III development program for the use of vilobelimab in the treatment of HS. Additionally, in July 2020, we received scientific advice from the European Medicines Agency (EMA) regarding the Phase III development program for the use of vilobelimab in the treatment of HS. In March 2021, we submitted a Special Protocol Assessment (SPA) to the U.S. FDA for the Phase III HS program for vilobelimab in Hidradenitis Suppurativa (HS), suggesting IHS4 as primary efficacy endpoint and in May the Company received an official response. The FDA agreed to the dosing regimen in the protocol but did not agree with the assessment of the primary endpoint using the International Hidradenitis Suppurativa Severity Score (IHS4). At the FDA's suggestion, we have requested a Type A meeting to discuss the primary endpoint measure in more detail.

We are also developing vilobelimab in severe COVID-19. On March 31, 2020, we initiated a Phase II/III clinical development program with vilobelimab in patients with severe COVID-19 and enrolled the first patient in the Phase II part of the study. On June 17, 2020, we announced interim results from the first 30 patients treated in the adaptive randomized Phase II part of the trial in patients. On September 14, 2020, we announced the first patient enrolled in the Phase III part of the study. In the randomized, double-blinded and placebo-controlled Phase III part of the Phase II/III trial, we began enrollment and plan to enroll up to 400 early intubated, critically ill patients with severe COVID-19 across sites in the US, EU, Latin America and other regions. Patients will be randomized 1:1 to receive either vilobelimab or placebo; all patients will receive standard of care. The primary endpoint will be 28-day all-cause mortality; key secondary endpoints will include assessment of organ support and disease improvement. Patients are currently being enrolled and undergoing treatment. So far, 299 patients have been included in the study in 49 active sites. An interim analysis by an independent data monitoring committee (IDMC) which took place in July and analyzed the data of the first 180 patients evaluable for the 28-day mortality endpoint, that completed the study, led to a recommendation to continue the study as planned. Per recommendations from EMA and FDA, the option to potentially stop the study early on the basis of efficacy was removed from the interim analysis. Additional trial sites are expected to be added, including in the US. Topline data for all 360 enrolled patients at the 28-day mortality primary endpoint are expected to be available by the end of 2021.

We are also developing vilobelimab for the treatment of anti-neutrophil cytoplasm antibody associated vasculitis (AAV), a rare, life-threatening autoimmune disease associated with powerful inflammatory flares that impair kidney function and lead to fatal organ dysfunction. In October 2018, we dosed the first patient in the randomized, triple blind, placebo-controlled US Phase II IXPLORE study of vilobelimab in patients with AAV. The main objective of the study was to evaluate the efficacy and safety of two dosing regimens of vilobelimab in patients with moderate to severe AAV, when dosed in addition to standard of care, which includes treatment with high dose glucocorticoids and either cyclophosphamide or rituximab. The primary endpoint of the study is the number and percentage of subjects who experience at least one treatment-emergent adverse event (TEAE) per treatment group at week 24. In October 2020 we announced that 19 patients had finished treatment and in May 2021, we reported top-line data for the study, indicating that vilobelimab, when given in addition to best standard of care proved to be safe and well tolerated. Furthermore, in May 2019, we initiated a randomized, double-blind, placebo-controlled European Phase II IXCHANGE clinical study of vilobelimab in patients with AAV. The main objective of the study is to evaluate the efficacy and safety of vilobelimab in patients with moderate to severe AAV. The primary endpoint of the study is a 50% reduction in Birmingham Vasculitis Activity Score (BVAS) at week 16. The study is being conducted in two parts. In part 1, patients were randomized to receive either vilobelimab plus a reduced dose of glucocorticoids, or placebo plus a standard dose of glucocorticoids. Patients in both arms will receive standard of care dosing of rituximab or cyclophosphamide. In part 2 of the study, patients will be randomized to receive either vilobelimab plus placebo, glucocorticoids or placebo plus a standard dose of glucocorticoids (both in addition to standard of care therapy consisting of rituximab or cyclophosphamide). After analyzing the impact of the ongoing COVID-19 pandemic on the study, we conducted a blinded interim analysis of part 1. Based on our analysis, we decided to continue with part 2 of the study but decreased the number of enrolled patients. On January 5, 2021 we announced that both part 1 and part 2 of the study are fully enrolled. The final data read-out is planned for the end of 2021. Our goal remains to gain Phase III readiness for this program.

We are also developing vilobelimab for the treatment of pyoderma gangraenosum (PG), a rare neutrophilic dermatosis associated with chronic cutaneous ulcerations. PG usually has a devastating effect on patient's life due to severe pain and induction of significant movement impairment depending on lesions' location. In February 2019, we initiated an open label, multi-centric Phase IIa exploratory study enrolling 18 patients with moderate to severe PG in Canada, the U.S. and Poland. The objectives of this study are to evaluate the safety and efficacy of vilobelimab in this patient population in three different doses. In February 2020, we announced initial data from the first five patients in this trial two patients achieved complete closure of the target ulcer. The drug was well tolerated, and no drug-related severe adverse events (SAE) have been recorded to date in the study. On April 15, 2021 we announced the completion of the enrollment target in this study. A second interim analysis, including six patients treated in the second dose group until day 99, will be available by the end of Q3 2021. Final results from all patients, including the highest dose group, are expected in the first half of 2022.

We are also developing vilobelimab for the treatment of PD-1/PD-L1 inhibitor resistant/refractory locally advanced or metastatic cutaneous squamous cell carcinoma (cSCC). cSCC is the second most common skin cancer. The incidence of cSCC increases with increasing sun exposure and age and individuals with fair skin and hair are more often concerned. The potential for local recurrence or metastasis of cSCC varies with the pathologic variant and localization of the primary lesion, the risk for metastasis in cSCC is approximately 2-5%. Advanced cSCC 10-year survival rates are less than 20% with regional lymph node involvement and less than 10% with distant metastases. In June 2021, we announced the dosing of the first patient in the study. So far, a total of three patients have been enrolled in the monotherapy arm. A safety assessment after at least five weeks of treatment will determine continuation of enrollment in the monotherapy and opening of the combination arm.

Since our inception in December 2007, we have devoted substantially all of our resources to establishing our company, raising capital, developing our proprietary anti-C5a technology, identifying and testing potential product candidates and conducting clinical trials of our lead product candidate, vilobelimab. To date, we have no approved products for commercial use, have not generated any revenue and have financed our operations primarily through public offerings and private placements of our shares as well as other income from various grants. As of June 30, 2021, we had raised an aggregate of approximately €276.7 million, comprised of €74.0 million in gross proceeds from private placements of our securities, €81.8 million in net proceeds from our initial public offering in November 2017, €49.2 million in net proceeds from a follow-on public offering in May 2018, €9.0 million in net proceeds from the at-the-market program from during 2020, as well as €2.8 million in net proceeds from the at-the-market program in Q1 2021 and €62.2 million in net proceeds from a public offering in March 2021.

As of June 30, 2021, we had cash and cash equivalents of €72.4 million, current and non-current financial assets and other non-current assets of €55.1 million. As of June 30, 2021, we had an accumulated deficit of €189.3 million. We have incurred significant net operating losses in every year since our inception and expect to continue to incur net operating losses for the foreseeable future. Our net losses may fluctuate significantly from quarter to quarter and year to year.

We anticipate that our expenses might increase in the next years if and as we:

- continue to develop and conduct clinical trials with respect to our lead product candidate, vilobelimab, including in connection with the evaluation of any additional clinical development in HS, the ongoing Phase III trial in severe COVID-19, the ongoing Phase II clinical trials in AAV and PG as well as the ongoing Phase II study in cSCC ;
- initiate and continue research, preclinical and clinical development efforts for any future product candidates, including IFX-2;
- actively seek to identify additional research programs and additional product candidates;
- seek regulatory and marketing approvals for our product candidates that successfully complete clinical trials, if any;
- establish sales, marketing, distribution and other commercial infrastructure in the future to commercialize various products for which we may obtain marketing approval, if any;
- require the manufacture of larger quantities of product candidates for clinical development and, potentially, commercialization;
- collaborate with strategic partners to optimize the manufacturing process for vilobelimab and IFX-2;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel, such as clinical, quality control, manufacturing, scientific and administrative personnel;
- our use of share-based employee retention instruments that may involve significant future expense; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and help us comply with our obligations as a public company.

Our expenses in any quarter may not be indicative of our expenses in future periods, and in particular we expect that our expenses, and therefore our net losses, could vary depending on the going forward strategy relating to the clinical development of vilobelimab in HS, COVID-19, AAV, PG, cSCC and additional indications as well as any potential addition of a technology platform or asset.

We do not expect to generate revenue from product sales unless and until we successfully complete development and obtain regulatory approval for a product candidate, which we expect will take a number of years and is subject to significant uncertainty. If we obtain regulatory approval for any product candidate, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we may seek to further fund our operations through public or private equity or debt financings or other sources, including strategic collaborations. We may, however, be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed, would have a negative impact on our financial condition and our ability to develop vilobelimab or any additional product candidates.

Recent Developments

In March 2021, we submitted a Special Protocol Assessment (SPA) to the U.S. FDA for the Phase III HS program for vilobelimab in Hidradenitis Suppurativa (HS), suggesting IHS4 as primary efficacy endpoint and in May the Company received an official response. The FDA agreed to the dosing regimen in the protocol but did not agree with the assessment of the primary endpoint using the International Hidradenitis Suppurativa Severity Score (IHS4). At the FDA's suggestion, we plan to request a Type A meeting to discuss the primary endpoint measure in more detail.

During the second quarter we have further advanced the Phase III part of the currently ongoing Phase II/III clinical trial in severe COVID-19 patients. So far, 299 patients have been included in the study in 49 active sites. An interim analysis by an independent data monitoring committee (IDMC) which took place in July and analyzed the data of the first 180 patients evaluable for the 28-day mortality endpoint that completed the study, led to a recommendation to continue the study as planned. Per recommendations from EMA and FDA, the option to potentially stop the study early on the basis of efficacy was removed from the interim analysis. Additional trial sites are expected to be added, including in the US. Topline data for all 360 enrolled patients at the 28-day mortality primary endpoint are expected to be available by the end of 2021.

In the US IXPLORE clinical Phase II study of IFX-1 in AAV, all patients have completed treatment. In May 2021, we reported top-line data for the study, indicating that vilobelimab, when given in addition to best standard of care proved to be safe and well tolerated. Furthermore, in January 2021 we announced that both Part 1 and Part 2 of the AAV Phase II study in Europe (IXCHANGE) are fully enrolled. Final data read-out is planned for the end of 2021. Our goal remains to gain Phase III readiness for this program.

On April 15, we announced the completion of the enrollment target of 18 patients with moderate to severe PG at sites in the US, Canada and Europe in the open-label Phase IIa exploratory study in PG. The main objectives of the study are the evaluation of the safety and efficacy of vilobelimab in patients with PG. Efficacy will be evaluated by (i) a responder rate defined as Physician Global Assessment ≤ 3 of the target ulcer at various timepoints and (ii) time to complete closure of the target ulcer. Both endpoints will be compared with historical data. During 2020, InflaRx had announced positive initial data from the first five patients in the lowest dose group. The drug was well tolerated and no drug-related severe adverse events (SAEs) have been recorded to date in the study. A second interim analysis, including six patients treated in the second dose group until day 99, will be available by the end of Q3 2021. Final results from all patients, including the highest dose group, are expected in the first half of 2022.

On June 8, we announced the dosing of the first patient in the multicenter Phase II clinical trial with vilobelimab in cSCC. So far, a total of three patients have been enrolled in the monotherapy arm. A safety assessment after at least five weeks of treatment will determine continuation of enrollment in the monotherapy and opening of the combination arm. The Phase II clinical trial is expected to enroll approximately 70 patients at sites in Europe, the U.S. and elsewhere. The study will investigate two independent arms: vilobelimab alone and vilobelimab in combination with pembrolizumab. The main objectives of the trial are to assess the safety and antitumor activity of vilobelimab monotherapy and to determine the maximum tolerated or recommended dose, safety and antitumor activity in the combination arm.

Effective August 1 2021, Dr. Korinna Pilz has been promoted to the newly created role of Chief Clinical Development Officer. She joined InflaRx in January 2019 as Program Director Oncology and was promoted to Global Head of Clinical Research and Development in November 2019. She has a 20 years' experience in NCE and NBE development in several companies, including Boehringer Ingelheim, Roche, Merck KGaA and Bayer, and as a consultant. She has vast experience in early and late-stage clinical development and has helped in gaining marketing authorizations for several products. At InflaRx, she has established and grown the clinical development group and under her leadership the group has initiated several clinical trials, including for vilobelimab in cSCC and COVID. Korinna is a licensed Medical Doctor and holds a Diploma in Biology from the University of Düsseldorf. She is a member of ASCO, ESMO, AACR and IASLC.

Research and Development Expenses

Research and development expenses consisted principally of:

- expenses incurred under agreements with contract research organizations, or CROs, contract manufacturing organizations, or CMOs, consultants and independent contractors that conduct research and development, preclinical and clinical activities on our behalf;
- employee-related expenses, including salaries, benefits and share-based compensation expense based upon employees' role within the organization; and
- professional legal fees related to the protection and maintenance of our intellectual property.

We anticipate that our total research and development expenses in 2021 might increase compared to 2020, principally due to the initiation of the Phase II trial of vilobelimab in cSCC, the preparation and initiation of clinical Phase III trials of vilobelimab in HS and the continuation of the Phase III part of our Phase II/III clinical study of vilobelimab in severe COVID-19. Our research and development expenses primarily relate to the following key programs:

- vilobelimab (IFX-1). We expect our expenses associated with vilobelimab will further increase in the remainder of 2021, compared to the level on June 30, 2020, as we are conducting the Phase III part of the clinical study in severe COVID-19, evaluate initiating a Phase III study in HS, conduct our Phase II clinical program of vilobelimab in patients with AAV and our Phase II clinical trial program in patients with PG and initiated a Phase II clinical program in cSCC. We might also potentially consider development of vilobelimab in additional indications. In addition, we are also incurring expenses related to the manufacturing of clinical trial material and by investigating commercial scale production options.
- IFX-2. We are continuing preclinical development of IFX-2, expenses for which mainly consist of salaries, costs for preclinical testing conducted by CROs and costs for the production of preclinical material.
- Other development programs. Our other research and development expenses relate to our preclinical studies of other product candidates and discovery activities, expenses for which mainly consist of salaries, costs for production of preclinical compounds and costs paid to CROs.

In 2020, we incurred €25.7 million of research and development expenses. For the six months ended June 30, 2021 and 2020, we incurred research and development expenses of €16.2 million and €14.7 million, respectively. The principal driver of the increase in our research and development expenses was the higher expense for in the phase III part of the COVID-19 trial. Our research and development expenses may vary substantially from period to period based on the timing of our research and development activities, including due to timing of clinical trial initiation and enrollment. Overall, research and development expenses are expected to increase over time as we advance the clinical development of vilobelimab into more advanced stages of clinical development and further advance the research and development of our preclinical product candidates.

We expense research and development costs as incurred. We recognize costs for certain development activities, such as preclinical studies and clinical trials, based on an evaluation of the progress to completion of specific tasks. We use information provided to us by our vendors such as patient enrollment or clinical site activations for services received and efforts expended. Research and development activities are central to our business model.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of our product candidates. For a discussion of our other key financial statement line items, please see “Management’s discussion and analysis of financial condition and results of operations—Financial operations overview” in the Annual Report.

General and Administrative Expenses

We expect that our general and administrative expenses will increase in the future as our business expands and we incur additional costs associated with operating as a public company. These public company-related costs relate primarily to additional personnel, additional professional and legal fees, audit fees, directors’ and officers’ liability insurance premiums and costs associated with investor relations.

For the six months ended June 30, 2021 and 2020, we incurred general and administrative expenses of €5.7 million and €4.9 million, respectively. The principal driver of the increase in our general and administrative expense was higher expenses from equity-settled share-based compensation recognized in personnel expenses, which were €1.7 million and €0.9 million in these periods, respectively.

Results of Operations

The information below was derived from our condensed consolidated financial statements included elsewhere herein. The discussion below should be read along with these condensed consolidated financial statements and our Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC.

Comparison of the Three Months Ended June 30, 2021 and 2020

	(in €)	Three Months Ended June 30,		
		2021	2020	Change
Operating Expenses				
Research and development expenses		(11,299,270)	(7,356,326)	(3,942,944)
General and administrative expenses		(2,697,839)	(2,326,895)	(370,944)
Total Operating Expenses		<u>(13,997,109)</u>	<u>(9,683,221)</u>	<u>(4,313,888)</u>
Other income		15,216	102,332	(87,116)
Other expenses		(279)	(3,450)	3,171
Operating Result		<u>(13,982,172)</u>	<u>(9,584,339)</u>	<u>(4,397,833)</u>
Finance income		35,622	348,321	(312,699)
Finance expenses		(3,050)	(3,111)	61
Foreign exchange result		(826,303)	(593,703)	(232,600)
Other financial result		(5,000)	(200,000)	195,000
Loss for the Period		<u>(14,780,903)</u>	<u>(10,032,832)</u>	<u>(4,748,071)</u>
Exchange differences on translation of foreign currency		(1,427,302)	(1,452,973)	25,671
Total Comprehensive Loss		<u>(16,208,205)</u>	<u>(11,485,806)</u>	<u>(4,722,399)</u>

Research and Development Expenses

	(in €)	Three Months Ended June 30,		
		2021	2020	Change
Third-party expenses		9,517,378	5,990,439	(3,526,939)
Personnel expenses		1,387,293	1,124,546	(262,747)
Legal and consulting fees		290,697	161,964	(128,733)
Other expenses		103,902	79,377	(24,525)
Total Research and development expenses		<u>11,299,270</u>	<u>7,356,326</u>	<u>(3,942,944)</u>

We use our employee and infrastructure resources across multiple research and development programs directed toward developing vilobelimab and our pre-clinical programs. We manage certain activities such as contract research and manufacturing of vilobelimab and our discovery programs through our third-party vendors.

Research and development expenses incurred for the three months ended June 30, 2021 increased compared to the corresponding period in 2020 by €3.9 million. This increase was primarily due to the higher expense for the phase III part of our COVID-19 trial and was driven by an increase in third-party expenses of €3.5 million. The €0.3 million increase in personnel expenses was mainly related to equity-settled share-based compensation.

General and Administrative Expenses

	(in €)	Three Months Ended June 30,		
		2021	2020	Change
Personnel expenses		1,541,027	1,298,990	(242,037)
	Legal, consulting and audit fees	239,301	313,777	74,476
Other expenses		917,511	714,128	(203,383)
	Total General and administrative expense	2,697,839	2,326,895	(370,944)

General and administrative expenses increased by €0.4 million to €2.7 million for the three months ended June 30, 2021, from €2.3 million for the three months ended June 30, 2020. This increase is attributable to higher expenses from equity-settled share-based compensation recognized in personnel expenses (€0.3 million). Additionally, legal, consulting and other expenses increased to €1.2 million for the three months ended June 30, 2021, from €1.0 million for the three months ended June 30, 2020.

Net financial result

Financial Result	(in €)	Three Months Ended June 30,		
		2021	2020	Change
Financial income				
	Interest income	35,622	348,321	(312,699)
Financial expenses				
	Interest expenses	(305)	(1,063)	758
Interest on lease liabilities		(2,745)	(2,048)	(697)
	Total	32,572	345,210	(312,638)

Foreign exchange result	(in €)	Three Months Ended June 30,		
		2021	2020	Change
Foreign exchange result				
	Foreign exchange income	1,635,201	261,123	1,374,078
	Foreign exchange expense	(2,461,504)	(854,826)	(1,606,678)
	Total	(826,303)	(593,703)	(232,600)

Other financial result	(in €)	Three Months Ended June 30,		
		2021	2020	Change
Other financial result		(5,000)	(200,000)	195,000

Net financial result decreased by €(0.4) million to a loss of €(0.8) million for the three months ended June 30, 2021, from a loss of €(0.4) million for the three months ended June 30, 2020. This decrease is mainly attributable to higher foreign exchange losses which increased by €1.6 million compensated by higher foreign exchange gains by €1.4 million, while interest on marketable securities declined by €(0.3) million. Other financial expenses include an adjustment for expected credit loss on marketable securities and increased by €0.2 million for the three months ended June 30, 2021 in comparison to the same period of 2020.

Comparison of the Six Months Ended June 30, 2021 and 2020

	(in €)	Six Months Ended June 30,		
		2021	2020	Change
Operating Expenses				
	Research and development expenses	(16,206,155)	(14,655,125)	(1,551,030)
General and administrative expenses		(5,720,177)	(4,891,698)	(828,479)
	Total Operating Expenses	(21,926,332)	(19,546,822)	(2,379,510)
Other income		20,678	197,292	(176,614)
	Other expense	(844)	(9,170)	8,326
Operating Result		(21,906,498)	(19,358,701)	(2,547,797)
	Finance income	58,584	749,756	(691,172)
Finance expenses		(6,734)	(5,258)	(1,476)
	Foreign exchange result	905,367	547,974	357,393
Other financial result		43,000	(200,000)	243,000
	Loss for the Period	(20,906,280)	(18,266,229)	(2,640,051)
Exchange differences on translation of foreign currency		2,077,397	260,895	1,816,502
	Total Comprehensive Loss	(18,828,883)	(18,005,335)	(823,548)

Research and Development Expenses

	(in €)	Six Months Ended June 30,		
		2021	2020	Change
Third-party expenses		12,506,440	11,539,430	967,010
	Personnel expenses	2,977,971	2,307,547	670,424
Legal and consulting fees		510,817	593,061	(82,244)
	Other expenses	210,927	215,086	(4,159)
Total Research and development expenses		16,206,155	14,655,125	1,551,030

We use our employee and infrastructure resources across multiple research and development programs directed toward developing vilobelimab and our pre-clinical programs. We manage certain activities such as contract research and manufacturing of vilobelimab and our discovery programs through our third-party vendors.

Research and development expenses incurred for the six months ended June 30, 2021 increased compared to the corresponding period in 2020 by €1.6 million. This increase was primarily due to the higher expense for the phase III part of our COVID-19 trial and was driven by an overall increase in third-party expenses of €1.0 million. The €0.7 million increase in personnel expense was mainly related to equity-settled share-based compensation.

General and Administrative Expenses

	(in €)	Six Months Ended June 30,		
		2021	2020	Change
Personnel expenses		3,541,486	2,808,583	732,903
	Legal, consulting and audit fees	580,449	512,327	68,122
Other expenses		1,598,242	1,570,788	27,454
	Total General and administrative expense	5,720,177	4,891,698	828,479

General and administrative expenses increased by €0.8 million to €5.7 million for the six months ended June 30, 2021, from €4.9 million for the six months ended June 30, 2020. This increase is primarily attributable to increasing expenses associated with equity-settled share-based compensation recognized in personnel expenses. Furthermore, legal, consulting and other expenses increased by €0.1 million to €2.2 million for the six months ended June 30, 2021, from €2.1 million for the six months ended June 30, 2020.

Net financial result

Financial Result	(in €)	Six Months Ended June 30,		
		2021	2020	Change
Financial income				
	Interest income	58,584	749,756	(691,172)
Financial expenses				
	Interest expenses	(2,885)	(1,063)	(1,822)
Interest on lease liabilities		(3,849)	(4,195)	346
	Total	51,850	744,498	(692,648)

Foreign exchange result	(in €)	Six Months Ended June 30,		
		2021	2020	Change
Foreign exchange result				
	Foreign exchange income	4,092,239	1,518,680	2,573,559
	Foreign exchange expense	(3,186,872)	(970,706)	(2,216,166)
	Total	905,367	547,974	357,393

Other financial result	(in €)	Six Months Ended June 30,		
		2021	2020	Change
Other financial result		43,000	(200,000)	243,000

Net financial result decreased by €0.1 million to €1.0 million for the six months ended June 30, 2021, from €1.1 million for the six months ended June 30, 2020. This decrease is mainly attributable to lower interest on marketable securities which declined by €0.7 million.

Liquidity and Capital Resources

Since inception, we have incurred significant operating losses. For the six months ended June 30, 2021, we incurred a net loss of €18.8 million. To date, we have financed our operations primarily through the sale of our securities. As of June 30, 2021, we had cash and cash equivalents of €72.4 million, plus financial assets of €55.1 million. Our cash and cash equivalents primarily consist of bank deposit accounts and fixed U.S. Dollar term deposits. Our quoted debt securities have high credit ratings.

Cash Flows

The table below summarizes our consolidated statement of cash flows for the six months ended June 30, 2021 and 2020:

	(in €)	Six Months Ended June 30,	
		2021	2020
Net cash used in operating activities		(18,254,553)	(18,222,235)
	Net cash from investing activities	1,942,546	20,272,857
Net cash from financing activities		61,703,934	312,976
	Cash and cash equivalents at the beginning of the period	25,968,681	33,131,280
Exchange gains on cash and cash equivalents		999,820	903,700
	Cash and cash equivalents at the end of the period	72,360,428	36,398,578

Net Cash used in Operating Activities

The use of cash in all periods resulted primarily from our net losses, adjusted for non-cash charges and changes in components of working capital.

Net cash used in operating activities for the six months ended June 30, 2021 was nearly unchanged from the six months ended June 30, 2020 at €18.3million.

Net Cash from Investing Activities

Net cash from investing activities decreased by €18.3 million in the six months ended June 30, 2021 mainly due to lower repayments from matured marketable securities in the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Net Cash from Financing Activities

Net cash from financing activities increased by €61.4 million in the six months ended June 30, 2021.

In the six months ended June 30, 2021, we issued an additional 610,022 common shares under our at-the-market program (refer to Note 6 "Equity"), resulting in €2.8 million in net proceeds. Following these and previous issuances under this program, the remaining value authorized for sale under the Sales Agreement amounts to \$35.2 million.

On February 25, 2021, we sold an aggregate of 15,000,000 common shares through a public offering. The common shares were sold at a price of \$5.00 per share and have a nominal value of €0.12 per share. For each common share purchased, an investor also received a warrant to purchase a common share at an exercise price of \$5.80. The warrants are exercisable immediately and have a term of up to one year. The shares and warrants were issued and the transaction closed on March 1, 2021 with gross offering proceeds to the Group of \$75.0 million (€62.2 million), before deducting \$4.5 million (€3.7 million) in underwriting discounts and other offering expenses of \$0.5 million (€0.5 million) and excluding the exercise of any warrants.

Funding Requirements

We anticipate that our expenses will increase in the next several years in connection with our ongoing activities. In particular, we anticipate that we will continue and complete Phase II clinical trials in AAV and PG, continue planning Phase II clinical development in oncology, potentially start Phase III clinical development in HS and continue to run the Phase III clinical trial in COVID-19. Additionally, we may pursue additional indications as well. We also plan to continue preclinical development of IFX-2. We plan to initiate new research and preclinical development efforts and we may seek marketing approval for any product candidates that we successfully develop and where we receive approval. If we commence a Phase III clinical development program with vilobelimab in HS, additional costs in connection with such development will be incurred. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to establishing sales, marketing, distribution and other commercial infrastructure to commercialize such products. Furthermore, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce, or eliminate our research and development programs or future commercialization efforts. We believe that our existing cash and cash equivalents and financial assets will enable us to fund our operating expenses and capital expenditure requirements under our current business plan for at least the next 24 months.

Until such time, if ever, that we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, royalty-based financings, future collaborations, strategic alliances, and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the interest of our current shareholders will be diluted, and the terms of these securities may include voting or other rights that adversely affect your rights as a common shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us.

For more information as to the risks associated with our future funding needs, see “Risk factors” in the Annual Report.

Off-Balance Sheet Arrangements

As of June 30, 2021, and during the periods presented, we did not have any off-balance sheet arrangements other as described under “Management’s discussion and analysis of financial condition and results of operations—Off-balance sheet arrangements” in the Annual Report.

Contractual Obligations and Commitments

As of the date of this discussion and analysis, we do not have any, and during the periods presented we did not have any, contractual obligations and commitments other than as described under “Management’s discussion and analysis of financial condition and results of operations- Contractual obligations and commitments” in the Annual Report.

Quantitative and Qualitative Disclosures about Market Risk

During the six months ended June 30, 2021, there were no significant changes to our quantitative and qualitative disclosures about market risk from those reported in “Management’s discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosures about market risk” in the Annual Report.

Critical Judgments and Accounting Estimates

There have been no material changes to the significant accounting policies and estimates described in “Management’s discussion and analysis of financial condition and results of operations—Critical judgments and accounting estimates” in the Annual Report.

JOBS Act Exemptions

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an “emerging growth company.” As an emerging growth company, we are not required to provide an auditor attestation report on our system of internal controls over financial reporting. This exemption will apply for a period of five years following the completion of our initial public offering or until we no longer meet the requirements of being an “emerging growth company,” whichever is earlier. We would cease to be an emerging growth company if we have more than \$1.07 billion in annual revenue, have more than \$700 million in market value of our common shares held by non-affiliates as of the specified testing date or issue more than \$1.0 billion of non-convertible debt over a three-year period.

Cautionary Statement Regarding Forward Looking Statements

This discussion contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions intended to identify statements about the future. These statements speak only as of the date of this discussion and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements include, without limitation, statements about the following:

- our operation as a development stage company with limited operating history and a history of operating losses; as of June 30, 2021, our accumulated deficit was €189.3 million;
- the timing, progress and results of clinical trials of vilobelimab and any other product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, the costs of such trials and our research and development programs generally;
- the timing and outcome of any discussions or submission of filings for regulatory approval of vilobelimab or any other product candidate, and the timing of and our ability to obtain and maintain regulatory approval of vilobelimab for any indication;
- our ability to leverage our proprietary anti-C5a technology to discover and develop therapies to treat complement-mediated autoimmune and inflammatory diseases;
- our ability to protect, maintain and enforce our intellectual property protection for vilobelimab and any other product candidates, and the scope of such protection;
- whether the Food and Drug Administration (FDA), European Medicines Agency (EMA) or comparable foreign regulatory authority will accept or agree with the number, design, size, conduct or implementation of our clinical trials, including any proposed primary or secondary endpoints for such trials;
- the success of our future clinical trials for vilobelimab and any other product candidates and whether such clinical results will reflect results seen in previously conducted preclinical studies and clinical trials;
- our expectations regarding the size of the patient populations for, market opportunity for and clinical utility of vilobelimab or any other product candidates, if approved for commercial use;
- our manufacturing capabilities and strategy, including the scalability and cost of our manufacturing methods and processes and the optimization of our manufacturing methods and processes, and our ability to continue to rely on our existing third-party manufacturers and our ability to engage additional third-party manufacturers for our planned future clinical trials and potentially for commercial supply of vilobelimab;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements and our needs for or ability to obtain additional financing;
- our expectations regarding the scope of any approved indication for vilobelimab;
- our ability to defend against costly and damaging liability claims resulting from the testing of our product candidates in the clinic or, if, approved, any commercial sales;

- our ability to commercialize vilobelimab or our other product candidates;
- if any of our product candidates obtain regulatory approval, our ability to comply with and satisfy ongoing obligations and continued regulatory oversight;
- our ability to comply with enacted and future legislation in seeking marketing approval and commercialization;
- our future growth and ability to compete, which depends on our retaining key personnel and recruiting additional qualified personnel;
- our competitive position and the development of and projections relating to our competitors in the development of C5a inhibitors or our industry; and
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act or a foreign private issuer;

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. You should refer to the “ITEM 3. KEY INFORMATION: - C. Risk factors” section of the Annual Report for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this discussion will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. You should, however, review the factors and risks and other information we describe in the reports we will file from time to time with the SEC after the date of this discussion.

InflaRx Reports Second Quarter 2021

Financial & Operating Results

- Severe COVID-19 trial enrollment reaches 299 patients; an independent data monitoring committee has recommended to continue the trial as planned after analyzing data from the first 180 evaluable patients
- Type A meeting request submitted to further discuss primary endpoint for the Phase III clinical development of vilobelimab in Hidradenitis Suppurativa
- First three patients dosed with vilobelimab in Phase II Cutaneous Squamous Cell Carcinoma trial
- Dr. Korinna Pilz promoted to Chief Clinical Development Officer
- Cash, cash equivalents and financial assets of approximately €127.5 million as of June 30, 2021

Jena, Germany, August 5, 2021 – InflaRx (Nasdaq: IFRX), a clinical-stage biopharmaceutical company developing anti-inflammatory therapeutics by targeting the complement system, announced today financial and operating results for the three and six months ended June 30, 2021.

“I am very pleased to announce the promotion of Dr. Korinna Pilz to Chief Clinical Development Officer. Korinna has an impressive background with more than 20 years of drug development experience in biotech and large pharma. Korinna has been instrumental in leading the development of our pipeline programs and building the internal clinical team over the past few years. Our team has been impressed by her professional excellence and we are wishing Korinna a great start in her new role.” said Prof. Niels C. Riedemann, Chief Executive Officer and Founder of InflaRx. “Our team has continued to work hard to advance the clinical development of vilobelimab in several indications, including the initiation of our first clinical trial for treating cancer patients. We are pleased that the independent data monitoring committee has recommended that the COVID-19 trial shall continue as planned. Earlier clinical results with vilobelimab in this challenging disease showed promise and suggested that C5a inhibition might be beneficial in critically ill COVID-19 patients. We look forward to the results of the Phase III trial, which is on track to read out by the end of this year. We also expect data readouts from our clinical trials in ANCA-associated Vasculitis and Pyoderma Gangraenosum by year end. With upcoming data from these trials as well as plans to meet with the FDA to discuss next steps in Hidradenitis Suppurativa, it promises to be a busy second half of 2021.”

Recent Corporate Highlights and R&D Update

Dr. Korinna Pilz promoted to Chief Clinical Development Officer

Dr. Pilz has been promoted effective August 1st, 2021, to the newly created role of Chief Clinical Development Officer. She joined InflaRx in January 2019 as Program Director Oncology and was promoted to Global Head of Clinical Research and Development in November 2019. She has 20 years' experience in NCE and NBE development in several companies, including Boehringer Ingelheim, Roche, Merck KGaA and Bayer, and as a consultant. She has vast experience in early and late-stage clinical development and has helped in gaining marketing authorizations for several products. At InflaRx, she has established and grown the clinical development group and under her leadership the group has initiated several clinical trials, including for vilobelimab in cSCC and COVID-19. Korinna is a licensed Medical Doctor and holds a Diploma in Biology from the University of Düsseldorf. She is a member of ASCO, ESMO, AACR and IASLC.

Vilobelimab for Hidradenitis Suppurativa (HS)

InflaRx has submitted a Type A meeting request to the U.S. Food and Drug Administration (FDA) for the HS program to discuss the primary endpoint in the Phase III program. InflaRx expects to hold this Type A meeting by the end of Q3.

As previously reported in 2020, InflaRx received scientific advice from the European Medicines Agency (EMA) about the European pathway for regulatory approval, including supporting the use of the International Hidradenitis Suppurativa Severity Score System (IHS4) as the primary endpoint.

Once InflaRx receives final feedback from the FDA on the proposed Phase III primary endpoint, the Company will determine the best path forward for the global development program in HS.

Vilobelimab for Severe COVID-19

The Phase III part of the global Phase II/III trial evaluating vilobelimab in mechanically ventilated patients with COVID-19 was initiated in mid-September 2020, and recruitment has reached 299 patients, with 49 sites initiated across several countries, including the United States, Russia, South Africa and countries in Europe and Latin America. An interim analysis by an independent data monitoring committee (IDMC), which took place in July and analyzed the data of the first 180 patients evaluable for 28-day mortality, led to a recommendation to continue the study as planned. Per recommendations from EMA and FDA, the option to potentially stop the study early on the basis of efficacy was removed from the interim analysis. Additional trial sites are expected to be added, including in the United States. Topline data for all 360 enrolled patients at the 28-day mortality primary endpoint are expected to be available by the end of 2021.

Vilobelimab for ANCA-associated Vasculitis (AAV)

In the US IXPLORE clinical Phase II study of IFX-1 in AAV, all patients have completed treatment. In May 2021, InflaRx reported topline data for the study, which indicated that vilobelimab, when given in addition to best standard of care, was shown to be well tolerated. Furthermore, InflaRx previously reported that both Part 1 and Part 2 of the AAV Phase II study in Europe (IXCHANGE) are fully enrolled. Data from this randomized, double-blind, placebo-controlled trial with 57 patients are expected by the end of 2021.

Vilobelimab in Cutaneous Squamous Cell Carcinoma (cSCC)

The Company recently announced that the first patient had been dosed in the open label, multicenter Phase II study evaluating vilobelimab alone and in combination with pembrolizumab in patients with PD-1 or PD-L1 inhibitor resistant/refractory locally advanced or metastatic cSCC.

The study will investigate two independent arms: vilobelimab alone and vilobelimab in combination with pembrolizumab. The main objectives of the trial are to assess antitumor activity and safety of vilobelimab monotherapy and to determine the maximum tolerated or recommended dose, safety and antitumor activity in the combination arm.

So far, a total of three patients have been enrolled in the monotherapy arm. A safety assessment after at least five weeks of treatment will determine continuation of enrollment in the monotherapy and opening of the combination arm.

Vilobelimab in Pyoderma Gangraenosum

As previously announced, the Phase IIa open label trial has reached the target enrollment goal of 18 patients with moderate to severe PG at sites in the U.S., Canada and Europe. Promising initial data from the first five patients in the study were announced in 2020. A second interim analysis, including six patients treated at the second dose group until day 99, are expected to be available by the end of Q3 2021. Final results from all patients, including the highest dose group, are expected in the first half of 2022.

Financial highlights – Q2 2021

Research and development expenses incurred for the six months ended June 30, 2021 increased over the corresponding period in 2020 by €1.6 million to €16.2 million for the six months ended June 30, 2021. This increase was primarily due to the higher expense for the phase III part of our COVID-19 trial and was driven by an overall increase in third-party expenses of €1.0 million. The €0.7 million increase in personnel expenses was mainly related to equity-settled share-based compensation.

General and administrative expenses increased by €0.8 million to €5.7 million for the six months ended June 30, 2021, from €4.9 million for the six months ended June 30, 2020. This increase is attributable to higher expenses from equity-settled share-based compensation recognized in personnel expenses. Furthermore, legal, consulting and other expenses increased by €0.1 million to €2.2 million for the six months ended June 30, 2021, from €2.1 million for the six months ended June 30, 2020.

Net financial result decreased by €0.1 million to €1.0 million for the six months ended June 30, 2021, from €1.1 million for the six months ended June 30, 2020. This decrease is mainly attributable to higher foreign exchange gains, which increased by €2.6 million and higher foreign exchange losses of €2.2 million while interest on marketable securities declined by €0.7 million. Other finance expenses for the six months ended June 30, 2021 include a €43 thousand gain from a reduction in the allowance for expected credit loss on marketable securities.

Net loss for the six months ended June 30, 2021 was €20.9 million, compared to €18.3 million for the six month ended June 30, 2020.

On June 30, 2021, the Company's total funds available were approximately €127.5 million, composed of cash and cash equivalents (€72.4 million), current and non-current financial assets and other non-current assets (€55.1 million).

Net cash used in operating activities for the six months ended June 30, increased to €18.3 million in the six months ended June 30, 2021, from €18.2 million in the six months ended June 30, 2020.

Additional information regarding these results and other relevant information is included in the notes to the unaudited Condensed Consolidated Financial Statements as of June 30, 2021, as well as the financial statements as of December 31, 2020 in “ITEM 18. Financial statements,” which is included in InflaRx’s Annual Report on Form 20-F as filed with the U.S. Securities and Exchange Commission (SEC).

InflaRx N.V. and subsidiaries
 Unaudited Condensed Consolidated Statements of Operations and
 Comprehensive Loss for the three and six months ended June 30, 2021 and 2020

(in €, except for share data)	For the three months ended June 30,		For the six months ended June 30,	
	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>	2021 <u>(unaudited)</u>	2020 <u>(unaudited)</u>
Operating Expenses				
Research and development expenses	(11,299,270)	(7,356,326)	(16,206,155)	(14,655,125)
General and administrative expenses	(2,697,839)	(2,326,895)	(5,720,177)	(4,891,698)
Total Operating Expenses	(13,997,109)	(9,683,221)	(21,926,332)	(19,546,822)
Other income	15,216	102,332	20,678	197,292
Other expenses	(279)	(3,450)	(844)	(9,170)
Operating Result	(13,982,172)	(9,584,339)	(21,906,498)	(19,358,701)
Finance income	35,622	348,321	58,584	749,756
Finance expenses	(3,050)	(3,111)	(6,734)	(5,258)
Foreign exchange result	(826,303)	(593,703)	905,367	547,974
Other financial result	(5,000)	(200,000)	43,000	(200,000)
Income Taxes	—	—	—	—
Loss for the Period	(14,780,903)	(10,032,832)	(20,906,280)	(18,266,229)
Share Information				
Weighted average number of shares outstanding	44,186,279	26,172,023	39,024,533	26,138,639
Loss per share (basic/diluted)	(0.33)	(0.38)	(0.54)	(0.70)
Loss for the Period	(14,780,903)	(10,032,832)	(20,906,280)	(18,266,229)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign currency	(1,427,302)	(1,452,973)	2,077,397	260,895
Total Comprehensive Loss	(16,208,205)	(11,485,805)	(18,828,883)	(18,005,334)

InflaRx N.V. and subsidiaries
 Unaudited Condensed Consolidated Statements of Financial Position
 as of June 30, 2021 and December 31, 2020

in €	June 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Non-current assets		
Property and equipment	334,556	408,263
Right-of-use assets	1,592,801	546,694
Intangible assets	291,969	350,183
Other assets	342,899	353,522
Financial assets	272,390	272,268
Total non-current assets	<u>2,834,615</u>	<u>1,930,930</u>
Current assets		
Current other assets	4,140,348	3,734,700
Current tax assets	852,464	1,419,490
Financial assets	54,837,260	55,162,033
Cash and cash equivalents	72,360,428	25,968,681
Total current assets	<u>132,190,500</u>	<u>86,284,904</u>
TOTAL ASSETS	<u>135,025,116</u>	<u>88,215,834</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	5,302,354	3,387,410
Share premium	280,261,994	220,289,876
Other capital reserves	28,946,783	26,259,004
Accumulated deficit	(189,251,900)	(168,345,620)
Other components of equity	(1,649,393)	(3,726,791)
Total equity	<u>123,609,838</u>	<u>77,863,880</u>
Non-current liabilities		
Lease liabilities	1,244,785	220,525
Other liabilities	33,990	33,323
Total non-current liabilities	<u>1,278,775</u>	<u>253,847</u>
Current liabilities		
Trade and other payables	8,930,859	8,258,133
Lease liabilities	360,221	338,516
Employee benefits	720,441	1,368,731
Other financial liabilities	124,982	117,727
Provisions	—	15,000
Total current liabilities	<u>10,136,503</u>	<u>10,098,107</u>
Total Liabilities	<u>11,415,278</u>	<u>10,351,954</u>
TOTAL EQUITY AND LIABILITIES	<u>135,025,116</u>	<u>88,215,834</u>

InflaRx N.V. and subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2021 and 2020

(in €, except for share data)	<u>Issue capital</u>	<u>Share premium</u>	<u>Other capital reserves</u>	<u>Accumulated deficit</u>	<u>Other Components of equity</u>	<u>Total equity</u>
Balance as of January 1, 2021	3,387,410	220,289,876	26,259,004	(168,345,620)	(3,726,790)	77,863,880
Loss for the period	—	—	—	(20,906,280)	—	(20,906,280)
Exchange differences on translation of foreign currency	—	—	—	—	2,077,397	2,077,397
Total comprehensive loss	—	—	—	(20,906,280)	2,077,397	(18,828,883)
Issue of ordinary shares	1,873,203	63,269,346	—	—	—	65,142,549
Transaction costs	—	(4,219,222)	—	—	—	(4,219,222)
Equity-settled share-based payment	—	—	2,687,779	—	—	2,687,779
Share options exercised	41,741	921,994	—	—	—	963,735
Balance as of June 30, 2021	<u>5,302,354</u>	<u>280,261,994</u>	<u>28,946,783</u>	<u>(189,251,900)</u>	<u>(1,649,393)</u>	<u>123,609,838</u>
Balance as of January 1, 2020	<u>3,132,631</u>	<u>211,006,606</u>	<u>25,142,213</u>	<u>(134,362,006)</u>	<u>2,227,228</u>	<u>107,146,673</u>
Loss for the period	—	—	—	(18,266,229)	—	(18,266,229)
Exchange differences on translation of foreign currency	—	—	—	—	260,895	260,895
Total comprehensive loss	—	—	—	(18,266,229)	260,895	(18,005,334)
Equity-settled share-based payment	—	—	1,484,972	—	—	1,484,972
Share options exercised	19,797	477,149	—	—	—	496,946
Balance as of June 30, 2020	<u>3,152,427</u>	<u>211,483,756</u>	<u>26,627,185</u>	<u>(152,628,234)</u>	<u>2,488,124</u>	<u>91,123,258</u>

in €	For the six months ended June 30, 2021 <u>(unaudited)</u>	For the six months ended June 30, 2020 <u>(unaudited)</u>
Operating activities		
Loss for the period	(20,906,280)	(18,266,229)
Adjustments for:		
Depreciation & amortization of property and equipment, right-of-use assets and intangible assets	337,581	353,976
Net financial result	(1,000,217)	(1,092,472)
Share-based payment expense	2,687,779	1,484,972
Net foreign exchange differences	71,050	(789,528)
Other non-cash adjustments	—	
Changes in:		
Other assets	172,001	560,449
Employee benefits	(662,388)	(122,411)
Other liabilities	7,020	341,012
Trade and other payables	672,727	(1,783,200)
Interest received	371,665	1,096,651
Interest paid	(5,491)	(5,455)
Net cash used in operating activities	<u>(18,254,553)</u>	<u>(18,222,235)</u>
Investing activities		
Purchase of intangible assets, property and equipment	(18,734)	(35,107)
Purchase of current financial assets	(27,535,842)	(59,196,096)
Proceeds from the maturity of financial assets	29,497,122	79,504,059
Net cash from investing activities	<u>1,942,546</u>	<u>20,272,857</u>
Financing activities		
Proceeds from issuance of common shares	65,142,549	—
Transaction costs from issuance of common shares	(4,219,222)	—
Proceeds from exercise of share options	963,735	496,946
Repayment of lease liabilities	(183,128)	(183,970)
Net cash from financing activities	<u>61,703,934</u>	<u>312,976</u>
Net increase in cash and cash equivalents	45,391,927	2,363,597
Effect of exchange rate changes on cash and cash equivalents	999,820	903,700
Cash and cash equivalents at beginning of period	<u>25,968,681</u>	<u>33,131,280</u>
Cash and cash equivalents at end of period	<u>72,360,428</u>	<u>36,398,578</u>

About vilobelimab (IFX-1):

Vilobelimab is a first-in-class monoclonal anti-human complement factor C5a antibody, which highly and effectively blocks the biological activity of C5a and demonstrates high selectivity towards its target in human blood. As a result, vilobelimab leaves the formation of the membrane attack complex (C5b-9) intact as an important defense mechanism, which is not the case for molecules blocking the cleavage of C5. Vilobelimab has been demonstrated to control the inflammatory response driven tissue and organ damage by specifically blocking C5a as a key “amplifier” of this response in pre-clinical studies. Vilobelimab is believed to be the first monoclonal anti-C5a antibody introduced into clinical development. Approximately 300 people have been treated with vilobelimab in clinical trials and the antibody has been shown to be well tolerated. Vilobelimab is currently being developed for various indications, including Hidradenitis Suppurativa, ANCA-associated vasculitis, Pyoderma Gangraenosum as well as COVID-19 pneumonia and Cutaneous Squamous Cell Carcinoma.

About InflaRx N.V.:

InflaRx (Nasdaq: IFRX) is a clinical-stage biopharmaceutical company focused on applying its proprietary anti-C5a technology to discover and develop first-in-class, potent and specific inhibitors of C5a. Complement C5a is a powerful inflammatory mediator involved in the progression of a wide variety of autoimmune and other inflammatory diseases. InflaRx was founded in 2007, and the group has offices and subsidiaries in Jena and Munich, Germany, as well as Ann Arbor, MI, USA. For further information please visit www.inflarx.com.

Contacts:

InflaRx N.V.
Jordan Zwick – Chief Strategy Officer
Email: IR@inflarx.de
Tel: +1 917-338-6523

MC Services AG
Katja Arnold, Laurie Doyle, Andreas Jungfer
Email: inflarx@mc-services.eu
Europe: +49 89-210 2280
US: +1-339-832-0752

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements, which are often indicated by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “believe,” “estimate,” “predict,” “potential” or “continue” and similar expressions. Forward-looking statements appear in a number of places throughout this release and may include statements regarding our intentions, beliefs, projections, outlook, analyses and current expectations concerning, among other things, our ongoing and planned preclinical development and clinical trials; the impact of the COVID-19 pandemic on the Company; the timing and our ability to commence and conduct clinical trials; potential results from current or potential future collaborations; our ability to make regulatory filings, obtain positive guidance from regulators, and obtain and maintain regulatory approvals for our product candidates; our intellectual property position; our ability to develop commercial functions; expectations regarding clinical trial data; our results of operations, cash needs, financial condition, liquidity, prospects, future transactions, growth and strategies; the industry in which we operate; the trends that may affect the industry or us and the risks uncertainties and other factors described under the heading “Risk Factors” in InflaRx’s periodic filings with the Securities and Exchange Commission. These statements speak only as of the date of this press release and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements, and we assume no obligation to update these forward-looking statements, even if new information becomes available in the future, except as required by law.
