FARON

LEADING THE WAY IN **BREAKTHROUGH IMMUNOTHERAPIES**

ANNUAL REPORT

2025

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BUSINESS REVIEW

Faron Pharmaceuticals in brief

Faron (AIM: FARN, First North: FARON) is a global, clinical-stage biopharmaceutical company, focused on tackling cancers via novel immunotherapies. Its mission is to bring the promise of immunotherapy to a broader population by uncovering novel ways to control and harness the power of the immune system. The company's lead asset is *bexmarilimab*, Faron's wholly owned, investigational immunotherapy designed to overcome resistance to existing treatments and optimise clinical outcomes by targeting myeloid cell function and igniting the immune system.

Bexmarilimab is being investigated in Phase II clinical trials as a potential therapy for patients with hematological cancers in combination with other standard treatments. Faron is also progressing to investigate *bexmarilimab* in combination with anti-PD-1 therapy in selected advanced solid tumors. Faron is headquartered in Turku, Finland.

For further information on Faron's progress, development programs and pipeline, please visit Faron´s website **www.faron.com**

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In 2025, we continued to make steady progress in advancing our lead asset *bexmarilimab* and solidifying our position in the field of immunotherapy. Throughout the year, we achieved significant clinical and regulatory milestones and presented continuously improving data from the BEXMAB trial in higher-risk myelodysplastic syndrome (HR MDS), demonstrating the potential of *bexmarilimab* to overcome treatment resistance in areas of high unmet need.”

Dr. Juho Jalkanen
Chief Executive Officer

Highlights 2025

Operational highlights

Hematological cancers in combination with standard of care (SoC) – BEXMAB

Q1

31 JANUARY 2025

Faron announced that the final patient had been identified for the BEXMAB phase II dose optimisation study in r/r MDS, as well as the BEXMAB phase I/II study in frontline HR MDS.

27 FEBRUARY 2025

Faron received a positive opinion on orphan drug designation for *bexmarilimab* for the treatment of MDS by EMA, and on 3 March 2025, also the FDA granted an orphan drug designation for *bexmarilimab* in MDS.

27 MARCH 2025

Faron announced the acceptance of *bexmarilimab* data for an oral presentation at the 2025 Annual MDS Foundation Congress. Additionally, on 24 April 2025, Faron announced the acceptance of *bexmarilimab* phase II data for an oral presentation at ASCO 2025, and on 15 May 2025, the acceptance for an oral presentation at the EHA 2025 Congress.

Q2

30 MAY 2025

Faron announced the publication of full phase I BEXMAB data in the prestigious Lancet Haematology, demonstrating promising clinical activity and tolerability of *bexmarilimab* plus standard-of-care in high-risk and HMA-refractory MDS patients. Additionally, a study published in the Journal for ImmunoTherapy of Cancer revealed how the tumour microenvironment shapes the response to *bexmarilimab* and identified a gene signature that can predict sensitivity to treatment. Furthermore, new preclinical data published in Scientific Reports confirmed that *bexmarilimab* increases antigen presentation and overcomes resistance to standard-of-care drugs in myeloid malignancies.

2 JUNE 2025

Faron presented phase II data from the BEXMAB Study at ASCO 2025 congress. Response rates and survival data in frontline HR MDS and r/r MDS support advancement to phase III trial in frontline MDS:

- mOS of 13.4 months in 32 r/r MDS patients treated with *bexmarilimab* + azacitidine.
- ORR of 63% and 72% observed in patients with r/r MDS (n=32) and frontline MDS patients (n=18), respectively 56% composite CR (cCR) rate in frontline MDS per the new IWG 2023 criteria.
- 72% of frontline or treatment-naïve MDS patients showed >50% reduction and 56% showed 100% reduction of bone marrow blasts with the combination.
- The treatment was also very well-tolerated in this otherwise frail population with severe anaemia, infections, hospitalisations and need for transfusions.

12 JUNE 2025

Faron presented updated phase II data from the BEXMAB Study at EHA 2025 congress showing strong efficacy and survival outcomes *bexmarilimab* in high-risk MDS:

- mOS of 13.4 months in r/r HR-MDS patients (n=32) treated with *bexmarilimab* + azacitidine; mOS of 9.3 months in TP53 mutated patients (n=13).
- ORR of 85% and cCR of 50% in patients with frontline MDS (n=20).
- Deep bone marrow responses demonstrated at all dose levels in frontline MDS.

Q3

18 AUGUST 2025

Faron announced positive results of the EOP2 meeting held with the FDA confirming the accelerated approval pathway for frontline patients with CR + CReq. The FDA supported an adaptive phase II/III design with randomised dose-optimization. On the basis of the EOP2 FDA meeting feedback, Faron started planning an adaptive, randomised, placebo-controlled, double-blinded phase II/III trial in treatment-naïve HR-MDS with a trial start targeted for the second half of 2026. This trial may bring accelerated and full approval for the entire HR MDS population, and the FDA adviced focusing on frontline development with no expectation for a separate r/r MDS program.

Q4

20 OCTOBER 2025

Faron presented updated BEXMAB phase I/II data at ESMO 2025, showing further improvement, strengthening the clinical profile of *bexmarilimab* in treatment-naïve HR-MDS patients with an 85% ORR and a 45% CR rate, bolstered by pharmacodynamic insights.

3 NOVEMBER 2025

Faron announced the official completion of patient enrolment in its BEXMAB phase 2 trial. This planned milestone is a direct result of the trial successfully meeting all of its primary endpoints for the selected indications as per protocol, and subsequently receiving positive, constructive feedback from the U.S. Food and Drug Administration (FDA) on the registrational path forward.

8 DECEMBER 2025

Faron presented updated BEXMAB data at ASH 2025, demonstrating deep and durable responses in HR-MDS with a favourable safety profile:

- Median overall survival (mOS) with *bexmarilimab* and azacitidine in relapsed/refractory (r/r) HR-MDS patients reached 14.5 months (increased from 13.4 months observed earlier), a significant improvement in a population with historically poor survival of only 5–6 months.
- In treatment-naïve patients with HR-MDS and TP53 mutation, the combination achieved a remarkable 70% complete remission (CR) rate.
- Deep responses allowed 50% of treatment-naïve TP53-mutated patients and 21% of r/r TP53-mutated patients to proceed to stem cell transplant (SCT).
- For the first time, data shows 57% of frontline patients who were transfusion-dependent at baseline achieved transfusion independence, confirming restoration of healthy bone marrow function.

Corporate highlights

Q1

21 MARCH 2025

Faron's Annual General Meeting re-elected Tuomo Pätsi, Markku Jalkanen, John Poulos, Marie-Louise Fjällskog and Christine Roth as members of the Board of Directors and elected Juho Jalkanen and Colin Bond as new members. In the Board meeting following the AGM, Tuomo Pätsi was elected as the Chair of the Board.

Q2

21 MAY 2025

Faron announced the appointment of Ralph Hughes as the new Chief Business Officer and as part of the Management Team and Business Development Committee. Mr. Hughes has extensive experience in commercial due diligence, market access and business development processes through his various roles in the pharmaceutical industry. Prior to joining Faron, Mr. Hughes worked as Senior Vice President at PharmaVentures, serving multiple clients with expertise in Commercial Strategy, Business Development and Market Access.

Q3

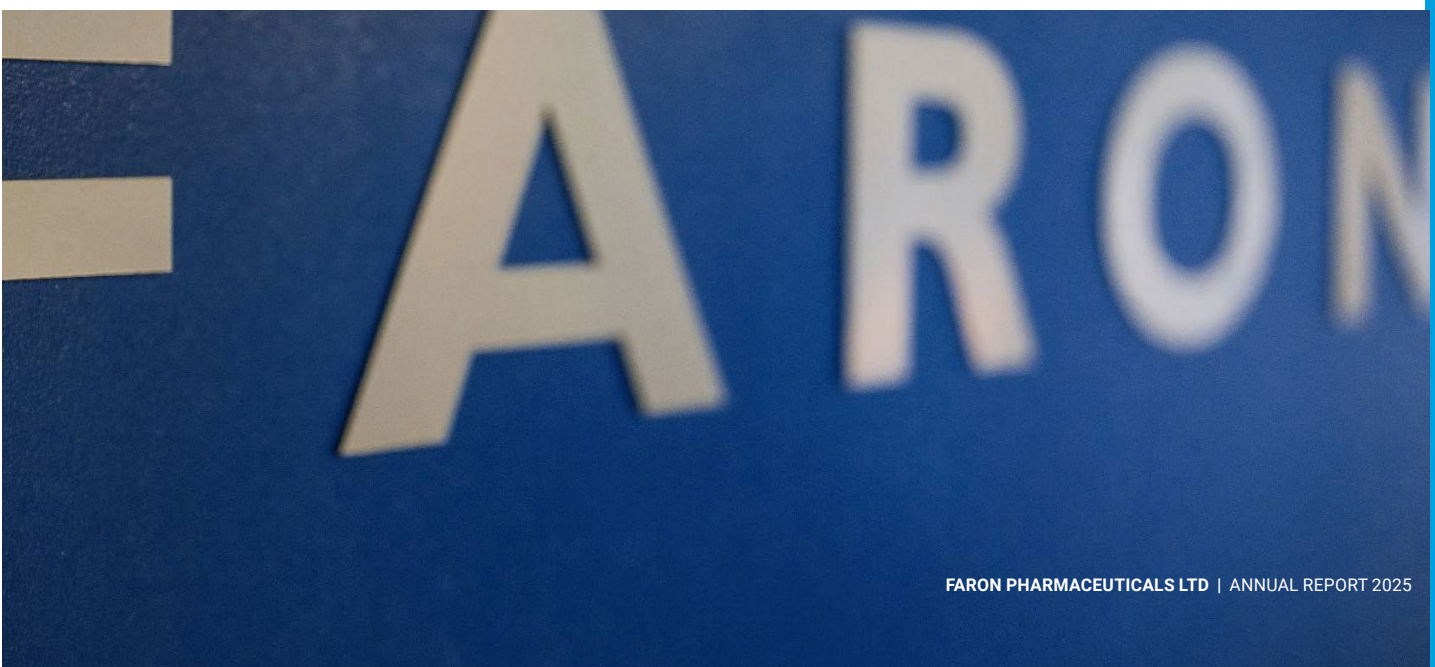
8 AUGUST 2025

Faron announced that it has been granted a new patent for treatment of Clever-1 positive cancers with *bexmarilimab* and related structures in the USA. This extends key patent rights around *bexmarilimab* from an initial 2037 to 2040 in the USA.

Q4

1 DECEMBER 2025

Faron announced the appointment of Jurriaan Dekkers as the company's Chief Financial Officer and as part of the Management Team and Audit Committee. Mr. Dekkers brings more than 20 years of experience in biopharma and healthcare companies. Most recently, he has been the CFO at ProQR Therapeutics, a biotechnology company developing RNA therapies for severe unmet medical needs. Prior to that, he served as CFO of AstraZeneca in the Netherlands and CEO of Acerta Pharma (part of the AstraZeneca Group).



Financial highlights

Q1

6 FEBRUARY 2025

Faron concluded an oversubscribed private placement directed to a limited number of institutional and other investors raising EUR 12.0 million.

Q2

3 APRIL 2025

Faron entered into a convertible bond arrangement for up to EUR 35 million with an entity managed by Heights Capital Management, Inc. (HCM), and resolved to issue amortising unsecured convertible bonds with an aggregated principal amount of EUR 15 million with an option to issue, subject to certain conditions, two additional tranches of similar convertible bonds, each with a principal amount of EUR 10 million. The arrangement was mainly used to finance early repayment in full of the company's outstanding senior secured loan pursuant to the facilities agreement entered with IPF Fund II SCA, SICAV-FIAR and strengthen its financial position, while increasing its financial flexibility with fewer restrictive financial commitments.

Q4

24 NOVEMBER 2025

Faron announced that its Board of Directors intends to issue the second tranche of the convertible bonds. The company delivered a request notice to HCM as the initial subscriber, requesting subscription by HCM of the second tranche bonds in an aggregated principal amount of EUR 10 million. Pursuant to the subscription agreement, the Board of Directors of Faron resolved on 11 December 2025 upon the issuance of EUR 10 million of second tranche Bonds, due 2 December 2028, to HCM, convertible into new and/or existing shares in the company.

31 DECEMBER 2025

Faron held cash balances of

12.3 million euros

(2024: 9.5 million euros)

Loss for the financial year ended 31 December 2025 was

-27.3 million euros

(2024: -25,9 million euros)

Net assets were

-18.5 million euros

(2024: -9.8 million euros)

Subsequent events

Full details of subsequent events occurring after the reporting period are provided in the Financial Statements section on page 53. These include the amortisations of the Heights Capital Management convertible bond completed in January and February 2026, as well as the EGM Notice and proposed offering published on 9 February 2026.

Key figures

CONSOLIDATED KEY FIGURES, IFRS

€'000	Unaudited 7–12/2025 months	Unaudited 7–12/2024 months	1–12/2025 12 months	1–12/2024 12 months
Other operating income	1,308	0	1,308	0
Research and Development expenses	(5,540)	(5,082)	(12,655)	(11,744)
General and Administrative expenses	(2,818)	(2,301)	(7,612)	(6,929)
Operative loss for the period	(7,050)	(7,383)	(18,959)	(18,673)
Loss per share, EUR	(0.07)	(0.11)	(0.24)	(0.29)
Number of shares at end of period	114,420,465	104,624,864	114,420,465	104,624,864
Average number of shares	112,574,382	104,624,864	111,718,219	88,518,654

€'000	Unaudited 30 Jun 2025	Unaudited 30 Jun 2024	31 Dec 2025	31 Dec 2024
Cash and cash equivalents	13,532	29,979	12,317	9,503
Equity	(16,246)	1,379	(18,507)	(9,762)
Balance sheet total	16,204	35,460	17,172	12,521

KEY FIGURES 2025

12.3 million euros
Cash & Cash Equivalents

12.7 million euros
R&D Investment

17.2 million euros
Balance Sheet Total

114.4 million
Number of Shares

Chairman's Statement

Faron continued to make exceptional progress in 2025. The clinical development of *bexmarilimab* advanced as planned with several updates reported during the year.

For both the r/r and first-line MDS patient populations, the data continued to strengthen with longer follow-up, further validating the potential of our lead asset. With the support of key opinion leaders and physicians, we were privileged to bring these results to the most important scientific forums in the world. As we also consistently progressed on the regulatory front, we have now reached a position where *bexmarilimab* is widely recognised in the global oncology community and the biotech industry. Most importantly, physicians are eagerly anticipating the opportunity to provide this new immunotherapy to patients.

The financial landscape for biotechnology companies remained challenging. Despite these conditions, we successfully secured more than EUR 45 million in additional funding through an oversubscribed private placement in February and a convertible bond arrangement in April. This funding is critical in supporting our clinical progress and our ambition to advance *bexmarilimab* to the registrational phase in MDS.

Discussions with potential commercialisation partners are ongoing and remain a central focus for the Board and management. We believe that the robust clinical evidence and growing recognition of *bexmarilimab* place us in a materially stronger position in these discussions than ever before.

> I want to thank the physicians, patients and all other stakeholders who have supported our clinical progress."

These discussions are supported by the strengthened expertise in our Board and Management Team. In March, we appointed Mr. Colin Bond to the Board and as the Chair of the Audit Committee. He has brought a wealth of international financial expertise to Faron. In May, we appointed Mr. Ralph Hughes as Chief Business Officer. His contribution has already been significant across the organisation. In December, we appointed Mr. Jurriaan Dekkers as the new CFO after Mr. Yrjö Wichmann's retirement. I warmly thank Yrjö for his essential part in Faron's history, and excitedly welcome Jurriaan to the team.

Above all, I extend my gratitude to our team and the resilience it has continued to show. Despite our small size, we have been able to deliver compelling clinical evidence in MDS, advance the programme also in solid tumours, meet stringent CMC and quality requirements, maintain positive interaction with regulatory authorities and progress demanding commercial discussions. I continue to be impressed by each individual in our team.

On behalf of the whole Board, I also want to thank the physicians, patients and all other stakeholders who have supported our clinical progress. Finally, I thank our shareholders for their continued patience and long-term commitment, which I firmly believe will be rewarded in due course.

Tuomo Pätsi
Chairman

3 March 2026

Chief Executive Officer's Review

I could not be prouder of our team and their accomplishments during the year. At the same time, I look ahead to 2026 with great anticipation and optimism.

In 2025, we continued to make steady progress in advancing our lead asset *bexmarilimab* and solidifying our leading position in macrophage based immunotherapy. Throughout the year, we achieved significant clinical and regulatory milestones and presented continuously improving data from the BEXMAB trial in higher-risk myelodysplastic syndrome (HR MDS), demonstrating the potential of *bexmarilimab* to overcome treatment resistance in areas of high unmet need.

INCREASINGLY CONVINCING DATA FROM THE *BEXMARILIMAB* PROGRAM

In January 2025, we identified the final patient for the BEXMAB phase II trial in relapsed/refractory (r/r) MDS, as well as the phase I/II study in frontline HR MDS. Consequently, we were able to announce the topline response rate read-out in April. The read-out confirmed earlier positive findings in both frontline and r/r MDS, showing a high overall response rate (ORR) and median overall survival. We were honoured to present these results at the ASCO Annual Meeting 2025 in June.

While April's data set was already one of the strongest ever seen in treatment-resistant MDS, the data only continued to improve as the year progressed. In June, we presented updated phase II data at the EHA 2025 Congress. In October, we presented new data at ESMO 2025, highlighting *bexmarilimab's* ability to modulate the bone marrow microenvironment and clear complex cytogenetics even in low blast count patients, further strengthening the clinical profile of *bexmarilimab* in HR MDS. Finally, in December, we presented BEXMAB data at ASH 2025, showing deep and durable responses in treatment-naïve HR MDS.

> "The acceptance of our results for oral presentations at these prestigious events reflects the scientific progress and interest we have been able to generate toward *bexmarilimab*."

The acceptance of our results for oral presentations at these prestigious events reflects the scientific progress and interest we have been able to generate toward *bexmarilimab*. This continued momentum reinforces our conviction that *bexmarilimab* holds real promise as a much-needed therapeutic option for patients with HR MDS.

POSITIVE INTERACTION WITH REGULATORY AUTHORITIES

Our clinical results supported ongoing constructive and pivotal discussions with regulatory authorities throughout the year.

In early spring, both the European Medicines Agency (EMA) and U.S. Food and Drug Administration (FDA) granted us Orphan Drug Designation for *bexmarilimab* for the treatment of MDS. These designations provide important regulatory guidance and protocol assistance for the development process. In addition, the designations offer market exclusivity after receiving marketing approval.

As the BEXMAB phase II trial progressed as planned, we also focused on taking the data to the FDA and to fine tune the registrational approach. This interaction culminated in August, as we announced the feedback from the end-of-phase-II meeting. We were extremely encouraged by the collaborative and highly productive dialogue with the FDA, which provided a clear and actionable path for a registrational Phase II/III study of *bexmarilimab* in frontline HR MDS. Based on these discussions and the clinical data produced during the year, we are now ready to advance *bexmarilimab* to the next stages of development.

However, based on competitor's past failures of Phase III trial in HR MDS, namely the VERONA trial, as well as comprehensive discussions with pharma partner candidates, physicians and regulatory experts, we believe that the best way to secure a positive Phase III and approval of *bexmarilimab* is to run the Phase II part separately and not seamlessly from the Phase III, i.e. to un-blind and thoroughly analyse the result after phase II part to then make the

final adjustments to the confirmatory Phase III. For us the most important thing is the get this trial right as the MDS field cannot take another failed trial. This altered approach also offers Faron's shareholders a new considerable value inflection point, which we are truly excited about.

COMBINATION POTENTIAL WITH SOLID TUMOURS

In addition to the considerable progress of *bexmarilimab* in HR MDS, we keep advancing our research in solid tumours. In May, two articles were published in the Journal for ImmunoTherapy of Cancer, highlighting the significance of CLEVER-1 in solid tumours and deepening our understanding of the tumour microenvironment's influence. These results contribute to the design of future solid tumour trials.

We are already in the process of planning with certain recognized hospitals several proof-of-concept investigator initiated trials (IITs) in solid tumours – FINPROVE, BLAZE, BEXAR. These trials are designed to evaluate *bexmarilimab's* potential in the treatment of diseases such as breast cancer, lung cancer, melanoma and sarcoma. It is important to note that these trials are investigator initiated trials (IITs), requiring minimal financial investment from Faron. In 2026, we are excited to support and advance these IITs and demonstrate *bexmarilimab's* ability to overcome treatment resistance in new indications.

IMPORTANT CHOICES AHEAD IN 2026

I could not be prouder of our team and their accomplishments during the year. At the same time, I look ahead to 2026 with great anticipation and optimism. We begin the year with two main themes: advancing *bexmarilimab's* development in HR MDS and demonstrating that our lead asset is also suitable in other indications, especially in solid tumours. In HR MDS, we have already generated some of the best clinical data ever seen. We have adapted our clinical program to hopefully overcome all existing challenges in this space to eventually secure a positive Phase III and the long-awaited approval of a new drug for the treatment of HR MDS, subject to of course positive results.

In the broader market context, we believe that the pharmaceutical sector is poised for a resurgence. Major pharma companies are facing a patent cliff, threatening to put a significant portion of their revenues at risk through 2030. As some key patents expire, these companies face intense pressure to find new blockbuster assets. This is why it is so important for us to keep advancing *bexmarilimab* across several indications. A main theme for 2026 is to show that *bexmarilimab* is not just a drug for MDS.

As we have communicated before, we are constantly engaged in in-depth commercial discussions. I remain confident that we will find the right solution when the time is right.

The fundamentals concerning the business are solid and industry trends are in our favor: 1) bexmarilimab is one of the most advanced novel agent in development for HR MDS with some of the best efficacy and safety ever seen, 2) there is a profound need for new treatments in HR MDS, 3) commercial pharma companies are in need of new well selling drug candidates to overcome their patent cliffs, 4) further considerable value creation potential in solid tumors. Our time will come.

Dr. Juho Jalkanen
Chief Executive Officer

3 March 2026

> In 2026, we are excited to advance these trials and demonstrate *bexmarilimab's* ability to overcome treatment resistance in new indications."

Our pipeline

BUILDING THE FUTURE OF IMMUNOTHERAPY

Bexmarilimab is Faron's wholly owned, investigational immunotherapy designed to overcome resistance to existing treatments and improve clinical outcomes, by targeting myeloid cell function in the microenvironment and igniting the immune system against cancer. *Bexmarilimab*, a first-in-class, humanised monoclonal antibody that binds to Clever-1, an immunosuppressive receptor found on macrophages leading to growth and metastases, and a novel immune checkpoint target for drug development. With a focus on hematological malignancies and solid tumors, our ambition is to bring the promise of immunotherapy to a broader population.

COMPANY PIPELINE, INCLUDING THE IITS

TREATMENT	INDICATION(S)	PHASE OF DEVELOPMENT	ANTICIPATED KEY MILESTONES
		Preclinical / Phase I / Phase II / Phase III	
***Bexmarilimab* + Azacitidine**	**First line MDS**	BEXMAB-02	**Phase II/III preparations with focus on first line MDS to begin**
Bexmarilimab + SoC	r/r MDS + First line MDS and AML	BEXMAB	
Bexmarilimab + anti PD-1	PD-1 resistant NSCLC and melanoma	BLAZE IIT	First-patient-in expected in H1/2026
Bexmarilimab + doxorubicin	Soft tissue sarcomas	BEXAR IIT	First-patient-in expected in H1/2026
Bexmarilimab + Nab-paclitaxel	Clever-1 positive breast cancer	FINPROVE IIT	First-patient-in expected in H1/2026

"In addition to the considerable progress of *bexmarilimab* in HR MDS, we keep advancing research in solid tumours."

Bexmarilimab - our lead asset

THE TARGET AND PROGRAMME

Bexmarilimab is Faron's wholly owned, investigational precision immunotherapy. Tumor-associated macrophages (TAM) are considered a key source of resistance to current standard of care. *Bexmarilimab* is a novel humanised anti-CLEVER-1 antibody, that targets a subpopulation of TAMs, and converts the highly immunosuppressive M2-like macrophages to a more pro-inflammatory state to promote immune activation. *Bexmarilimab* has been shown to successfully alter the scavenging functions of CLEVER-1 in macrophages, which leads to increased antigen presentation and promotion of interferon gamma secretion by leukocytes in solid tumors. Additional preclinical studies have proven that CLEVER-1, encoded by the Stabilin-1 or STAB-1 gene, is a major source of T cell exhaustion and involved in cancer growth and spread. By blocking CLEVER-1 the efficacy of immunotherapies could be enhanced in otherwise non-responsive tumor types.

Observations from clinical studies to date indicate that CLEVER-1 has the capacity to control T cell activation directly. This suggests the inactivation of CLEVER-1 as an immune suppressive molecule could be more important than previously thought. Certain blood cancer cells express widely cell surface CLEVER-1, which may limit the body's ability to mount an immune response, and research has shown a clear survival benefit among certain blood cancer patients with low CLEVER-1 expression. As a first-in-class immuno-oncology therapy, *bexmarilimab* is designed to downregulate CLEVER-1 expression, thereby increasing antigen presentation and allowing the immune system to better identify and kill cancer cells. This could result in a deeper and more durable clinical benefit compared to what most patients experience with currently approved treatments.

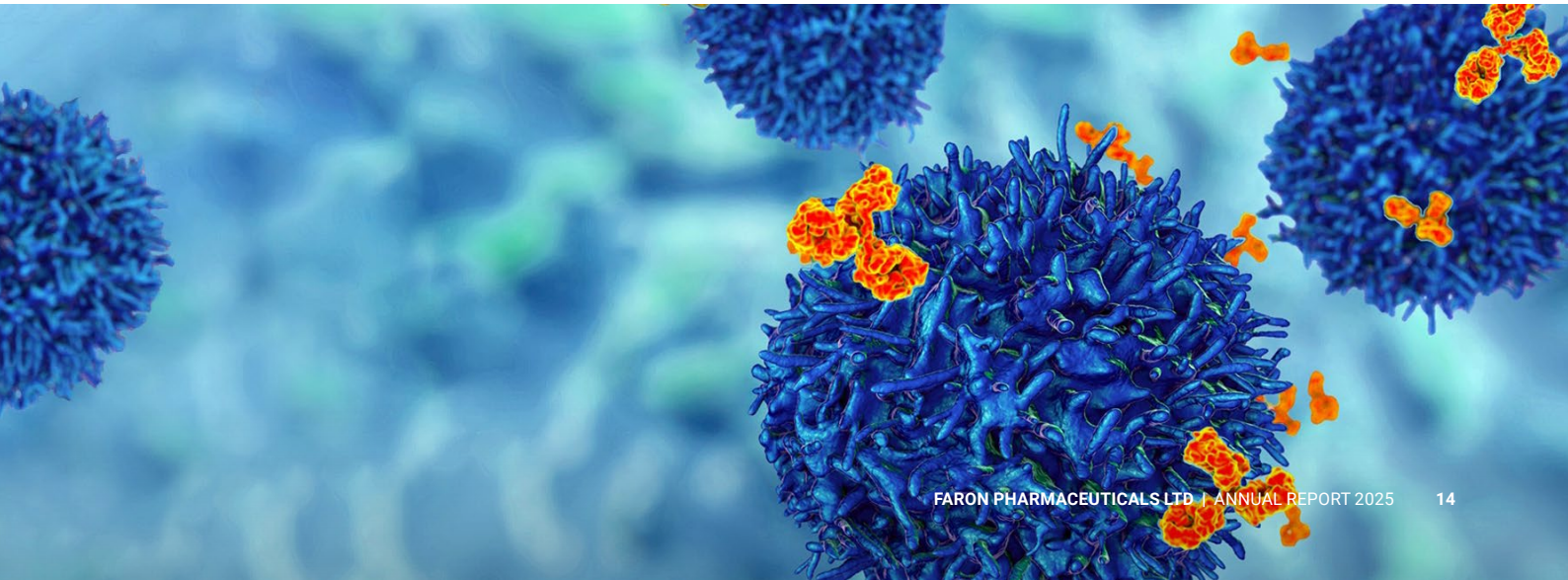
CLINICAL DEVELOPMENT

Bexmarilimab is currently being studied in combination with standard of care in patients with treatment-naïve as well as hypomethylating agents (HMAs)-refractory or -relapsed high risk myelodysplastic syndrome (HR-MDS), an aggressive myeloid leukemia with very few treatment options. The company is also exploring the immunotherapy's potential in solid tumors.

HEMATOLOGICAL CANCER WITH STANDARD OF CARE (SOC) - BEXMAB

Faron's current priority is its Phase II BEXMAB trial, investigating the safety, tolerability and efficacy of *bexmarilimab* in combination with standard of care therapies, azacitidine and other hypomethylating agents in relapsed/refractory myelodysplastic syndromes (MDS) and relapsed/refractory acute myeloid leukemia (AML) and chronic myelomonocytic leukemia (CMML). In 2025, Faron achieved significant progress with its lead asset in hematological malignancies:

- On 31 January 2025, Faron announced that the final patient has been identified for the BEXMAB phase II dose optimization study in r/r MDS, as well as the BEXMAB phase I/II study in frontline HR MDS.
- On 27 February 2025, Faron received a positive opinion on orphan drug designation for *bexmarilimab* for the treatment of HR MDS by EMA, and on 3 March 2025, also the FDA granted an orphan drug designation for *bexmarilimab* in HR MDS.



- On 27 March 2025, Faron announced the acceptance of *bexmarilimab* data for an oral presentation at the 2025 Annual MDS Foundation Congress. Additionally, on 24 April, Faron announced the acceptance of *bexmarilimab* phase II data for an oral presentation at ASCO 2025, and on 15 May 2025, the acceptance for an oral presentation at the EHA 2025 Congress.

- On 30 May 2025, Faron announced the publication of full phase I BEXMAB data in the prestigious Lancet Haematology, demonstrating clinical activity and excellent tolerability of *bexmarilimab* plus standard-of-care in HR-MDS patients. Additionally, a study published in the Journal for ImmunoTherapy of Cancer revealed how the tumor microenvironment shapes the response to *bexmarilimab* and identified a gene signature that can predict solid tumor sensitivity to treatment. Furthermore, new preclinical data published in Scientific Reports confirmed that *bexmarilimab* increases antigen presentation and overcomes resistance to standard-of-care drugs in myeloid malignancies.

- On 2 June 2025, for the first time Faron presented phase II data from BEXMAB Study at ASCO 2025 congress. Response rates and survival data in frontline HR MDS and r/r MDS:
  - mOS of 13.4 months in 32 r/r MDS patients treated with *bexmarilimab* + azacitidine
  - ORR of 63% and 72% observed in patients with r/r MDS (n=32) and frontline MDS patients (n=18), respectively 28% CR rate per IWG 2006 criteria and 56% composite CR (cCR) rate in frontline MDS per the new IWG 2023 criteria.
  - 72% of frontline or treatment-naïve MDS patients showed >50% reduction and 56% showed 100% reduction of bone marrow blasts with the combination
  - The treatment was also very well-tolerated in this otherwise frail population with severe anemia, infections, hospitalizations and need for transfusions

- On 12 June 2025, Faron presented updated phase II data from BEXMAB Study at EHA 2025 congress showing increasing response rate in frontline HR MDS and modulation of the bone marrow microenvironment:
  - ORR of 85% and cCR of 50% in patients with frontline MDS (n=20)
  - Deep bone marrow responses demonstrated at all dose levels in frontline MDS

- On 18 August 2025, Faron announced positive results of the EOP2 meeting held with the FDA confirming the accelerated approval pathway for frontline patients with CR + CReq. The FDA supported an adaptive phase II/III design with randomized dose-optimization of 1mg/kg and 3mg/kg against placebo.The FDA advice focused on frontline development with no expectation for a separate r/r MDS program as the remaining question to be answered is what is the contribution of each agent in this combination of Bex+Aza, and it is best answered in the frontline setting comparing Bex+Aza to Placebo+Aza. Running this trial in r/r MDS is un-feasible as it is considered un-ethical to give an Aza-failed patients single agent Aza again.

  On the basis of the EOP2 FDA meeting feedback, Faron started preparations for a Phase II/III frontline HR MDS study and discussing it widely with pharma partners, regulatory experts and key opinion leaders in the field.

- On 20 October 2025 Faron announced further improved BEXMAB Phase I/II data, which was presented at ESMO 2025:
  - *Bexmarilimab* and azacitidine combination resulted in an 85% objective response rate (ORR; 17/20 evaluable patients) and a 45% complete remission (CR) rate (9/20) in treatment-naïve patients with higher-risk myelodysplastic syndrome (HR-MDS) per IWG 2006
  - 55% (11/20) of treatment-naïve patients with HR-MDS showed full clearance of bone marrow (BM) blasts
  - Deeper BM target engagement in treatment-naïve patients with <5% bone marrow blasts at baseline translated to 100% ORR, one of the best results ever reported in this patient population

- On 8 December 2025, Faron presented again updated data in an oral presentation at ASH 2025:
  - Median overall survival (mOS) with *bexmarilimab* and azacitidine in relapsed/refractory (r/r) HR-MDS patients reached 14.5 months (increased from 13.4 months observed earlier), a significant improvement in a population with historically poor survival of only 5-6 months
  - 45% complete remission (CR) rate in treatment-naïve patients with higher-risk myelodysplastic syndrome (HR-MDS and median duration of response in CR patients 12.1 months
  - In treatment-naïve patients with HR-MDS and TP53 mutation, the combination achieved a remarkable 70% complete remission (CR) rate with a duration of 10.2 months. Survival usually for this population is as low as 8-9 months
  - Deep responses allowed 50% of treatment-naïve TP53-mutated patients and 21% of r/r TP53-mutated patients to proceed to stem cell transplant (SCT)
  - For the first time, data shows 57% of frontline patients who were transfusion--dependent at baseline achieved transfusion independence, confirming restoration of healthy bone marrow function

COMBINATION POTENTIAL WITH SOLID TUMOURS – AND FURTHER EXPANSION

In May 2025, two articles were published in the Journal for ImmunoTherapy of Cancer highlighting the significance of CLEVER-1 in solid tumours and deepening our understanding of the tumor microenvironment's influence. The results suggested that *bexmarilimab* stimulated response in immunologically-cold tumours and inhibited inflammation in treatment resistant tumours. The results can potentially impact the design of future trials for *bexmarilimab* in solid tumours. Preparations are ongoing as planned for the initiation of three proof-of-concept investigator initiated trials (IITs) in solid tumors. These IITs are presented below:

BLAZE – Can *bexmarilimab* overcome resistance to PD-1 inhibitors? Resistance to first-line immunotherapy in non-small cell lung cancer (NSCLC) and melanoma is common. Targeting tumor-associated macrophages may overcome this resistance. Company believed the response to *bexmarilimab* combined with anti-PD-1 antibody will serve as proof-of-concept for reversing resistance. The trial involves initial priming with *bexmarilimab* seven days before the combination treatment. Biomarker analysis will provide translational correlations of macrophage switch and immune activation. Blaze is an Investigator Initiated Trial.

BEXAR – Can *bexmarilimab* turn cold tumors hot in soft-tissue sarcomas? Early clinical trials with immune checkpoint inhibitors (ICIs) in soft tissue sarcoma (STS) have been disappointing, as these tumors are often "cold" due to an immunosuppressive tumor microenvironment rich in M2-like macrophages and Clever-1 expression. Studies show that Clever-1-positive macrophages are associated with poor chemotherapy response. In vitro, Clever-1 inhibition induces anti-tumor macrophages, and combining chemotherapy with an anti-Clever-1 antibody significantly increases survival in mice models. Targeting Clever-1 in immune cells may improve chemotherapy response in cancer patients by making STS tumors more sensitive to treatment. Bexar is an Investigator Initiated Trial.

FINPROVE – Can *bexmarilimab* increase the efficacy of chemotherapy and outcome in metastatic breast cancer? Earlier clinical data indicate that bexamarilimab can lead to tumor shrinkage and prolonged disease control in patients with advanced hormone-receptor positive breast cancer, particularly in those with immunosuppressive (Clever-1 positive) tumor profiles (Rannikko et al., CR Medicine 2023). FINPROVE is a nationwide, targeted phase II trial in Finland. It aims to determine the efficacy and safety of molecularly targeted anticancer drugs for patients with advanced solid tumors. *Bexmarilimab* will be used as first-line treatment in combination of standard of care (taxane) chemotherapy in hormone receptor positive metastatic breast cancer patients. The FINPROVE study results will be used in the validation of the CLEVER-1 biomarker and its associated companion diagnostics.

Finprove is an Investigator Initiated Trial coordinated by Helsinki University Hospital. FINPROVE is already active across all Finnish university hospitals, supported by national biobanking, data collaboration, and EU-backed networks like PCM4EU and PRIME-ROSE.

Operating environment and market development

OPERATING ENVIRONMENT IN 2025

Capital markets and uncertainty in the biopharma and life sciences sectors remained challenging in 2025. This was partly driven by the concerns related to constrained access to funding, drug-pricing policy changes and cautious dealmaking amid regulatory and macroeconomic uncertainties. However, there is always demand for high-quality biopharmaceutical companies – like Faron – that can show consistent progress and positive data from their clinical development programs. Late stage and close to market assets remain attractive to large pharmaceutical companies.

The FDA has become stricter on oncology drug approvals, moving away from single arm trials and surrogate endpoints and putting more weight on randomized data against a comparator. This has had little impact on Faron, since thanks to the scientific advice meeting with the FDA last year, Faron has already been building the case around *bexmarilimab* with survival in mind and using a randomized setting against a comparator, i.e. the frontline setting in HR MDS. The FDA was willing to accept a response based surrogate endpoint at an interim read out as the basis of accelerated approval in frontline HR MDS, which highlights the big unmet need in this indication.

CANCER DRUG MARKETS ARE EXPANDING RAPIDLY

Cancers are one of the leading causes of death globally, and the burden of cancer is estimated to increase. By 2050, over 35 million new cancer cases are projected, representing a 77% increase from the estimated 20 million cases in 2022. This rapidly growing global cancer burden reflects both an aging and growing population, along with changes in exposure to risk factors, many of which are tied to socioeconomic development. Tobacco, alcohol, and obesity are major contributors to the rising cancer incidence, with air pollution remaining a critical environmental factor[1]. The growth in the burden of cancer is accompanied by an increase in drug spending, as more patients are treated with new types of medications that yield improved clinical outcomes[2].

The global cancer drug therapeutics market size was approximately USD 252 billion globally in 2024 and is expected to reach USD 441 billion by 2029, growing at a compound annual growth rate ("CAGR") of approximately 10-14% per cent between 2025-2029[3]. The factors driving the market's growth include the rising prevalence of cancer worldwide due to ageing, increasing treatment rates through

> Cancers are one of the leading causes of death globally, and the burden of cancer is estimated to increase."

patient assistance programs and patient proactiveness, government initiatives for cancer awareness, vital R&D initiatives from key players, and the increasing demand for personalised medicine[4,5].

The cancer therapeutics market growth is largely driven by immune checkpoint inhibitors[6], in 2024 alone, reaching around USD 60 billion in sales[7]. The first approved anti-PD-1 checkpoint inhibitor Keytruda is projected to be the world's top-selling drug in 2028, reaching sales of over USD 30 billion[8,9]. While the arrival of checkpoint inhibitors has been one of the most exciting breakthroughs in cancer treatment, their low response rate in most tumor types continues to hinder their clinical application[10]. The checkpoint inhibitor refractory cancer treatment market's estimated value in 2033 is USD 112 billion[11] and represents part of the target market for the Company's anti-Clever-1 drug candidate, bexmarilimab.

GLOBAL PHARMACEUTICAL GIANTS SEEKING EMERGING BIOTECHNOLOGY COMPANIES

In the current market dynamic, smaller, innovative biomedicine companies focus on early-stage discoveries and development and are driving innovation. Larger, more established pharmaceutical companies often license or acquire these innovations at later development stages to access new drug candidates more efficiently. This model allows large pharmaceutical companies to continuously expand their pipeline with promising, cutting-edge therapies without directly investing in the initial, high-risk research phases.

INDICATION SALES BY YEAR ($B) IN EU AND US MARKETS (EU5+US)[12]

Indication / Cancer types	Patients (EU5+US)	Market size 2025, $B	Market size 2032, $B
Soft Tissue Sarcomas	32 820	0.6	2.0
DLBCL and TCL	66 092	5.8	9.9
ER+/HER2- breast cancer	590 140	28.8	42.1
NSCLC	427 220	38.5	69.9
Melanoma	190 120	11.2	12.9
Stomach	78 930	3.4	4.4

Sources:
1 WHO 2024, Global cancer burden growing, amidst mounting need for services.
2 IQVIA The Global Use of Medicines 2024 – Outlook through 2028. Press Release.
3 Global oncology trends May 2025, IQVIA.
4 WHO 2024, Global cancer burden growing, amidst mounting need for services.
5 IQVIA, Global Oncology Trends 2023.
6 Dhasmana et al. 2023.
7 Evaluate Ltd. 2024. Long-term Outlook 2023–2028.
8 Zacks 2025.
9 Evaluate Pharma WORLD PREVIEW 2022. Outlook to 2028: Patents and Pricing.
10 He & Xu 2020.
11 Future Market Insights Report – Checkpoint Inhibitor Refractory Cancer Market Snapshot (2023 to 2033).
12 Evaluate, Worldwide Indication Sales by Year ($B), EU5+US.

STRATEGIC REPORT

Operating expenses

RESEARCH AND DEVELOPMENT COSTS

R&D costs were EUR 12.7 million in 2025 compared to 11.7 million in 2024, a net increase of EUR 0.9 million. These costs are attributable to advancing our clinical programs including completion of BEXMAB Phase I/II and preparations for Phase II/III. The main items of R&D costs are outsourced clinical trial costs, compensation and benefits for personnel directly responsible for R&D activities and legal and consulting costs. Outsourced costs include the cost of patient and site enrollment, CRO service costs including monitoring and investigator fees, and product supply costs. The costs of outsourced clinical trial services increased to EUR 5.8 million in 2025 compared to EUR 3.3 million in 2024. Compensation and benefits increased to EUR 2.8 million in 2025 from EUR 1.4 million in 2024 and included stock compensation expense of EUR 0.4 million and EUR 0.02 million in 2025 and 2024, respectively. Legal and consulting costs increased to EUR 1.5 million in 2025 from EUR 1.4 million in 2024. These increases were partially counterweighted by a EUR 0.9 million decrease in materials and services costs and analytics.

GENERAL AND ADMINISTRATION COSTS

General & Administration costs (G&A) were EUR 7.6 million in 2025 compared to EUR 6.9 million in 2024, an increase of EUR 0.7 million. The net increase was mainly caused by an increase of EUR 1.2 million in compensation and benefits for personnel, EUR 4.5 million in 2025 and EUR 3.3 million in 2024, and a EUR 0.7 million decrease in legal and consulting costs, EUR 1.2 million in 2025 and EUR 1.9 million in 2024.

Financial position and cash flows

FINANCIAL POSITION

The Faron Group generated a net loss of EUR -27.3 million in 2025 and recorded a EUR 17.9 million cash outflow from operating activities during the year ended 31 December 2025. At the end of the financial year, it had total negative equity of EUR -18.5 million including an accumulated deficit of EUR 222.9 million. As of that date, the Group had cash and cash equivalents of EUR 12.3 million.

FINANCIAL COSTS

Net financial costs were EUR 8.3 million in 2025 compared to EUR 7.2 million in 2024, an increase of EUR 1.0 million. The net change was due to multiple factors. Largest single contributor was warrant value change, which turned from negative EUR 2.9 million in 2024 to positive EUR 1.3 million in 2025. Other positive was a EUR 2.7 million decrease in interest expense. These were counter-weighted by a negative EUR 3.7 million change in convertible bond (CB) valuation as well as by EUR 3.6 million transaction and structuring fees of the CB.

TAXATION

The Company's tax credit for the fiscal year 2025 can be recorded only after the Finnish tax authorities have approved the tax report and confirmed the amount of tax-deductible expenses. The total amount of cumulative tax losses carried forward approved by tax authorities on 31 December 2025 was EUR 57.8 million (2024: EUR 57.7 million). The Company can utilize these losses against potential taxable profits generated until 2034. In addition, the Company has EUR 131.8 million of R&D costs incurred in the financial years 2010 - 2024 that have not yet been deducted from taxation. This amount can be deducted over an indefinite period at the Company's discretion.

LOSSES

Loss before income tax and total comprehensive income in 2025 was EUR 27.3 million compared to EUR 25.9 million in 2024, which represents a loss of EUR 0.24 per share and EUR 0.29 per share in 2025 and 2024, respectively.

CASH FLOWS

Net cash flow in 2025 was slightly stronger than in 2024. Cash used for operating activities in 2025 was EUR 17.9 million compared to EUR 22.3 million in 2024. Net cash inflow from financing activities in 2025 was EUR 20.6 million compared to EUR 24.8 million in 2024.

GOING CONCERN

As part of their going concern review, the Directors have followed International Accounting Standard 1, Presentation of Financial Statements (IAS 1). The Company and its subsidiaries are subject to a number of risks similar to those of other development state pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. The subsidiaries have limited economic activities and have immaterial assets and liabilities and thus Group's ability to continue as going concern is dependent on the Company. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfill the Group's commercial and development activities and generate a level of revenue adequate to support the Group's cost structure.

The Directors have prepared the detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions to the Company and the Group that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Group with known receivables will be sufficient to support the current level of activities until Q2 2026.

Despite this, the Directors are continuing to explore sources of additional financing available, such as equity, debt financing and/or financing as a result of business development activities, and they believe they have a reasonable expectation that they will be able to secure additional sufficient cash inflows. Planned equity financing is disclosed in more detail in Note 24. The Directors expect the additional funding to be sufficient for Faron to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis.

Because the additional financing is not committed at the date of issuance of these financial statements, these circumstances represent a material uncertainty that may cast significant doubt on Faron's ability to continue as going concern. Should Faron be unable to obtain further financing such that the going concern basis of preparation were no longer appropriate, adjustments would be required, including to reduce balance sheet values of assets to their recoverable amounts.

Financing

FINANCIAL REVIEW

The Financial status of the company has remained acceptable during 2025 despite a slight increase in the expenses and loss for the financial year. In early February 2025, the company conducted a private placement directed to a limited number of institutional and other investors raising EUR 12.0 million and in early April 2025 it made an agreement of a EUR 35 million Convertible Bond arrangement with CVI Investments Inc., an entity managed by Heights Capital Management Inc. The arrangement consists of three tranches, EUR 15 million, EUR 10 million and EUR 10 million. The first tranche was drawn down in April 2025 and the second tranche in December 2025. These actions helped the company to strengthen its cash position by the end of the year.

Faron places a strategic emphasis on capital efficiency, a key element of efforts to extend its cash runway, without compromising the ability to advance its clinical development program. This capital efficiency has allowed the company to achieve more with available resources, while focusing on clinical outcomes.

FINANCING

On 6 February 2025, Faron concluded an oversubscribed private placement directed to a limited number of institutional and other investors raising EUR 12.0 million.

On 3 April 2025, Faron entered into a convertible bond arrangement for up to EUR 35 million with an entity managed by Heights Capital Management, Inc. (HCM), and resolved to issue amortising unsecured convertible bonds with an aggregated principal amount of EUR 15 million with an option to issue, subject to certain conditions, two additional tranches of similar convertible bonds, each with a principal amount of EUR 10 million. The arrangement was mainly used to finance early repayment in full of the company's outstanding senior secured loan pursuant to the facilities agreement entered with IPF Fund II SCA, SICAV-FIAR ("IPF") (the "IPF Facility") and strengthen its financial position, while increasing its financial flexibility with fewer restrictive financial commitments. After the early repayment of the outstanding loan, the restrictive cash covenants set out in the IPF Facility no longer apply, the previously restricted cash reserves were unlocked, and the company's assets, including valuable intellectual property rights, were released from any pledges granted in favour of IPF. The remainder of the proceeds from the first tranche bonds were to be used for general corporate purposes and to strengthen the Company's balance sheet.

According to the convertible bond arrangement, Faron has an option to issue, subject to certain conditions, two additional tranches of similar convertible bonds, each with a principal amount of EUR 10 million. The second tranche was drawn down in December 2025.

Shares and share capital

SHARES AND SHARE CAPITAL

On 31 December 2025, Faron had 118,563,143 aggregate number of ordinary shares in the Company. The Company held 4,142,678 shares in treasury and therefore, the total number of voting rights in Faron were 114,420,465 on 31 December 2025. The Company's share capital is EUR 2.69 million (2024: EUR 2.69 million). Faron's shares are traded on the First North Growth Market Finland marketplace (FARON) and on the AIM market of the London Stock Exchange (FARN). During 2025, the highest price of the Company's share in First North Growth Market Finland was EUR 3.35 (2024: 3.77) and the lowest price was EUR 1.85 (2024: 1.05). Volume weighted average price was EUR 2.36 (2024: 1.39). Faron's share price on the last day of trading was EUR 2.45 (2024: 1.19). On 31 December 2025, Faron's market cap was EUR 286.0 million (2024: 124.5).

Risks and uncertainties

Faron is a clinical stage biopharmaceutical company and, similar to other companies operating in this field, is subject to a number of risks and uncertainties. The principal risks and uncertainties identified by Faron for the year ended 31 December 2025 are below.

RESEARCH AND DEVELOPMENT

Faron's maindrug canddate, bexmarilimab, is in clinical development phase - however, it may not be successful in clinical trials and the Company may not be able to develop an approved or marketable product. Technical risk is also present at each stage of the discovery and development process of other, earlier stage products with challenges in biology (including the ability to produce candidate drugs with appropriate safety, efficacy and usability characteristics). Conversion of cutting-edge scientific research into clinical development programmes of novel compounds and drugs where there is a limited amount of guidance, and no previous examples involves a high degree of uncertainty. This uncertainty, combined with Faron's lean organisation, could result in situations where the Company needs to make rapid alterations to its development projects without full visibility of all of the downstream consequences. Additionally, drug development is a highly regulated environment which presents technical risk through the need for study designs and data to be accepted by regulatory agencies. As part of the development risk, the manufacturing of the Company's drug candidate could become impossible or supplied in lower quantities than needed.

COMMERCIAL PRODUCTS AND MANUFACTURING

The biotechnology and pharmaceutical industries in which Faron operates are very competitive. Faron is a clinical stage biopharmaceutical company and, similar to other companies operating in this field, is subject to a number of risks and uncertainties. Competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of these companies have substantially greater financial, technical, and operational resources, such as larger research and development resources and staff. It may have a material adverse impact on the Company if its competitors succeed in developing, acquiring, or licensing drug product candidates that are more effective or less costly than the product candidate which the Company is currently developing or which it may develop in the future. Furthermore, there can be no guarantee that the Company will be able, or that it will be commercially advantageous for the Company, to monetise the value of its intellectual property through entering into licensing or other cooperation deals with pharmaceutical companies. There can be no assurance that the Company's proposed product will be capable of being manufactured in sufficient quantities and standards for clinical trials or in commercial quantities, in compliance with regulatory requirements and at an acceptable cost or within an acceptable timeframe.

DEPENDENCE ON KEY PERSONNEL AND SCIENTIFIC AND CLINICAL COLLABORATORS

The Company's success is highly dependent on the expertise and experience of the Directors and key management. Whilst the Company has entered into employment and other agreements with each of these key personnel, the retention of such personnel cannot be guaranteed. Should key personnel leave or no longer be party to agreements or collaborations with the Company, the Company's business prospects, financial conditions and/or results of operations may be materially adversely affected. To develop new products and commercialise its current pipeline, the Company relies, in part, on the recruitment of appropriately qualified personnel, including personnel with a high level of scientific and technical expertise. There is currently a shortage of such personnel in the pharmaceutical industry, meaning that the Company is likely to face significant competition in recruitment. The Company may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate, which could affect its ability to develop as planned. Furthermore, the Company's development and prospects depend to a significant degree on the experience, performance and continued service of its management team and the Directors. The Company has invested in its management team and has entered into contractual arrangements with these individuals with the aim of securing their services. Retention of these services or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Directors or members of the management team and the costs of recruiting replacements may have a material adverse effect on the Company and its commercial and financial performance and reduce the value of an investment in the shares of the Company. The Company's financial situation may require savings measures that result in reduction of staff.

REGULATORY ENVIRONMENT

The Company operates in a highly regulated environment. Whilst the Company will take every effort to ensure that the Company and its partners comply with all applicable regulations and reporting requirements, there can be no guarantee of this. Failure to comply with applicable regulations could result in the Company being unable to successfully commercialise its products and/or result in legal action being taken against the Company, which could have a material adverse effect on the Company. The Company will need to obtain various regulatory approvals (including from the FDA and the EMA) and comply with extensive regulations regarding safety, quality and efficacy standards in order to market its products. While efforts have been and will be made to ensure compliance with governmental standards and regulations, there is no guarantee that any product will be able to achieve the necessary regulatory approvals to promote that product in any of the targeted markets and any such regulatory approval may include significant restrictions for which the Company's products can be used. In addition, the Company may be required to incur significant costs in obtaining or maintaining its regulatory approvals. Delays or failure in obtaining regulatory approval for the currently developed drug candidate would likely have a serious adverse effect on the value of the Company and have a consequent impact on its financial performance.

INTELLECTUAL PROPERTY AND PROPRIETARY TECHNOLOGY

The Company relies and will rely on intellectual property laws and third-party non-disclosure agreements to protect its patents and other proprietary rights. The Intellectual Property Rights (IPRs) on which the Company's business is based is a combination of patents, patent applications, confidential business knowhow and trade secrets, and trademarks. No assurance can be given that any currently pending patent applications or any future patent applications will result in patents being granted. In addition, there can be no guarantee that the patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Company.

Despite precautions taken by the Company to protect its product candidates, unauthorised third parties may attempt to copy, or obtain and use, the Company's IPR and other technology that is incorporated into its pharmaceutical products. In addition, alternative technological solutions similar to the Company's products may become available to competitors or prospective competitors of the Company. It should be noted that once granted, a patent could be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen at the time of granting the patent. Therefore, whilst a patent may be granted to the Company, it could in the future be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction. Should the Company be required to assert its IPR, including any patents, against third parties it is likely to use a significant amount of the Company's resources as patent litigation can be both costly and time consuming. No assurance can be given that the Company will be in a position to devote sufficient resources to pursue such litigation. Any unfavourable outcomes in respect of patent litigation could limit the Company's IPR and activities moving forward.

The Directors do not believe that the Company's lead pharmaceutical drug candidate, future drug candidates in development, and proprietary processes for generating those candidate compounds infringe the IPR of any third parties. However, it is impossible to be aware of all third party intellectual property. The Company's research has included searching and reviewing certain publicly available resources, which are examined by senior levels of management to keep abreast of developments in the field.

FINANCIAL

The Company has incurred significant losses since its inception and does not have any approved or revenue generating products. The Company expects to incur losses for the foreseeable future, and there is no certainty that the business will generate a profit. The Company is highly dependent on equity, public grants and loan financing. The Company may not be able to raise additional funds that will be needed to support its product development programmes or commercialisation efforts, and any additional funds that are raised could cause dilution to existing investors.

The Company operates internationally, and it is thus exposed in various currencies and fluctuation in their relative values. Even though the Company seeks to hedge currency positions there is no guarantee that it will be successful.

OTHER RISKS RELATED TO OPERATIONS

Operating with multiple vendors and other external suppliers means that the Company regularly delivers and receives information and data through multiple channels. Some of these are trade secrets or of confidential nature. Even though the Company uses all reasonably available means to secure the data and the channels used, there is no certainty that full data security can be obtained. As was seen with the COVID-19 pandemic, unexpected external reasons may have significant inpact on the market we are operating and indirectly affect or

even directly affect also our operations, including our ability to conduct clinical trials. Additionally, military conflicts like the one currently taking place in Ukraine, have the potential to disrupt operations and negatively impact the debt and equity markets. Moreover, heightened geopolitical instability—including conflicts, sanctions, trade tariffs and disruptions in global trade or supply chains—may further increase market volatility, restrict access to capital or increase their cost, thereby affacting the Company's operations..

The Company is publicly listed and as such subject to various securities laws in multiple jurisdictions. The Company uses significant amount of both internal and external resources to secure that all its operations and external communication are conducted in accordance with these regulations. Whilst the Company will take every effort to ensure that the Company and its partners comply with all applicable securities laws and requirements, there can be no guarantee of this.

This report was approved by the Board on 3 March 2026.

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the year ended 31 December		Group		Parent	
€'000 (except per share information)	**Note**	**2025**	**2024**	**2025**	**2024**
Revenue	**3**	**-**	**-**	**-**	**-**
Other operating income	4	1,308	-	1,308	3
Research and development expenses	5, 6, 7	(12,655)	(11,744)	(12,628)	(11,735)
General and administrative expenses	5, 6, 7	(7,612)	(6,929)	(7,570)	(7,046)
Operating loss		**(18,959)**	**(18,673)**	**(18,890)**	**(18,778)**
Financial income	8	1,515	434	1,536	455
Financial expenses	8	(9,811)	(7,676)	(9,832)	(7,673)
Loss before tax		**(27,255)**	**(25,915)**	**(27,186)**	**(25,995)**
Tax expense	9	(2)	(5)	(6)	(5)
Loss for the period		**(27,257)**	**(25,920)**	**(27,192)**	**(26,000)**
Other comprehensive income (loss)		(4)	9	-	-
Total comprehensive loss for the period		**(27,261)**	**(25,911)**	**(27,192)**	**(26,000)**
Loss per ordinary share					
Basic and diluted loss per share, EUR	10	(0.24)	(0.29)	(0.24)	(0.29)

Balance Sheet

As at December 31		Group		Parent	
€'000	Note	2025	2024	2025	2024
Assets					
Non-current assets					
Machinery and equipment	11	0	1	0	1
Right-of-use-assets	13	189	296	189	296
Subsidiary shares	23	-	-	18	18
Intangible assets	11	1,117	1,112	1,117	1,112
Prepayments and other receivables	12	41	46	575	551
Total non-current assets		**1,347**	**1,456**	**1,899**	**1,979**
Current assets					
Prepayments and other receivables	14	3,508	1,563	3,619	1,682
Cash and cash equivalents	15	12,317	9,503	12,308	9,462
Total current assets		**15,825**	**11,065**	**15,927**	**11,143**
Total assets		**17,172**	**12,521**	**17,826**	**13,122**
Equity and liabilities					
Capital and reserves attributable to the equity holders of Faron					
Share capital		2,691	2,691	2,691	2,691
Reserve for invested unrestricted equity		201,649	184,955	201,649	184,955
Accumulated deficit		(222,856)	(197,421)	(223,324)	(197,955)
Translation difference		9	13	0	0
Total equity	**16, 17**	**(18,507)**	**(9,762)**	**(18,984)**	**(10,308)**
Non-current liabilities					
Borrowings	18	14,203	8,088	14,213	8,093
Lease liabilities	13	76	186	76	186
Other liabilities	20	2,526	3,839	2,526	3,839
Total non-current liabilities		**16,805**	**12,113**	**16,815**	**12,117**
Current liabilities					
Borrowings	18	10,270	3,722	10,270	3,718
Lease liabilities	13	131	117	131	117
Trade payables	21	5,545	4,876	6,669	5,996
Accruals and other current liabilities	21	2,928	1,456	2,925	1,482
Total current liabilities		**18,874**	**10,171**	**19,995**	**11,313**
Total liabilities		**35,679**	**22,283**	**36,810**	**23,430**
Total equity and liabilities		**17,172**	**12,521**	**17,826**	**13,122**

Parent Company Statement of Changes in Equity

€'000	Note	Share capital	Reserve for invested unrestricted equity	Accumulated deficit	Total equity
Balance as at 31 December 2023		**2,691**	**154,346**	**(172,649)**	**(15,611)**
Comprehensive loss for the period		-	-	(26,000)	(26,000)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs		-	30,609	-	30,609
Share-based compensation		-	-	694	694
Other movements		-	-	-	-
		-	**30,609**	**(25,306)**	**5,303**
Balance as at 31 December 2024		**2,691**	**184,955**	**(197,955)**	**(10,308)**
Comprehensive loss for the period		-	-	(27,192)	(27,192)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	16	-	16,693	-	16,693
Share-based compensation	6,17	-	-	1,822	1,822
Other movements		-	-	-	-
		-	**16,693**	**(25,369)**	**(8,676)**
Balance as at 31 December 2025		**2,691**	**201,649**	**(223,324)**	**(18,984)**

Group Statement of Changes in Equity

€'000	Note	Share capital	Reserve for invested unrestricted equity	Translation difference	Accumulated deficit	Total equity
Balance as at 31 December 2023		**2,691**	**154,352**	**4**	**(172,208)**	**(15,160)**
Comprehensive loss for the period		-	-	9	(25,920)	(25,911)
Transactions with equity holders of the Group						
Issue of ordinary shares, net of transaction costs		-	30,609	-	-	30,609
Share-based compensation		-	-	-	694	694
Reserve on retained earning for legal			(5)		11	6
		-	**30,603**	**9**	**(25,215)**	**5,398**
Balance as at 31 December 2024		**2,691**	**184,955**	**13**	**(197,421)**	**(9,762)**
Comprehensive loss for the period		-	-	(4)	(27,257)	(27,261)
Transactions with equity holders of the Group						
Issue of ordinary shares, net of transaction costs	16		16,694	-	-	16,694
Share-based compensation	6,17	-	-	-	1,822	1,822
Reserve on retained earning for legal						
		-	**16,694**	**(4)**	**(25,435)**	**(8,745)**
Balance as at 31 December 2025		**2,691**	**201,649**	**9**	**(222,856)**	**(18,507)**

Statement of Cash Flows

As at 31 December		Group		Parent	
€'000	Note	2025	2024	2025	2024
Cash flow from operating activities					
Loss before tax		(27,255)	(25,915)	(27,186)	(25,995)
Adjustments for:					
Depreciation and amortisation	7	326	314	326	314
R&D loan forgiveness		(1,308)	-	(1,308)	-
Financial items	8	8,296	7,242	8,296	7,217
Share-based compensation	17	1,822	694	1,822	694
Adjusted loss from operations before changes in working capital		(18,119)	(17,665)	(18,050)	(17,770)
Change in net working capital:					
Prepayments and other receivables		(1,941)	444	(1,961)	627
Trade payables		669	(4,095)	673	(4,589)
Other liabilities		1,473	(947)	1,443	(545)
Cash used in operations		**(17,918)**	**(22,263)**	**(17,895)**	**(22,277)**
Income taxes paid		(2)	(41)	(5)	(5)
Net cash used in operating activities*		**(17,920)**	**(22,304)**	**(17,900)**	**(22,282)**
Cash flow from investing activities					
Interest received*		202	361	202	361
Payments for intangible assets	11	(222)	(225)	(222)	(225)
Payments for tangible assets	11	-	(1)	-	(1)
Net cash used in investing activities*		**(20)**	**135**	**(20)**	**135**
Cash flow from financing activities					
Proceeds from issue of shares	16	12,121	31,850	12,121	31,850
Share issue transaction cost	16	(815)	(4,951)	(815)	(4,951)
Proceeds from borrowings	18	25,000	3,200	25,000	3,200
Repayment of borrowings	18	(8,890)	(3,371)	(8,890)	(3,371)
Transaction and structuring fees of borrowings	18	(6,240)	(750)	(6,240)	(750)
Interest paid*		(391)	(1,028)	(391)	(1,028)
Payment of lease liabilities	2, 18	(141)	(162)	(141)	(162)
Net cash from financing activities*		**20,644**	**24,788**	**20,644**	**24,788**
Effect of exchange rate changes on cash and cash equivalents		110	(8)	123	(22)
Net increase (+) / decrease (-) in cash and cash equivalents		**2,814**	**2,627**	**2,847**	**2,620**
Cash and cash equivalents at 1 January	15	9,503	6,876	9,462	6,842
Cash and cash equivalents at 31 December	**15**	**12,317**	**9,503**	**12,308**	**9,462**

* Comparative figures revised according to new presentation format implemented 2025, details in Note 2.22

Notes to the Financial Statements

1. CORPORATE INFORMATION

Faron Pharmaceuticals Oy ("Company"), a clinical stage biopharmaceutical company incorporated and domiciled in Finland, with its headquarters at Joukahaisenkatu 6 B, 20520 Turku, Finland, is the parent company for all its subsidiaries ("Faron" or "Group"). The Group has a pipeline based on the receptors involved in regulation of immune response in oncology, organ damage and bone marrow regeneration. Faron Pharmaceuticals Oy is listed on the London Stock Exchange's AIM market since 17 November 2015 and Nasdaq First North Growth Market since 21 November 2019. The Board of Directors of the Company approved the financial statements on 3.3.2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of Preparation

The financial statements incude both the consolidated financial statements and parent company financial statements, which have been prepared in accordance with the IFRS Accounting Standards as adopted by the European Union including the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC). The financial statements have been prepared on a historical cost basis, unless otherwise stated. The parent company bears vast majority of the costs in the Group. The intercompany items are recognized by the Parent which make the Group figures differ.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the periods presented, unless otherwise stated. The financial statements have been prepared on a going concern basis for which details disclosed in note 2.2. The areas of the financial statements involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.21.

The Consolidated Financial Statements incorporate the parent company, Faron Pharmaceuticals Oy, and all subsidiaries in which it holds over 50% of the voting rights. The subsidiaries established during the financial period are consolidated from the date that control was obtained by the Group. The subsidiaries are consolidated by using the purchase method. All intragroup transactions, receivables, liabilities and unrealized gains are eliminated in the Consolidated Financial Statements. Faron Pharmaceuticals Oy holds 100% ownership of all its subsidiaries.

The Consolidated Financial Statements and parent company financial statements are presented in euro which is the functional currency of the parent company. The statements of comprehensive income and statements of cash flows of foreign subsidiaries, whose functional currency is not euro, are translated into euro each month at the average monthly exchange rates, while the statements of financial position of such subsidiaries are translated at the exchange rate prevailing at the reporting date. Translation differences resulting from the translation of profit for the period and other items of comprehensive income in the statement of comprehensive income and statement of financial position are recognized as a separate component in equity and in other comprehensive income. Also, the translation differences arising from the application of the purchase method and from the translation of equity items cumulated subsequent to acquisition are recognized in other comprehensive income.

All accounting policies and narrative and descriptive information are the same for the group and the parent, unless otherwise stated. Where the numbers for the Group and the Company differ significantly those are explained in the notes. The differences are mainly caused by employee related costs at subsidiaries and compensation of the services subsidiaries provide to the Company. All amounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest euro thousand.

2.2. Going Concern

As part of their going concern review, the Directors have followed International Accounting Standard 1, Presentation of Financial Statements (IAS 1). The Company and its subsidiaries are subject to a number of risks similar to those of other development state pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. The subsidiaries have limited economic activities and have immaterial assets and liabilities and thus Group's ability to continue as going concern is dependent on the Company. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfill the Group's commercial

and development activities and generate a level of revenue adequate to support the Group's cost structure.

The Group generated a net loss of EUR -27.3 million and recorded a EUR 17.9 million cash outflow from operating activities during the year ended 31 December 2025. At the end of the financial year, it had total negative equity of EUR -18.5 million including an accumulated deficit of EUR 222,9 million. As of that date, the Group had cash and cash equivalents of EUR 12.3 million.

The Directors have prepared the detailed financial forecasts and cash flows looking beyond 12 months from the date of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions to the Company and the Group that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Group with known receivables will be sufficient to support the current level of activities until Q2 2026.

Despite this the Directors are continuing to explore sources of additional financing available, such as equity, debt financing, and/or financing as a result of business development activities and they believe they have a reasonable expectation that they will be able to secure additional sufficient cash inflows. Planned equity financing disclosed in more detail in Note 24. The Directors expect the additional funding to be sufficient for Faron to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis.

Because the additional finance is not committed at the date of issuance of these financial statements, these circumstances represent a material uncertainty that may cast significant doubt on Faron's ability to continue as going concern. Should Faron be unable to obtain further financing such that the going concern basis of preparation were no longer appropriate, adjustments would be required, including to reduce balance sheet values of assets to their recoverable amounts.

2.3. Foreign Currency Transactions and Balances

Functional and Presentation Currency
The financial statements are presented in euro, which is the Company's functional and presentation currency.

Transaction Currency
Transactions in foreign currencies are translated at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

2.4. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Executive Officer, reviewing the operating results regularly to make decisions about the allocation of resources and to assess overall performance, is identified as the chief operating decision maker. The Chief Executive Officer manages the Group as one integrated business and hence, the Group has one operating and reportable segment.

2.5. Revenue Recognition

The Group will follow IFRS 15 standard for Revenue from Contracts with Customers and will apply the single, principles based five-step model to all contracts with customers provided by IFRS 15. The Group did not have revenue in 2025 and 2024.

2.6. Recognition of Government Grants

The direct government grants are recognized as other operating income at the same time as the underlying expenditure is incurred, provided that there is reasonable assurance that the Group will receive the grant and it complies with the conditions of such grant. Direct grant payments received in advance of the incurrence of the expenditure that the grant is intended to compensate are deferred at the reporting date and presented under advances received on the balance sheet.

The indirect government assistance in the form of below-market interest government loans is recognized as grant income and recorded as other operating income in the same period in which the Group recognizes the expenses for which the benefit is intended to compensate. Grant income is measured as the difference between the initial fair value of the loan and the proceeds received.

2.7. Research and Development Expenses

Research and development costs are expensed as incurred and presented under research and development expenses in the statement of comprehensive income. Research and development expenses include costs for outsourced clinical trial services, materials and services, employee benefits and other expenditure directly attributable to the Group's research and development activities. The Group's research and development expenses are directly related to the Group's development projects and may therefore fluctuate strongly from year to year.

Capitalization of expenditure on the development of the Group's products commences from the point at which technical and commercial feasibility of the product can be demonstrated and it is probable that future economic benefits will result from the product once completed. As at 31 December 2025, considering the development stage of the Group's drug candidates, no internally developed assets related to Group's development activities had met these criteria and had therefore not been recognized. The uncertainties inherent in developing pharmaceutical products prohibits the capitalization of internal development expenses as an intangible asset until the marketing approval has been received from the relevant regulatory agencies.

2.8. Employee Benefits

The Group's employee benefits consist of short-term employee benefits, post-employment benefits (defined contribution pension plans) and share-based compensation. Short-term employee benefits are charged to the statement of comprehensive income in the year in which the related service is provided. Under defined contribution plans, the Group's contributions are recorded as an expense in the accounting period to which they relate and the Group does not have any further obligations once the contributions have been paid.

2.9. Share-based Compensation

The options granted under share-based incentive programs are measured at fair value at earlier of the grant date or the service commencement date, using the Black-Scholes valuation model. The options, for which the option exercise price is determined later, right before the vesting, an estimate is used to determine the fair value at service commencement date and the estimate is subsequently revised until the options become vested. The share-based compensation expense is recognized on a straight-line basis over the vesting period together with a corresponding increase in equity, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments that are expected to vest and its estimate of the grant date fair value for the options with earlier service commencement date. The exercise price paid by the option or warrant holder to subscribe the Group's shares is recognized in the reserve for invested unrestricted equity.

2.10. Loss per Share

Basic loss per share is calculated by dividing the loss for the period with the weighted average number of ordinary shares during the period.

Since the Group and parent company have reported losses, inclusion of unexercised options would decrease the loss per share and therefore they are not taken into account in diluted loss per share calculation.

2.11. Income Tax

Income tax expense for the period consists of current and deferred taxes. Tax is recognized in the statement of comprehensive income, except for the income tax effects of items recognized in other comprehensive income or directly in equity, which is similarly recognized in other comprehensive income or equity.

Deferred taxes are recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are determined using tax rates enacted or substantively enacted by the balance sheet date in the respective countries and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available, against which the temporary differences, tax losses and tax credit can be utilized.

2.12. Machinery and Equipment

The Group's machinery and equipment comprise of office furniture and equipment, which is stated at historical cost less depreciation and any impairment losses. The historical cost includes expenditure that is directly attributable to the acquisition of the machinery and equipment.

Depreciation is calculated using the straight-line method over the asset's estimated useful life of four years. Depreciation is recorded to the costs of the asset function.

2.13. Intangible Assets

The Group's intangible assets comprise of capitalized patent costs arising in connection with the preparation, filing and obtaining of patents. Patent costs are amortized on a straight-line basis over the useful lives of the patents of ten years.

2.14. Impairment of Non-financial Assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use represents the discounted future net cash flows expected to be derived from the asset.

2.15. Inventories

Inventories are stated at the lower of cost and net realizable value. The cost includes all costs of direct materials and external services associated with the process of manufacturing of the goods sellable upon obtaining the regulatory marketing approval. The cost of inventories is fully written down.

2.16. Financial Assets

The Group's financial assets comprise of other receivables and cash and cash equivalents, which are all classified to the category "financial assets measured at amortised cost". These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Other receivables consist mainly of VAT refund, restricted cash in the form of security deposits for rental agreements and accrual of costs. Cash and cash equivalents comprise cash at banks.

2.17. Financial Liabilities

The Group's financial liabilities comprise of interest-bearing borrowings, trade payables, other non-current and current liabilities. The Group's financial liabilities are divided into two groups: the ones measured at amortized cost using the effective interest method and the ones at fair value through profit and loss.

Borrowings are initially recognized at fair value, less any directly attributable transaction costs. Subsequently borrowings are carried at amortized cost using the effective interest method (EIR). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. Borrowings are presented as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the end of the reporting period. Borrowings are not derecognized until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Borrowings comprise of a loan in form of Convertible Bonds by Heights Capital Management (HCM) and three government loans with a below-market rate of interest from The Finnish Funding Agency for Technology and Innovation ("Business Finland").

The Convertible Bonds include a conversion option to shares at Investor's election. The conversion option is settled in a variable number of shares which is dependent on the liability recognised and the conversion price which may be subject to reset. Further, the amortization and interest payments if paid in shares will result in a variable number of shares, where the number of shares received is dependent on the market price of the share.

As the conversion options do not include a fixed number of equity instruments, the conversion options do not meet the "fixed-for-fixed" criteria to meet the classification of an equity instrument in accordance with IAS 32.16. Thus, the Convertible Bonds is recognised as financial liability according to IAS 32. Faron applies IFRS 9.4.3.5 paragraph and makes an irrecoverable election to measure the whole Convertible Bonds at FVTPL.Subsequently the fair value is measured using a Monte Carlo valuation model and changes in fair value are recognised in profit or loss. Transaction costs related to the Convertible Bonds are expensed in profit or loss when incurred. The entire Convertible Bonds -instrument is classified Level 3 as its fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Since Faron recognizes the Convertible Bonds at fair value through profit or loss, all transaction costs are expensed when occurred.

Other liabilities consist of warrants issued as part of the IPF loan agreement for no consideration paid. The warrants meet the definition of a derivative and are therefore recognized at fair value through profit or loss. In estimating the fair value of the liability, the Group uses market-observable data to the extent it is available.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where Level 1 inputs are not available, the Group engages third party qualified valuers to assist in preparing the valuation models.

Trade payables and other liabilities are classified as current liabilities, unless the Group has a right to defer settlement of the liability for at least 12 months after the end of the reporting period, in which case they are classified as non-current liabilities. The carrying amount of trade payables and other current liabilities are considered to be the same as their fair values, due to their short-term nature.

2.18. Equity

The Group's equity comprises of share capital, reserve for invested unrestricted equity and accumulated deficit. The proceeds from issuance of new ordinary shares, less incremental costs directly attributable to the issue, are credited to the reserve for invested unrestricted equity, in accordance with the terms and conditions of the share issue. The accumulated deficit comprises of the accumulated profits and losses of the Group since the inception.

Under the Finnish Limited Liability Companies Act (624/2006, as amended), if the board of directors of a company notices that the company has negative equity, the board must make a register notification on the loss of share capital. However, if the fair value of the assets of the Company is otherwise than temporarily notably higher than their book value, the difference between the probable current price and the book value may be taken into account as an addition to equity. During Financial Period 2025, the Board notified that the equity of the Company turned negative. After having notified this, the Board decided to further assess the equity amount. In this regard, the Board, exercising special caution, noted that the fair value of the intangible assets related to Bexmarilimab is significantly higher than their respective book values. When making the calculations mandated by the Finnish Limited Liability Companies Act, the difference of the book and fair value of the assets was taken into account, thus the registration has not been filed.

2.19. Leases

The Group as Lessee

The Group recognizes all leases, with the exception of short-term (i.e. lease term less than 12 months) and low value leases, in line with IFRS 16 Leases as right-of-use assets with a corresponding lease liability at the date at which the leased asset is available for use by the Group. A contract is or contains a lease if the Group has the right to control the use of an identified asset for a period of time in exchange for consideration. When determining the lease term, the Group assesses the probability of exercising extension and termination options over the non-cancellable period by considering all relevant facts and circumstances. Right-of-use assets and lease liabilities are initially recognized on the consolidated balance sheet at future fixed lease payments over the lease term. Lease payments are discounted to present value using an effective interest rate. Right-of-use assets are depreciated on a straight-line basis over the lease term and reviewed periodically for indication of impairment. When the future lease payments are revised due to changes in index-linked considerations or the lease term changes, the right-of-use asset and the corresponding lease liability is remeasured. Any differences arising on reassessments are recognized in the consolidated income statement. Interest expense on lease liabilities is presented within Interest expense in the consolidated income statement. In the consolidated cash flow statement, the principal portion of the lease payment is presented in the cash flow from financing activities.

2.20. Provisions and Contingent Liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

2.21. Critical Accounting Estimates and Significant Management Judgements in Applying Accounting Policies

Share-based Compensation

The Group and the Company recognizes expenses for share-based compensation. For share options management estimates certain factors used in the option pricing model, including volatility, vesting date of options and number of options likely to vest. If these estimates vary from actual occurrence, this will impact the value of the share-based compensation. Further details of the Group's estimation of share-based compensation are disclosed in note 17.

Clinical Trial Accruals

Quantification of the accruals related the clinical trials require a lot of detailed information about the services performed. The services invoiced by Contract Research Organizations consist of contributions of various independent subcontractors and the actual tasks completed may be reported with significant delays. Also the clinical study sites, may invoice their costs with long delays. These factors

combined result in a complicated task of defining on which period the cost belongs to and the Group has implemented a detailed tracking process to minimize any judgement needed.

Convertible Bonds Valuation
The Convertible Bonds is measured at fair value through profit and loss. For the valuation, management estimates certain parameters used in the Monte Carlo simulation model, including volatility, probability for cash settlement, peer adjusted placement price multiplier, qualified equity offering rate per year and change of control probability. If these estimates vary from actual occurrence, this will impact the value of the Convertible Bonds. Further details of the Group's estimation of the Convertible Bonds are disclosed in note 18.

2.22. Changes in Accounting Policies

The Group has revised its statement of cash flows to better reflect the nature of cash movements in different categories. These revisions have been reflected in the current year's cash flow statement by reclassifying the interest received to investing activities and interest paid to financing activities. These changes also enhance the distinction between the categories, resulting in a clearer presentation of operating, investing and financing cash flows. The comparative information for the year ended 31 December 2025 has been revised to reflect the new presentation format.

2.23. New and Amended Standards and Interpretations Adopted by the Group

The effect of changes required by the adoption of new standards, interpretations and amendments to existing standards and interpretations on 1 January 2025 were considered immaterial for the group.

New standards not yet implemented by the Group:
Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the group. Those include:

- IFRS 18, 'Presentation and Disclosure in Financial Statements'
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. According to IFRS 18 the Group will implement a separate Investing-category within the statement of profit or loss, and the assessment of potential aggregations or disaggregations required by the new presentation principles is ongoing. The standard is effective for annual reporting periods beginning on or after 1 January 2027.

The group is monitoring potential changes in future accounting standards and assessing any impact thereof on a continuing basis.

3. SEGMENT REPORTING

Faron is a late clinical stage drug discovery and development Group. Its operations have been focused on the development of its main drug candidate Bexmarilimab. The Group's chief operating decision maker has been identified as the Chief Executive Officer (CEO). The CEO manages the Group as one integrated business and hence the Group has one operating and reportable segment. The Group had no revenue in 2025 (EUR 0 thousand in 2024). All of the Group's non-current assets are located in Finland.

4. OTHER OPERATING INCOME

	Year ended 31 December	
€'000	**2025**	**2024**
R&D loan forgiveness	1,308	-
Total other operating income	**1,308**	**-**

The Group had other operating income in year 2025 for EUR 1,308 (2024: 0). The other operating income consists of R&D loan related to the development of Traumakine forgiven by Business Finland. The forgiveness applies also to accumulated interest. The forgiveness is considered as a typical grant income thus presented as other operational income.

5. BREAKDOWN OF EXPENSES BY FUNCTION

Research and Development Expenses

	Year ended 31 December	
€'000	**2025**	**2024**
Materials and services	(86)	(505)
Employee benefits	(2,783)	(1,363)
Outsourced clinical trials services	(5,829)	(3,277)
Drug production	(1,296)	(3,633)
Analytics	(150)	(655)
Data management	(345)	(233)
Legal and consulting	(1,534)	(1,382)
IT expenses	(75)	(143)
IPR expenses	(93)	(188)
Travelling	(156)	(70)
Depreciation and amortization	(187)	(170)
Other R&D costs	(121)	(126)
Total research and development expenses	**(12,655)**	**(11,744)**

The number of personnel increased in 2025 and also use of clinical trials services in relation of ongoing and preparation of upcoming clinical trials. In 2025 there was no batch production of drug causing a decrease of drug production costs compared to previous year where one drug batch was produced.

General and Administration Expenses

	Year ended 31 December	
€'000	**2025**	**2024**
Employee benefits	(4,481)	(3,314)
Communication	(425)	(395)
Audit fees	(102)	(120)
Legal and consulting	(1,241)	(1,918)
IT expenses	(268)	(205)
Travelling	(241)	(118)
Depreciation and amortization	(139)	(144)
Short term rent and premises	(163)	(246)
Other G&A	(552)	(469)
Total general and administrative expenses	**(7,612)**	**(6,929)**

The Company had higher general and administration expenses than the group mainly due to compensation of services subsidiaries has provided to the Company.

6. EMPLOYEE BENEFITS

	Year ended 31 December	
€'000	**2025**	**2024**
Salaries	(4,580)	(3,407)
Pension expenses – contribution-based plans	(622)	(499)
Social security contributions	(240)	(77)
Share-based compensation	(1,822)	(694)
Total employee benefit expenses	**(7,264)**	**(4,676)**
Employee benefit expenses by function		
Research and development expenses	(2,783)	(1,363)
General and administrative expenses	(4,481)	(3,314)
Total employee benefit expenses	**(7,264)**	**(4,676)**

The headcount of personnel at the end of 2025 was 33 (2024: 25). Employee benefits increased due to addition in headcount and increase in share-based compensation costs. Increase in share-based compensation costs is mainly caused by higher option fair value compared to previous year and costs arrising from extension of subscription period for the fully vested shares in 2019 option plan. Share-based compensation information is included in note 17 and management remuneration information in note 23.

7. DEPRECIATION AND AMORTISATION

	Year ended 31 December	
€'000	**2025**	**2024**
Depreciation and amortisation by type of asset		
Depreciation for right-of-use-assets	(107)	(110)
Intangible assets - patents	(187)	(170)
Intangible assets	(31)	(31)
Machinery and equipment	(1)	(4)
Total depreciation and amortisation	**(326)**	**(314)**
Depreciation and amortisation by function		
Research and development expenses	(187)	(170)
General and administrative expenses	(139)	(144)
Total depreciation and amortisation	**(326)**	**(314)**

8. FINANCIAL INCOME AND EXPENSES

	Year ended 31 December	
€'000	**2025**	**2024**
Financial income		
Interest income	56	93
Other financial income	146	268
Warrant value change	1,313	-
Gains from foreign exchange	-	72
Total financial income	**1,515**	**434**
Financial expenses		
Interest expenses	(1,227)	(3,943)
Warrant value change	-	(2,944)
Bonds value change	(3,691)	-
Losses from foreign exchange	(114)	(5)
Interest expenses from lease liabilities	(43)	(1)
Transaction and structuring fees of IPF loan repayment	(1,148)	(750)
Transaction and structuring fees of the Convertible Bonds	(3,588)	-
Other financial expenses	-	(33)
Total financial expenses	**(9,811)**	**(7,676)**
Total financial income and expenses, net	**(8,296)**	**(7,242)**

Interest expenses consist of paid and accrued interest expenses. The interest expense relates mainly to the IPF loan, Convertible Bonds, Business of Finland loans and interest expenses recognised from lease liabilities.

Transaction and structuring fees of IPF loan repayment included an exit fee cost of EUR 2,500 thousands and the reversal of the carried amortization cost of the IPF loan of EUR 1,352 thousand using the EIR in relation to the earlier repayment date.

The foreign exchange expense mainly relate to the cash balance denominated in Pound sterling (GBP) which weakened against the EUR. Unrealised foreign exchange expense, net is EUR 114 thousand for 2025 and gain of EUR 67 thousand for 2024.

9. TAX EXPENSE

	Year ended 31 December	
€'000	**2025**	**2024**
Tax expense	2	5
Total tax expense	**2**	**5**

The difference between income taxes at the statutory tax rate in Finland (20%) and income taxes recognised in the statement of comprehensive income is reconciled as follows:

	Year ended 31 December	
€'000	**2025**	**2024**
Loss before tax	(27,255)	(25,915)
Income tax calculated at Finnish tax rate 20%	5,451	5,183
Tax losses and temporary differences for which no deferred tax asset is recognised	(5,979)	(5,919)
Non-deductible expenses and other permanent items	527	736
Foreign income taxes	**(2)**	**(5)**
Taxes in the statement of comprehensive income	**(2)**	**(5)**

Tax losses and deductible temporary differences for which no deferred assets have been recognised, are as follows:

	Year ended 31 December	
€'000	**2025**	**2024**
R&D expenses not yet deducted in taxation [1]	131,798	117,625
Tax losses carried forward [2]	57,844	57,679
Total	**189,642**	**175,304**

(1) The Group has incurred research and development costs, which have not yet been deducted in its taxation in Finland. The amount deferred for tax purposes can be deducted over an indefinite period.

(2) Tax losses carried forward relate to Finland and expire over the period of 10 years. The tax losses will expire as follows:

€'000	**2025**	**2024**
Expiry within five years	29,285	34,060
Expiry within 6-10 years	28,559	23,619
Total	**57,844**	**57,679**

The related deferred tax assets have not been recognised in the balance sheet due to the uncertainty as to whether they can be utilized. The Group has a loss history, which is considered a significant factor in the consideration of not recognizing deferred tax assets. The total tax value of unrecognized deferred tax assets is EUR 37,928 thousand (2024: EUR 35,061 thousand).

The Group does not have any other material deductible or taxable temporary differences. Therefore, no deferred tax assets or liabilities have been recognised in the balance sheet and thus the itemization of deferred taxes is not provided.

10. LOSS PER SHARE

Loss per share is calculated by dividing the net loss by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
€'000	**2025**	**2024**
Loss for the period	(27,261)	(25,911)
Weighted average number of ordinary shares in issue	111,718,219	88,518,654
Basic and dilutive loss per share (in €)	**(0.24)**	**(0.29)**

As of 31 December 2025, Faron Pharmaceuticals Oy had only share options outstanding. Number of potentially dilutive instruments currently outstanding totaled 4,245,416 as of 31 December 2025 (31 December 2024: 4,617,816). Since the Group and the Company has reported a net loss, the share options would have a further dilutive effect and are therefore not taken into account in diluted loss per share-calculation. As such, there is no difference between basic and diluted loss per share.

11. INTANGIBLE ASSETS AND MACHINERY AND EQUIPMENT

€'000	Intangible assets	Machinery and equipment
Book value on 1 January 2025	**1,112**	**1**
Additions	222	-
Disposals	-	-
Depreciation/amortisation	(217)	(1)
Book value 31 December 2025	**1,117**	**0**
As at 31 December 2025		
Acquisition cost	2,467	27
Accumulated disposals	-	-
Accumulated depreciation/ amortisation	(1,350)	(27)
Book value 31 December 2025	**1,117**	**0**
Book value on 1 January 2024	**1,088**	**6**
Additions	225	-
Disposals	-	-
Depreciation/amortisation	(200)	(5)
Book value 31 December 2024	**1,112**	**1**
As at 31 December 2024		
Acquisition cost	2,245	27
Accumulated disposals	-	-
Accumulated depreciation/ amortisation	(1,132)	(25)
Book value 31 December 2024	**1,112**	**1**

The intangible assets mainly consist of patents.

12. NON-CURRENT PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
€'000	**2025**	**2024**
Other receivables	42	46
Total non-current prepayments and other receivables	**42**	**46**

Other receivables consist mainly of restricted cash in the form of security deposits for rental agreements.

For the parent company, the other receivables 2025:
EUR 576 thousand consist of intercompany loans that are eliminated at the group level. The interest is defined as a fixed rate of 5%, therefore no range applies and loans are payble on demand.

13. RIGHT-OF-USE-ASSETS AND LEASING LIABILITIES

€'000	31 December 2025	31 December 2024
Right-of-use assets		
Office & parking places	189	296
Total right-of-use assets	**189**	**296**
Lease liabilities		
Long-term leasing liability	76	186
Short-term leasing liability	131	117
Total leasing liabilities	**207**	**303**

Contract for parking places is valid until further notice and thus lease term is estimated reflecting same period as the office lease.

14. CURRENT PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December	Group		Parent	
€'000	2025	2024	2025	2024
Prepayments	2,995	1,280	2,995	1,279
Other accrued incomes and other receivables	341	201	451	321
Prepayment for product testing	-	-	-	-
VAT receivable	172	82	172	82
Total current prepayments and other receivables	**3,508**	**1,563**	**3,619**	**1,682**

The majority of prepayments consist of the Clinical Service Agreements with Contract Research Organizations, which are current service providers in different clinical trials and prepayment of batch drug production.

15. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Parent	
€'000	2025	2024	2025	2024
Bank accounts	12,317	9,503	12,308	9,462
Total cash and cash equivalents	**12,317**	**9,503**	**12,308**	**9,462**

16. SHAREHOLDERS' EQUITY

Movements in number of shares, share capital and reserve for invested unrestricted equity were as follows:

€'000	Total registered shares (pcs)	Share capital	Reserve for unrestricted equity
1 January 2024	**68,786,699**	**2,691**	**154,352**
Issue of new shares, net of transaction costs	35,838,165	-	30,609
Accumulated deficit, legal reserve	-	-	(5)
31 December 2024	**104,624,864**	**2,691**	**184,955**
1 January 2025	**104,624,864**	**2,691**	**184,955**
Issue of new shares, net of transaction costs	9,795,601	-	16,693
31 December 2025	**114,420,465**	**2,691**	**201,649**

On 6 February 2025, the number of shares was increased to 111,601,608 shares following the issue of 6,976,744 new shares. On 3 June 2025, the number of shares was increased to 111,954,597 shares following the issue of 352,989 new shares. On 8 August 2025, the number of shares was increased to 112,811,919 shares following the issue of 857,322 new shares. On 19 September 2025, the number of shares was increased to 112,922,919 shares following the issue of 111,000 new shares. On 2 October 2025, the number of shares was increased to 113,450,867 shares following the issue of 527,948 new shares. On 29 October 2025, the number of shares was increased to 113,902,670 shares following the issue of 451,803 new shares. On 3 December 2025, the number of shares was increased to 114,420,465 shares following the issue of 517,795 new shares. At the year end 2025 authorization to issue shares, options or other special rights entitling to shares and conveyance of up to the same maximum number of treasury shares was 20,115,900. In addition, 19,383,656 special rights are available at the trade register for repayment of the Convertible Bonds to HCM. At the year end the total number of shares issued by the Company was 118,563,143, but Faron held 4,142,678 in treasury, therefore the total shares outstanding was 114,420,465.

Faron Pharmaceuticals Ltd has one class of ordinary shares. The shares have no par value. Each share entitles the holder to one vote at the Annual General Meeting and equal dividend. All shares are fully paid.

The subscription price for the shares is recorded to the share capital, unless the Board has made a resolution to record the subscription price in the reserve for invested unrestricted equity. If the shares of a Finnish limited liability company have no par value according to its articles of association, the Finnish Limited Liability Companies Act allows companies the recognition of the proceeds from share issuance to the reserve for invested unrestricted equity. In such situations the board of a company can choose on a subscription-by-subscription basis, how much of the issue, if anything, is recorded in share capital and how much to the reserve for invested unrestricted equity that is distributable. During 2025 and 2024, the Company recognised all relevant transactions in the invested unrestricted equity reserve.

17. SHARE OPTIONS

Option Plan 2015

The Option Plan 2015 was approved at the Company's extraordinary shareholders' meeting on 15 September 2015 as part of the Group's incentive scheme determined by the Board of Directors. The share options are granted to the members of the Board of Directors and the management team and other management and employees for no consideration. The annual general meeting on 16 May 2017 resolved to amend, due to the increase in the number of employees in the Group and the increase in the number of members of the Board of Directors, the Option Plan so that a maximum total of 500,000 C options and a maximum total of 500,000 D options may be offered under initial Option Plan terms and conditions. The share options have a service condition and are forfeited in case the employee leaves the Company before the share options vest, unless the Board of Directors approves otherwise.

After the beginning of the share subscription period, the vested options may be freely transferred or exercised. Grant dates for the share options may vary depending on the date when the Company and the employees agree to the key terms and conditions of the Option Plan. The maximum number of share options that can be awarded under the Option Plan is 1,800,000 in four different tranches designated as A options, B options, C options and D options. Each share option entitles the holder of the option to subscribe for one ordinary share of the Company.

The exercise price for ordinary shares based on A options is euro equivalent of the Company's share subscription price in the Company's initial public offering on the AIM marketplace of the London Stock Exchange on 17 November 2015. The exercise price for ordinary shares based on B options, C options and D options is euro equivalent of the exercise price determined based on the Company's average share price on the AIM marketplace during 1 July - 30 September 2016, 2017 and 2018, respectively.

The extraordinary general meeting 2023 resolved to amend the terms and conditions of the Option Plan 2015 so that the subscription period for shares based on the options was extended by two (2) years, i.e., until 30 September 2025. The amendment was expected to enhance the usability of the options and thereby significantly increase the desired benefits of the incentivisation system for the management and personnel of the Company. All options under this Option Plan 2015 expired during 2025.

Key characteristics and terms of the option plan are listed in the table below.

2015 Option Plan	A options	B options	C options	D options
Maximum number of share options	400,000	400,000	500,000	500,000
Exercise price, EUR	3.71	2.90	8.39	1.09
Dividend adjustment	No	No	No	No
Beginning of subscription period	2 November 2015	8 October 2016	8 October 2017	8 October 2018
End of subscription period	30 September 2025*	30 September 2025*	30 September 2025*	30 September 2025*
Vesting conditions	Service until the beginning of the subscription period			

* The extraordinary general meeting, held on 22 September 2023, resolved to amend the terms and conditions of the Option Plan 2015 so that the subscription period for shares based on the options is extended by two (2) years, i.e., until 30 September 2025.

	2025 2015 Option Plan				2024 2015 Option Plan			
Number of share options	**A**	**B**	**C**	**D**	**A**	**B**	**C**	**D**
Outstanding at 1 January	385,000	333,400	500,00	162,000	385,000	338,400	500,000	170,000
Granted	-	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	111,000	-	5,000	-	8,000
Expired	**385,000**	**333,400**	**500,000**	**51,000**				
Outstanding at 31 December	-	-	-	-	385,000	333,400	500,000	162,000
Exercisable at 31 December	-	-	-	-	385,000	333,400	500,000	162,000
The weighted average fair value of the share options granted, EUR	-	-	-	-	-	-	-	-
The weighted average share price at the date of exercise, EUR				2.37	-	1.73	-	1.73

Option Plan 2019

The Option Plan 2019 was approved at the Company's Board of Directors meeting on 20 November 2019. The Annual General Meeting on 24 March 2023 resolved to amend the terms and conditions of the Option Plan 2019, so that a maximum total under the 2019 Option Plan is 4,350,000 options. The share options are granted to the members of the Board of Directors, Scientific Advisory Board, the management team and other management and employees for no consideration.

The share options have a service condition and are forfeited in case the employee leaves the Group before the share options vest, unless the Board of Directors approves otherwise. After the beginning of the share subscription period, the vested options may be freely transferred or exercised. The fair value of the options has been determined using the Black & Scholes option valuation model and expensed over the vesting period. Grant dates for the share options may vary depending on the date when the Company and the employees agree to the key terms and conditions of the Option Plan. The maximum number of share options has certain maximum limits per certain person. The details of the plan are available on www.faron.com. Each share option entitles the holder of the option to subscribe for one ordinary share of the Company.

The exercise price for ordinary shares based on 2019 Option plan is euro equivalent of the average share price at the London AIM list for the past 90 or 30 days prior to the grant date. For the GBP to EUR price conversion, the exchange rate of the European Central bank on the grant date is used. The weighted average exercise price for ordinary shares based on Plan 2019 granted options in 2025 is EUR 2.22

The Company's Board has confirmed the grant of a total of 1,056,000 options under the Option plan 2019 during 2025. The Options have been allocated under the Share Option Plan 2019 and will be released in 25% per annum over a period of 4 years starting on the first anniversary after grant.

The general meeting 2025 resolved to amend the terms and conditions of the Option Plan 2019 by extending the validity period of the options granted under the Option Plan 2019 by one (1) year and the terms of the Option Plan 2019 were amended so that the maximum term of any granted option is six (6) years. It was further resolved to amend the terms and conditions so that the maximum number of options that can be offered to a Board member would be two hundred thousand (200,000) options (before the amendment one hundred and twenty-five thousand (125,000) options). The management has determined the incremental fair value related to the extension of the subscription window of the 2019 Option Plan. This valuation is based on a comparison of the fair value of the instruments before and after the modification, using Black-Scholes-Merton model. Notably, as the modification occurred post-vesting date, the incremental fair value was promptly recognized in the financial statements.

Key characteristics and terms of the option plan are listed in the table below.

2019 Option Plan	**2025**	**2024**
Maximum number of share options	4,350,000	4,350,000
Exercise price, EUR (weighted average if several grant during the year)	2.22	1.16
Dividend adjustment	No	No
Beginning of first subscription period	23 July 2021	23 July 2021
End of the last subscription period	1 December 2031	4 December 2029
Vesting conditions	Service until the beginning of each subscription period	Service until the beginning of each subscription period

2024–2025
2019 Option Plan

Number of share options	2025	2024
Outstanding at 1 January	3,237,416	2,613,666
Granted	1,056,000	785,000
Forfeited	28,000	153,750
Exercised	-	7,500
Outstanding at 31 December	4,245,416	3,237,416
Exercisable at 31 December	2,148,479	1,477,957

2024–2025
2019 Option Plan

Valuation inputs for instruments granted during period (weighted average)	2025	2024
Share price at grant date, EUR	2.11-2.43	1.18 - 2.36
Subscription price, EUR	2.20-2.31	1.00 - 2.28
Volatility, % *	78.6	76.5
Risk free rate, %	2.31	2.8
Expected dividends yield, %	0	0
Option fair value, EUR	1.55	0.87

* Expected volatility was determined by calculating the historical volatility of the Company`s share using monthly observations over corresponding maturity.

The share-based compensation expense for the Option Plan 2019 was EUR 1,046.0 thousand (EUR 694.1 thousand in 2024).

Incremental Fair Value
2019 Option Plan

Valuation parameters for instruments modified during period	
Share price at modification, EUR	2.3
Average Exercise price, EUR	2.92
Expected volatility*	82.3
Maturity, years	6
Risk-free rate	2.1
Expected dividends, EUR	0
Valuation model	Black-Scholes
Incremental Fair Value	**776,724**

* Expected volatility was determined as the average volatility of the Company's share in Nasdaq Helsinki First North Marketplace.

18. FINANCIAL ASSETS AND LIABILITIES

As at 31 December	Group		Parent	
€'000	2025	2024	2025	2024
Financial assets measured at amortised cost				
Other receivables *	173	121	172	121
Cash and cash equivalents	12,317	9,503	12,308	9,462
Total financial assets measured at amortised cost	**12,490**	**9,624**	**12,480**	**9,583**
Financial liabilities measured at amortised cost				
Lease liabilities	207	303	207	303
Trade payables	5,545	4,876	6,669	5,996
Borrowings in form of Business Finland R&D loans ***	1,552	3,124	1,552	3,124
Borrowings in form of IPF Tranche A	-	8,686	-	8,686
Total financial liabilities measured at amortised cost	**7,303**	**16,990**	**8,427**	**18,109**
Financial liabilities measured at FVTPL				
FV of warrants **	2,526	3,839	2,526	3,839
FV of Convertible Bonds ***	22,931	-	22,931	-
Total financial liabilities measured at FVTPL	**25,457**	**3,839**	**25,457**	**3,839**

* Prepayments are excluded as they are not considered to be financial instruments.
** Other liabilities in the balance sheet
*** Borrowings in the balance sheet

Borrowings in the Form of Business Finland R&D Loans

Fair value for the Business Finland R&D loans is calculated by discounting estimated future cash flows for the loans using appropriate interest rates at the reporting date. The discount rate considers the risk-free interest rate and estimated margin for the Company's own credit risk. Discounted future cash flows are derived from the terms containing the repayment amounts and repayment dates for the principal and the cash payments for interest. Given that some of the inputs to the valuation technique rely on unobservable market data, loan fair values are classified in Level 3. The carrying amount of all the Business Finland loans was EUR 1,552 thousand (2024 EUR 3,124 thousand) which is not materially different from the fair value. R&D loan related to the development of Traumakine was forgiven by Business Finland in 2025. The forgiveness applies also to accumulated interest. The loan principal amount forgiven was EUR 1,308 thousand.

Business Finland R&D loans are granted to a defined product development project and cover a contractually defined portion of the underlying development projects' R&D expenses. The below-market interest rate for these loans is the base rate set by the Ministry of Finance minus three (3) percentage points, subject to a minimum rate of 1%. Repayment of these loans shall be initiated after 5 years, thereafter loan principals shall be paid back in equal instalments over a 5-year period, unless otherwise agreed with Business Finland. Requesting accord to the loan(s) is also a possibility. For more information on contractual maturities of the Business Finland R&D loans and interests is provided in the note 19. The interest on Business Finland R&D loans amounted to EUR 26 thousand (2024 EUR 83 thousand).

Loan facilities and related warrant agreement with IPF

On 28 February 2022, Faron entered into agreementwith IPF Fund II SCA (IPF), which contained

- a Euro term loan facility (Tranche A) of up to EUR 10 million,
- a Euro term loan facility (Tranche B) of up to EUR 5 million,
- the possibility of Faron to request up to an additional EUR 15 million facility (Tranche C), subject to IPFs approval process and certain conditions to be met,
- Faron to issue warrants to IPF as part of the loan agreement, based on the amount drawn in the above facilities.

The first tranche (Tranche A) of EUR 10 million was drawn down upon signing the agreements in 2022. Faron paid cash interest on drawn amounts of the above facilities plus a pay-in-kind interest (PIK) for drawn amounts in Tranche A. In addition, Faron has paid a structuring fee of the committed facility on the utilization date of the respective facility. Tranche A has been measured at amortised cost using the effective

interest method. The carrying amount of the Tranche A was EUR 8,686 thousand at the end of 2024. The loan facility was subject to financial covenants. The covenants measure the Group's gearing ratio and cash runway. Given that some of the inputs to the valuation technique rely on unobservable market data, loan fair values are classified in Level 3.

The loan was repaid in 2025. After the early repayment of the outstanding loan, the restrictive cash covenants set out in the IPF Facility no longer apply, the previously restricted cash reserves were unlocked, and the company's assets, including valuable intellectual property rights, were released from any pledges granted in favour of IPF.

The IPF warrants were issued as part of the loan agreement which Faron entered into with IPF. No consideration was paid and the warrants have been treated as a separate financial instrument. On initial recognition of the agreement, the fair value of the loan facility was reduced by the structuring fee and other fees that are integral part of the loan and by the implicit costs of the warrants. On subsequent reporting dates the changes in fair value of warrants have been accounted separately through profit and loss. The warrants are classified as Level 2 instruments and their fair value is determined using techniques whose inputs are based on observable market data. Total warrants issued in 2024 were 1.5 million.

Convertible Bonds loan by HCM

Faron entered into a convertible bonds arrangement for to up to EUR 35 million with an entity managed by Heights Capital Management, Inc. ("HCM"). During 2025 Faron resolved to issue first and second tranche of amortising unsecured bonds convertible into new and/or existing Shares in the Company, first tranche with an aggregated principal amount of EUR 15 million and second tranche with an aggregated principal amount of EUR 10 million. Faron has an option to issue, subject to certain conditions, one additional tranche of similar convertible bonds with a principal amount of EUR 10 million.

The first tranche, issued in April, consists of 150 bonds with a principal value of EUR 100,000 each. The First Tranche Bonds were issued at 92.5 per cent of their principal amount and carry an interest rate of 7.5 per cent per annum, payable every two months in arrears.

In December 2025, the Board of Directors resolved upon the issuance of EUR 10 million of the Second Tranche Bonds, due 2 December 2028, to HCM convertible into new and/or existing shares in the Company. The Second Tranche Bonds consists of 100 bonds with a principal value of EUR 100,000 each, and were issued at 92.5 per cent of their principal amount and carry an interest rate of 7.5 per cent per annum, payable also every two months in arrears.

A holder of the bonds, is able to convert the outstanding principal amount of bonds or any instalment amount at any time during the term of the bonds. The initial conversion price for the first tranche was set at EUR 2.93952, which equals a 20 per cent premium to the reference share price of EUR 2.4496. In December 2025, the conversion price for the first tranche was reset to the same level as the conversion price of the second tranche, resulting in a conversion price of EUR 2.42256 for both tranches, which corresponds to a 20 percent premium to the reference share price of EUR 2.0188. The conversion prices are subject to adjustments in the event of certain corporate actions as well as customary anti-dilution adjustments and price reset mechanisms.

The bonds will amortise in 18 equal instalments every two months during the term of the bonds. Faron will have the option to elect, in its sole discretion, to make amortisation and/or interest payments either in cash or by converting the relevant amounts due into shares. In case the Company selects to amortise the principal amount of the bonds with shares, the subscription price for the Shares will be the lower of (a) the conversion price in effect at the time, and (b) 90 per cent of the lowest of (i) the VWAP of a Share on the relevant payment date, and (ii) the lowest of the VWAPs of a Share on each of the five consecutive dealing days ending on (and including) the dealing day immediately preceding the relevant payment date.

Faron has, in light of the frequent amortisations and need to secure continuous adherence with the Market Abuse Regulation obligating the Company, resolved to make amortisations and interest payments with shares, unless it separately decides to make payments in cash.

In addition to the scheduled amortisation payments, HCM may, at any time between scheduled amortisations, exercise their right to bring forward up to two (2) additional amortisation payments to be paid in advance on a date specified in a notice sent to the Company, with a limit of no more than nine accelerated amortisations in the first year of the terms of the first tranche bonds and the second tranche bonds, respectively. Additionally, HCM will also have the right to defer any upcoming amortisation payment to be paid later.

The Company applies IFRS 9.4.3.5 paragraph and makes an irrecoverable election to measure the whole Convertible Bonds at FVTPL. Subsequently the fair value is measured using a Monte Carlo valuation model and changes in fair value are recognised in profit or loss.

The selected valuation methodology is based on several parameters derived from the terms of the bonds.

Parameter	Tranche 1 value	Tranche 2 value	Source
Share Price	2.08	2.08	Closing price on valuation date
Risk free rate	2.16%	2.25%	Continuous compounding rate
Historical volatility	85.91%	81.52%	Volatility has been calculated based on the standard deviation of historical returns over past three year, which represents the industry-standard approach.
Share or cash payments	Optimised	Optimised	Company estimates that instalments will be settled on which method results in the lower overall cost
Qualified Equity Offering ("QEO") rate/year	0.99	0.81	Peer and CB adjusted historical rate
QEO -price multiplier	0.85	0.87	Peer adjusted placement price multiplier. Calculated with placement price divided by prior close and averaging across 20 observations
Change of Control ("CoC") -probalility/year	25%	25%	Estimate for a CoC -event effecting Faron per year over next five years.

The FVTPL -value of the Convertible Bonds is estimated using a Monte Carlo simulation as valuation method. The algorithm used in the simulation is:

1. Simulate monthly share price with Geometric Brownian Motion
2. Simulate QEO events with Poisson process that initiates conversion price resets
3. Simulate CoC events with Geometric process
4. Calculate discounted coupons and instalments
5. Calculating total cash flow and terminal payment after deducting the first instalment

Simulation was run 3 000 000 times for both tranches to achieve most probable average outcome.

Fair value hierarcy allocation

Recurring fair value measurements	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2025		**€'000**	**€'000**	**€'000**	**€'000**
Financial assets		-	-	-	-
Financial assets at FVTPL		-	-	-	-
IPF warrants		-	2,526	-	2,526
HCM Convertible Bonds		-	-	22,931	22,931
Total financial assets		**-**	**2,526**	**22,931**	**25,457**

Recurring fair value measurements	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2024		**€'000**	**€'000**	**€'000**	**€'000**
Financial assets		-	-	-	-
Financial assets at FVTPL		-	-	-	-
IPF warrants		-	3,839	-	3,839
HCM Convertible Bonds		-	-	-	-
Total financial assets		**-**	**3,839**	**-**	**3,839**

As of December 31, 2025, using the same assumptions the Company conducted a sensitivity analysis of the impact of changes in the non-observable parameters to the fair value of the Heights convertible bonds.

	Value used in FV valuation of trance 1 & 2	Value used in sensitivity analysis	Impact on FV of tranche 1& 2, € 000
Qualified Equity Offering ("QEO") rate/year	0.81-0.99/year	1/year	0-50
QEO -price multiplier	84,5-87,5%	80,00 %	5-13
Change of Control ("CoC") -probalility/year	25 %	30 %	110-140

This section sets out an analysis of net debt and the movements in net debt (calculated as cash and cash equivalents less borrowings for each of the periods presented.

As at 31 December	Group		Parent	
€'000	**2025**	**2024**	**2025**	**2024**
Cash and cash equivalents	12,317	9,503	12,308	9,462
Lease liabilities	(207)	(303)	(207)	(303)
IPF Tranche A	-	(8,686)	-	(8,686)
Business Finland R&D loans	(1,552)	(3,124)	(1,552)	(3,124)
HCM Convertible Bonds	**(22,931)**	**-**	**(22,931)**	**-**
Net debt	**(12,373)**	**(2,610)**	**(12,382)**	**(2,651)**

€'000	Borrowings	Lease liabilities	Other liabilities	Total
Opening balance as at 1 Jan 2024	**12,898**	**213**	**895**	**14,006**
Financing cash flows	3,200	(162)	-	(4,033)
New lease liability	**-**	**239**	**-**	**239**
Fair value adjustments	-	-	2,944	2,944
Other movements (*)	(4,288)	13	-	2,792
Balance as at 31 Dec 2024	**11,810**	**303**	**3,839**	**15,952**
Financing cash flows	16,110	(141)	-	15,969
Fair value adjustments	3,691	-	(1,313)	2,378
Convertible Bonds settlements in shares	(4,920)			(4,920)
Business Finland loan forgiveness reversals	(1,242)			(1,242)
Other movements*	(976)	45		(931)
Balance as at 31 Dec 2025	**24,473**	**207**	**2,526**	**27,206**

*) Other changes include reversals and- interest accruals.

19. FINANCIAL RISK MANAGEMENT

This section applies to The Group and the Company.
The operations of the Group expose it to financial risks.
The main risk that the Group is exposed to is liquidity risk, with capital management being another important area given the nature of the Group's operations and its financing structure. The Group's financial risk management principles focus on obtaining funding and managing capital taking into consideration the unpredictability of the financial markets with the aim at minimizing any undesired impacts on the Group's financial performance and position. The Board of Directors define the general risk management principles and approve operational guidelines concerning specific areas including but not limited to liquidity risk, foreign exchange risk, interest rate risk, credit risk, the use of any derivatives and investment of the Group's liquid assets.

(a) Capital Management and Liquidity Risks

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern (refer to note 2.2).

Significant financial resources are required to advance the drug development programs into commercialized pharmaceutical products. The Group relies on its ability to fund the operations of the Group through the following items– equity financing, research and development grants and loans, venture debt and licensing agreements.

The Company has been able to fund its operations with equity, grants, convertible bond structure, debt and R&D loans. While equity financing has generally been available in the past, there can be no assurance that sufficient funds can be secured in order to permit the Group to carry out its planned activities. In general, capital market conditions are volatile. The prevailing financial market situation and overall investor sentiment dictate whether the Group is able to secure additional financing in the future, which can be considered a risk.
To partly manage this risk, the Group and its management is in constant dialogue with financial investors, investment banks, debt providers and other market participants.

The Group also relies on different sources of financing and research and development grants and loans. These funds, which are provided through regional, national or EU level institutions, have been historically available to the Group.
The Group strictly complies with all rules and legal obligations pertaining to these funding programs and is in regular contact with the funding agencies providing these. Availability of such funds in the future cannot be guaranteed and thus this poses a potential risk to the Group's funding in the future.

Finally entering into potential commercialization, collaboration and licensing agreements with larger pharmaceutical companies entitles the Group to receive up-front and milestone payments related to agreed regulatory or commercial points, as well as royalty payments once commercialization has been successful. Activities in the area of business development are targeted at securing such agreements. Consideration of these activities is part of the management's duties and is monitored by the Board of Directors, which ultimately decides on entering into such agreements.

There can be no assurance that sufficient financing can be secured in order to permit the Group to carry out its planned activities. To protect the continuity of the Group's operations, sufficient liquidity and capital has to be maintained. The Group aims to have funds to finance its operations for the foreseeable future. The Group can influence "somewhat" as the ability to impact on cash runway with cost management is limited the amount of capital by adapting its cost basis considering available financing. Management monitors liquidity on the basis of the amount of funds. These are reported to the Board of Directors on a monthly basis.

The Company's Board of Directors approves the operational plans and budget and monitors the implementation of these plans and the financial status of the Group on a monthly basis.

As at 31 December 2025, the contractual maturity of non-derivative liabilities excluding other payables and accruals was as follows. Warrants will be settled in shares and Convertible Bonds instalment payments are optimised shares vs cash thus not included in the maturity table. The Company had additional EUR 1,042 thousand (EUR 1,124 thousand as at 31 December 2024) trade payables to subsidiaries:

€'000	2026	2027	2028	2029 - thereafter	Total
Borrowings	431	425	421	275	1,552
Trade payables	5,545	-	-	-	5,545
Lease liabilities	131	76	-	-	207
Total	**6,107**	**501**	**421**	**275**	**7,304**

As at 31 December 2024, the contractual maturity of non-derivative liabilities and interests excluding other payables and accruals was as follows.

€'000	2025	2026	2027	2028 - thereafter	Total
Borrowings	4,644	4,182	5,094	476	14,396
Trade payables	4,876	-	-	-	4,876
Lease liabilities	117	109	76	-	303
Total	**9,638**	**4,292**	**5,170**	**476**	**19,575**

(b) Market Risk

i. Foreign Exchange Risk

The Group operates internationally but is mainly exposed to translation risk in respect of US Dollar ("USD") denominated cash and cash equivalents balances. The Group's policy is not to hedge translation risk. As of 31 December 2025, the Group had cash and cash equivalents of EUR 11,705 thousand, USD 64 thousand, CHF 2 thousand and GBP 64 thousand (2024: EUR 6,752 thousand, GBP 2,100 thousand, CHF 20 thousand and USD 205 thousand) and the foreign exchange gains and losses recorded arise mainly from the USD cash balances. The Group is not exposed to significant transaction risk, as the Group mainly operates in EUR.

ii. Interest Rate Risk

The Group's interest rate risk arises from the Business Finland R&D loans. IPF Tranche A interest consisted of cash interest (margin and 3 months EURIBOR) and payment in kind interest accrued over the repayment period. The loan to IPF has been repaid in 2025.

Business Finland R&D loans, which interest is the base rate defined by the Finnish Ministry of Finance minus three (3) percentage points, is subject to a minimum rate of 1%. During the periods presented, the interest has been below the minimum level and the Group has paid the minimum interest of 1% on the loans. During the periods presented, the Group has not been exposed to material variable interest rate risk and accordingly the Group has not entered into derivative contracts.

(c) Credit and Counterparty Risk

The Group works with partners and financial institutions with good credit ratings. Management monitors credit ratings of the financial institutions that hold the Group's bank deposits regularly.

20. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
€'000	2025	2024
FV of warrants	2,526	3,839
Total non-current liabilities	**2,526**	**3,839**

The fair value of warrants issued to IPF (see note 18) is recognized in Other liabilities of non-current liabilities. Warrants will be settled in shares if exercised.

21. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

As at 31 December	Group		Parent	
€'000	2025	2024	2025	2024
Accounts payables*	**3,820**	**3,703**	**4,943**	**4,823**
Clinical trial site fees*	1,725	1,173	1,725	1,173
Accrued payroll	1,576	1,208	1,576	1,208
Accrued general and administration	147	166	147	166
Other liabilities and accruals	1,205	96	1,203	109
Total	**8,473**	**6,336**	**9,595**	**7,478**

*) Included in Trade payables in the Balance sheet.

22. CONTINGENCIES AND COMMITMENTS

Operating Lease – Faron as a Lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 December	
€'000	2025	2024
No later than 1 year	1	9
Later than 1 year and no later than 5 years	1	2
Later than 5 years	-	-

The Group's operating lease commitments comprise of lease commitments for machines and equipment with low value leases of 3 to 4 years. The Group's operating leases are non-cancellable and they do not include redemption or extension options. Contingencies and commitments liabilities do not include lease liabilities that are recognised as lease liabilities on the balance sheet.

Contractual Contingencies
The Group has a contingent contractual liability to a development party for Bexmarilimab to pay additional milestone payments. The remaining milestone becomes payable upon the Group receiving a certain amount of Net Sales for Bexmarilimab for which likelihood is considered remote thus no liability has been booked.

Other Contingencies
In November 2025, the Company received an invitation to a hearing in front of the Disciplinary Committee of Nasdaq Helsinki ("DC") relating to certain disciplinary matters. If the Company is found to have violated its disclosure obligations, this may result in a sanction according to the rules of First North. The DC's written decision on the matter is expected in Q2 2026.

Regardless of the outcome, management believes that the proceedings are not expected to have a material impact on the company's financial performance.

23. RELATED PARTY TRANSACTIONS

Parent and subsidiary relations of Faron Pharmaceuticals Group on 31 December 2025:

	Country	Group holding %	Group voting %
Companies owned by the Parent Company			
Faron Europe GmbH	Switzerland	100	100
Faron USA LLC	USA	100	100

At the end of period, the Company has EUR 534 thousand in long term receivables from subsidiaries, which contains intercompany loans and the interests associated with them. The transactions are at arm's length. The Parent Company trade payables to subsidiaries at the end of the period were EUR 1,042 thousand.

During the period the profit and loss relevant bookings are EUR 22 thousand for the interest of the intercompany loans and the invoices for administrative services by the subsidiaries of EUR 58 thousand.

The Group identifies the following related parties:

- Members of the Board of Directors, and their close family members; and
- Company's key Management team and their close family members

The Company has not had interests in other entities as at, and for the years ended, December 31, 2025 and 2024.

Key Management Personnel

The Company's key management personnel consist of the following:

- Members of the Board of Directors
- C-level management of management team, including CEO

	Year ended 31 December	
€'000	**2025**	**2024**
Compensation of key management personnel*		
Salaries and other short-term employee benefits	2,022	1,685
Post-employment benefits	-	118
Share-based payments	1,198	576
Total	**3,220**	**2,378**

* Presented information for the Management includes the executive directors of the Board

The Management team was awarded 606,000 share options during 2025 (2024: 396,000 share options). At the end of 2025 the number of outstanding options and shares granted to the Management team amounted to 1,078,000 share options (at the end of 2024: 860,270 share options).

Non-executive Directors were awarded 250,000 share options during 2025 (2024: 580,000 share options). At the end of 2025, the number of outstanding options and share options granted to the non-executive directors amounted to 1,130,000 share options (2024: 1,900,000 share options).

Management and Board Shareholding

Management* shareholding	**31 December 2025**
Number of shares (pcs)	2,190,189
Shareholding, percentage	1.91
Board shareholding, (excluding the shareholding of CEO)**	**31 December 2025**
Number of shares (pcs)	3,212,774
Shareholding, percentage	**2.80**
Total number of shares outstanding at 31 December 2025 (pcs)	**114,420,465**

* Presented information for the Management includes the executive director of the Board
** Presented information for the Board includes only non-executive directors.

Transactions with Related Parties

There are no additional related party transactions during 2025 and 2024 than already disclosed.

24. SUBSEQUENT EVENTS

On 8 January 2026, the Company announced that the Board had approved the exercise of 453,979 special rights entitling to 453,979 existing treasury shares, for an aggregate subscription price of EUR 846,943.22. This exercise is linked to the advanced amortisation payment of the First Tranche Bonds, which was completed on 12 January 2026. Following this transaction, the total number of ordinary shares in issue remains 118,563,143. Following the registration, the Company holds 3,688,699 shares in treasury, resulting in 114,874,444 voting rights in Faron.

On 3 February 2026, the Company approved the exercise of 909,517 Special Rights entitling to 909,517 new Shares, for an aggregate subscription price of EUR 1,549,998.87. This exercise is linked to the scheduled amortisation of the First and Second Tranche Bonds completed on 4 February 2026. Following the registration, the Company continues to have 3,688,699 shares in treasury and therefore, the total number of voting rights in Faron is 115,783,961.

On 9 February 2026, the Company announced its plan to conduct a rights issue to raise gross proceeds of approximately EUR 40 million. The funds will be used to accelerate the development of its lead asset bexmarilimab and run the Phase II portion of the Phase II/III trial in frontline HR MDS discussed with the FDA.

Faron held an Extraordinary General Meeting of Shareholders (EGM) on 2 March 2026. At the EGM, shareholders approved the Board of Directors' proposal for the rights offering. As a result, the Company's share capital will increase once the issuances are completed. The EGM authorized the Board to issue up to 80,000,000 new shares and to resolve on all other terms and conditions of the rights offering, including the subscription and payment period and the grounds for determining the subscription price.

In addition, the Company may conduct an additional offering by way of a directed share issue to allocate shares to potential (non-shareholder) investors in the offering based on previous existing authorization granted by the Company's last Annual General Meeting on 21 March 2025, as well as existing treasury shares.

Result and Dividends

The Company's comprehensive loss for the period was EUR 27,191,954 (2024: EUR 25,999,608). The Board of Directors proposes to the Annual General Meeting 2025 not to pay dividend.

BOARD SIGNATURES

Turku, 3 March 2026

Tuomo Pätsi
Chairman

Juho Jalkanen
CEO and Board member

Markku Jalkanen

John Poulos

Christine Roth

Marie-Louise Fjällskog

Colin Bond

THE AUDITOR'S NOTE

A report on the audit performed has been issued today

Helsinki, 3 March 2026
PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä
Authorised Public Accountant (KHT)

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Faron Pharmaceuticals Oy

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements give a true and fair view of the group's and the parent company's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU and comply with statutory requirements.

What we have audited

We have audited the financial statements of Faron Pharmaceuticals Oy (business identity code 2068285-4) for the year ended 31 December 2025. The financial statements comprise the balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes, which include material accounting policy information and other explanatory information for the group as well as for the parent company.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

www.pwc.fi

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Reg. Domicile Helsinki, Business ID 0486406-8

Material Uncertainty Related to Going Concern

We draw attention to note 2.2 Going concern in the financial statements. Because the additional finance is not committed at the date of issuance of these financial statements, this fact together with other matters stated in the notes, indicates that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial in-formation of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the information included in the Annual Report 2025 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other in-formation, we are required to report that fact. We have nothing to report in this regard.

Helsinki, on the date of the electronic signature

PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä
Authorised Public Accountant (KHT)

CORPORATE GOVERNANCE

Corporate Governance

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

The Board of the company emphasises the importance of good Corporate Governance and is aware of its responsibility for overall Corporate Governance and for supervising the general affairs and business of Faron.

As Chairman of the Board, I oversee the adoption, delivery and communication of Faron's Corporate Governance model. In this role, I endeavour to foster a positive governance culture throughout Faron, seeing that ultimate responsibility for the quality of, and Faron's approach to, corporate governance lies with me.

Faron is not required to comply with the UK Corporate Governance Code by virtue of being an AIM and Nasdaq First North Growth Market quoted company. The Board does, however, seek to apply the QCA Corporate Governance Code (as devised by the Quoted Companies Alliance in consultation with a number of significant institutional small company investors) in its updated form. After the year end 2020 and the UK leaving the European Union, Faron has to follow applicable domestic laws of the UK in addition to Finnish national and European Union's legislation.

No significant changes in governance arrangements occurred during the year.

As described below, the Board continues to promote a healthy corporate culture that is based on ethical values and behaviours consistent with Faron's objectives, strategy and business model described on Faron's website and with the description of principal risks and uncertainties set out in this document. As good Corporate Governance is fundamentally about culture, rather than procedure, Faron's corporate culture is monitored on a regular basis, and appropriate action is taken if, and to the extent, deemed necessary.

Tuomo Pätsi
Non-Executive Chairman

3 March 2026

Compliance

COMPLIANCE WITH THE PRINCIPLES OF THE QCA CODE

The Principles of the QCA Code	Comply/Explain	Disclosure in the 2025 Report
1. Establish a strategy and business model which promote long-term	Comply	Pages 4, to 10 and 10 to 18
2. Seek to understand and meet shareholder needs and expectations	Comply	Pages 68 to 72
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Comply	Pages 78 to 72
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	Comply	Pages 24 to 26
5. Maintain the Board as a well-functioning, balanced team led by the Chair	Comply	Pages 59 to 72
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Comply	Pages 59 to 67
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Comply	Page 64
8. Promote a corporate culture that is based on ethical values and behaviours	Comply	Pages 68 to 69
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Comply	Pages 68 and 70
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Comply	Pages 59 to 72

Board of Directors

On 21 March 2025, the company held its Annual General Meeting (AGM). At the AGM, the number of Directors was confirmed as seven. Tuomo Pätsi, Markku Jalkanen, John Poulos, Marie-Louise Fjällskog and Christine Roth were re-elected, and Juho Jalkanen and Colin Bond were elected as new members to the Board for a term that ends at the end of the next AGM. After the AGM, Tuomo Pätsi was elected as the Chairman of the Board.

At the end of year 2025, the Board comprised of six Non-Executive Directors and one Executive Director. Brief biographical details for the Directors is available on the following pages. During 2025, the Board held 19 meetings.

The Board is responsible to the shareholders for the proper management of the company and meets regularly to set the overall direction and strategy of Faron, to review scientific, operational and financial performance, to review the strategy and activities of the business, and to advise on management appointments. The Board sees to the administration of Faron and the organisation of its operations, being responsible for the appropriate arrangement of the control of Faron's accounts and finances.

All key operational and investment decisions are subject to full Board approval. The management of the company prepares a monthly management and financial accounts pack of the Group, which is distributed to the Board every month and in advance of Board meetings. In individual cases, the Board may decide in a matter falling within the general competence of the Chief Executive Officer.

The roles of Chief Executive Officer and Non-Executive Chairman are well defined and clearly separated. The Chairman oversees the Board's work, ensures that the Board's decision-making is balanced and that the Non-Executive Directors have all relevant information on matters to be decided. The Chairman sees to that the Board meets when necessary.

The Chief Executive Officer is responsible for implementing the strategy of the Board and managing Faron's day-to-day business activities. The Chief Executive Officer, reviewing the operating results regularly to make decisions about the allocation of resources and to assess overall performance, is the chief operating decision-maker.

The Board considers there to be sufficient independence of the Board and that all Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board, and to bring considerable experience in terms of their knowledge of the scientific, operational and financial development of biopharmaceutical products and companies. Where necessary, the company facilitates that Non-Executive Directors obtain specialist external advice from appropriate advisers.

The term of office of each Director expires on the closing of the AGM immediately following their appointment to the Board. Under the Finnish Limited Liability Companies Act and the company's Articles of Association, the Directors are elected by the shareholders at General Meetings annually. Under the Act, Directors may be removed from office at any time, with or without cause, by a majority of votes cast at a General Meeting. Vacancies on the Board may only be filled by a majority of shareholder votes cast at a General Meeting.

TUOMO PÄTSI

Non-Executive Chairman

born 1964

Mr. Tuomo Pätsi is a Non-Executive Chairman of Faron Pharmaceuticals Ltd., a role he has served since April 2024. He joined the Board in March 2023 as a Non-Executive Director.

Mr. Tuomo Pätsi was the President of the EMEA region and Worldwide Markets for Celgene Corporation, a global pharmaceutical company and currently wholly owned subsidiary of Bristol Myers Squibb, engaged primarily in the discovery, development and commercialisation of therapies for the treatment of cancer. He is an experienced biotech and pharmaceutical executive who was until recently the Executive Vice President for Seagen Inc., a US-based cancer-focused biotechnology company.

Mr. Pätsi was at Celgene in various senior management roles, including as President of European and International Operations and President of the EMEA region and Worldwide Markets. Prior to this, he served as Vice President of Europe for Human Genome Science, a specialty pharma organisation in Europe. Earlier in his career, he held roles of increasing responsibility in pharmaceutical companies. He is a registered pharmacist and holds an MSc in pharmacology from the School of Pharmacy, Helsinki University. In addition to being Chairman of Faron Pharmaceuticals Ltd., Mr. Pätsi is Chairman of Phi Pharma SA, Board Member of Aurealis Therapeutics AG and Psyon Games Ltd. and co-founder of Rigi Therapeutics AG.

Holdings in the company: 53,265 shares and 230,000 stock options, entitling him to the same number of shares in the company.

MARKKU JALKANEN

Non-Executive Director

born 1954

Dr. Jalkanen is the previous Chief Executive Officer of Faron Pharmaceuticals Ltd., a role he has served since 2007. He was a founding member of the company. He has more than 40 years of experience within biomedical research, biotech development and the biopharmaceutical industry and has published over 130 peer reviewed scientific publications in various highly ranked international journals.

Between 1996 and 2002, Dr. Jalkanen was the founding CEO and President of BioTie Therapies Corp, which became the first publicly traded Finnish biotech company to be listed on NASDAQ. BioTie was sold to Acorda Therapeutics in January 2016 for $363 million. Over his career, Dr. Jalkanen has held several Board memberships for both public and private companies. He is also a recipient of many honors like The Anders Jahre Medical Award (1993), Inno-Suomi Award (1998) and SME Finalist for European Patent Award (2025).

Dr. Jalkanen obtained a Master in Medical Biochemistry from the University of Kuopio and subsequently received a PhD in Medical Biochemistry from the University of Turku. He completed a side-laudatur examination in Molecular Biology from the University of Turku and completed his post-doctoral training at Stanford University, California between 1983 and 1986. Dr. Jalkanen obtained the position of docent in Biochemistry from University of Helsinki and the same qualification in Molecular and Cell Biology from the University of Turku. He became a Professor at the University of Turku in 1992 and director of Turku Centre for Biotechnology, a key organisation to build BioCity concept for Turku area.

Holdings in the company: 3,113,434 shares (directly, with his spouse and through the Sirpa ja Markku Jalkanen foundation) and 360,000 stock options, entitling to same amount of shares in the company.

JOHN POULOS

Non-Executive Director

born 1954

Mr. Poulos is a Non-Executive Director of Faron Pharmaceuticals Ltd., a role he has served since joining the Board in May 2017. He has extensive experience in the global pharmaceutical industry having spent nearly 40 years at AbbVie and Abbott.

Mr. Poulos served as Vice President, Head of Business Development and Acquisitions for AbbVie from 2013 until 2016. He was also Group Vice President, Head of Pharmaceutical Licensing and Acquisitions for Abbott from 2005 until 2012. During his career with AbbVie and Abbott, Mr. Poulos was instrumental in the negotiation of numerous acquisitions, including Knoll/BASF Pharma (Humira) in 2001 for $6.9 billion, Kos Pharmaceuticals in 2006 for $3.7 billion, Solvay in 2010 for $6.2 billion and Pharmacyclics (Imbruvica) in 2015 for $21 billion.

Mr. Poulos is currently President GNK Advisors Inc., a Pharmaceutical Business Development firm, and is a member of the Board of Memgen, Inc.

Mr. Poulos holds a B.S. in Marketing and M.B.A in Finance from Indiana University.

Holdings in the company: no shares and 180,000 stock options, entitling to same number of shares in the company.

MARIE-LOUISE FJÄLLSKOG

Non-Executive Director

born 1964

Dr. Marie-Louise Fjällskog is a Non-Executive Director of Faron Pharmaceuticals Ltd. She joined the Board in September 2023. She is an experienced life sciences leader who has held senior leadership positions at large pharmaceutical, biotech and specialty pharma companies.

Dr. Marie-Louise Fjällskog is a professional with extensive experience in the pharmaceutical and biopharmaceutical industry, particularly in the field of clinical oncology, translational research, and drug development. She holds an MD degree and a Ph.D. from Uppsala University, Sweden, and is an Associate Professor of Oncology at the same institution. With over 25 years of clinical experience, Dr. Fjällskog has made significant contributions to the development of targeted therapies for cancer. She has held key roles in various pharmaceutical companies, such as Sensei Biotherapeutics, Merus, and Infinity Pharmaceuticals, where she led clinical development programs and played instrumental roles in their success, including Sensei's $152 million IPO in 2021. Her extensive expertise and leadership have also earned her a position on the board of Biovica International AB, a prominent biotech company in Sweden and in the US, respectively. She is also on the board of Norwegian company Lytix Biopharma.

Dr. Fjällskog assumed the role of Chief Medical Officer at Faron where she lead Faron's clinical development programs, particularly the bexmarilimab program 2022 to 2023. Currently Dr. Fjällskog serves as a Interim CMO at Excientia.

Holdings in the company: no shares and 240,000 stock options, entitling her to the same number of shares in the company.

CHRISTINE ROTH

Non-Executive Director

born 1963

Ms. Christine Roth is a Non-Executive Director of Faron Pharmaceuticals Ltd. She joined the Board in September 2023. She is an experienced life sciences leader who has held senior leadership positions at large pharmaceutical companies.

Ms. Christine Roth is a pharmaceutical executive with over three decades of experience in the industry. She has played key roles in the development and launch of several therapies, including the first immune-oncology therapy and intentionally designed targeted therapy combinations. Her career includes leadership positions at major pharmaceutical companies, such as Novartis, Bristol-Myers Squibb, GlaxoSmithKline (GSK). Christine joined Bayer AG in 2022 as Executive Vice President of the Oncology Strategic Business Unit and now serves as the Head of Global Product Strategy and Commercialization, where she is responsible for all therapeutic areas. At GSK, she was responsible for the rebuild of the oncology business, including the integration of assets following the acquisition of Tesaro. Ms. Roth's expertise extends across various therapy areas, including Oncology, Cardiovascular, Metabolic, and Infectious Diseases. She is actively involved in industry associations, such as the American Society of Clinical Oncology and the American Society of Hematology. She holds a Bachelor's degree in Chemistry from the University of North Carolina at Chapel Hill.

Holdings in the company: 46,075 shares and 90,000 stock options, entitling her to the same number of shares in the company.

COLIN BOND

Non-Executive Director

born 1960

Mr. Colin Bond is a Non-Executive Director of Faron Pharmaceuticals Ltd. He joined the Board in 2025. He is an experienced biopharmaceutical and CDMO industry executive with an extensive international career spanning finance, operations, and strategic leadership.

Mr. Bond has held several senior executive roles, most recently serving as Chief Financial Officer of Sandoz, listed on the SIX Swiss Exchange, where he played a key role in the company's successful spin off from Novartis. Prior to his tenure at Sandoz, he served as Chief Financial Officer of Vifor Pharma and Evotec, contributing to the financial strategy and growth trajectories of both organizations.

Mr. Bond's earlier career includes positions as a pharmacist, auditor, and management consultant at Procter & Gamble, Arthur Andersen, and PwC, giving him a broad foundation across healthcare, finance, and enterprise advisory work. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Royal Pharmaceutical Society of Great Britain. Mr. Bond holds a Bachelor of Science in Pharmacy from Aston University and an MBA from London Business School.

In addition to his executive background, Mr. Bond serves in several positions of trust. He is a Non-Executive Director of Oxford Biomedica PLC, Agomab Therapeutics NV, BioPharma Credit PLC and OneSource Specialty Pharma Ltd. He is also a Member of the Supervisory Board of Formycon AG. He previously chaired the Audit Committee of Siegfried AG from 2013 to 2023.

Holdings in the company: no shareholdings and 30,000 stock options, entitling him to the same number of shares in the company.

JUHO JALKANEN

CEO and Founder

born 1978

Dr. Juho Jalkanen is a seasoned biopharmaceutical executive with extensive leadership experience across key functional areas, including operations, clinical development, medical and regulatory affairs, and business development. He joined Faron Pharmaceuticals' Management Team in 2017 and has since played a central role in shaping the company's scientific, clinical, and corporate strategy.

Dr. Jalkanen has held several senior roles at Faron Pharmaceuticals. He was appointed Chief Executive Officer in 2024, after having previously served as Chief Operating Officer (2022–2024), Chief Development Officer (2018–2022), and Vice President of Business Development (2017–2018). Over the course of his tenure, he has driven key development programmes and contributed to expanding the company's scientific and commercial footprint.

Dr. Jalkanen holds a Master's degree in Economics and Business Administration from the Turku School of Economics and earned both his M.D. and Ph.D. degrees at the University of Turku. He is a fully licensed general practitioner and a specialist in vascular surgery, bringing comprehensive clinical expertise to his corporate leadership roles.

In addition to his executive responsibilities, Dr. Jalkanen has served in several governance roles within the company. He is currently a Member of the Board of Faron Pharmaceuticals (2025–), having previously served as a Board Member from 2013 to 2018.

Holdings in the company: 1,142,015 shares and 530,000 stock options, entitling him to the same number of shares in the company.

PERFORMACE EVALUATION

The Board has a process for evaluation of its own performance and that of its committees and individual Directors, including the Chair. These evaluations are normally carried out annually.

In the Board performance evaluation process adopted by the Company, Board, committee and individual effectiveness is considered against the criteria of creating and running an effective Board, professional development, strategic foresight, stewardship, managing management, value creation and corporate culture.

In 2025 the Directors performed a self-assessment exercise based on questions set by the Shareholders' Nomination Board. The results of the self assessment were overall very good.

BOARD COMMITTEES

The company has established Audit, Nomination, Business Development and Remuneration Committees of the Board with formally delegated duties and responsibilities.

Under the Finnish Limited Liability Companies Act, Board committees do not, generally speaking, have a formal legal status or independent decision-making powers; rather, their role is to provide support in the preparation of the decision-making. The responsibility for the decisions remains with the Board even if the matter has been delegated to a Committee.

Members of the Board's Committees were first elected at the Board meeting held following the AGM on 21 March 2025.

During 2025, the Remuneration, Nomination and Business Development Committee did not formally convene.

REMUNERATION COMMITTEE

The Remuneration Committee has the task of advising on and making recommendations to the Board in relation to the remuneration paid to the Directors and supervising the development of any other remuneration or reward systems of Faron. Throughout the year, the Remuneration Committee comprised of John Poulos as Chair together with Christine Roth and Tuomo Pätsi.

AUDIT COMMITTEE

In the beginning of year 2025, the Audit Committee comprised of Markku Jalkanen as Chair together with Marie-Louise Fjällskog and John Poulos, and as of 4 April 2025, the Audit Committee comprises of Colin Bond as Chair and Marie-Louise Fjällskog and Markku Jalkanen as the other members. The Audit Committee meets no less than twice a year. The Audit Committee has the task of supervising and developing the internal audit of the Group, monitoring of financial reporting, and advising and making recommendations to the Board on related issues.

NOMINATION COMMITTEE

In the beginning of year 2025, the Nomination Committee comprised of Tuomo Pätsi as Chair together with Markku Jalkanen and Christine Roth. As of 4 april 2025, the Committee has comprised of Tuomo Pätsi as Chair and Christine Roth and Colin Bond as the other members. The Nomination Committee has the task, in co-operation with the Board, of advising on and making recommendations to the Board on issues relating to the composition and nomination of the Board.

The Nomination Committee considers succession planning for senior executives in the course of its work.

BUSINESS DEVELOPMENT COMMITTEE

The Business Development Committee has the task of evaluating and identifying new business opportunities and strategic partners that align with the company's mission and vision. In 2025, the Business Development Committee has comprised of John Poulos as Chair together with Markku Jalkanen and Juho Jalkanen as the other members.

SHAREHOLDERS' NOMINATION BOARD

The Annual General Meeting decided on 5 April 2024 to establish a Shareholders' Nomination Board, a corporate body of the company's shareholders, responsible for preparing and submitting proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of any Committees of the Board of Directors. The members of the Shareholders' Nomination Board are selected by the five largest shareholders. For the period 1 September 2025 to 31 August 2026, the Shareholders' Nomination Board comprises of Timo Syrjälä as Chair together with Erkka Kohonen and Joonas Haakana. Chairman of the Board of Directors, Tuomo Pätsi, acts as an expert member in the Nomination Board. During 2025, the Shareholders' Nomination Board held four meetings.

Attendance at Board meetings

During 2025, the Board held 19 meetings. The table below lists the Directors' attendance at the Board and Committee meetings during the year:

THE DIRECTORS' ATTENDANCE DURING THE YEAR ENDED 31 DECEMBER 2025

	Board meetings	Audit Committee
Executive Directors		
Juho Jalkanen*	14	
Non-Executive Directors		
Colin Bond*	13	1
Marie-Louise Fjällskog	18	1
Markku Jalkanen	19	2
John Poulos	18	
Tuomo Pätsi	19	
Christine Roth	15	

(*) Board Member starting March 2025

Corporate Governance Statement

COMMUNICATING WITH SHAREHOLDERS

The Company acknowledges that effective communication with its shareholders on strategy and governance is an important part of its responsibilities. Interim and final results are communicated via formal meetings with investor roadshows, participation in conferences and additional dialogue with key investor representatives held in the intervening periods. Faron recognises the Annual General Meeting as an opportunity to meet shareholders.

As an AIM and First North listed company, Faron complies with the Market Abuse Regulation (both EU and UK domestic laws after year end 2020), the AIM Rules for Companies and the Nasdaq First North Growth Market Rulebook. Faron complies with other relevant legislation in all its corporate communications issues.

Faron speaks to the financial community and shareholders only through authorised representatives. In accordance with Faron's disclosure policy, the Chief Executive Officer is the designated person to make public statements. The Chief Executive Officer may delegate this authority to other members of the Management Team. In addition to the CEO, the CFO is able to communicate externally on behalf of Faron on financial matters.

The contact details are below:
email: investor.relations@faron.com,
paavo.koivisto@faron.com

Media and investor relations:
email: investor.relations@faron.com,
paavo.koivisto@faron.com

SHARE DEALING

The Company has established a share dealing code appropriate to an AIM and First North listed company, and all the Directors understand the importance of compliance to that code.

ETHICAL VALUES AND CORPORATE CULTURE

Faron is strongly committed to conducting its business affairs with honesty and integrity and in full compliance with all applicable laws, rules and regulations. All employees and Directors are required to comply with all laws, rules and regulations applicable to Faron wherever it does business.

Employees and Directors should endeavour to deal honestly, ethically and fairly with Faron's collaborators, licensors, licensees, business partners, suppliers, customers, competitors and other employees. Statements regarding Faron's therapies and services must not be untrue, misleading, deceptive or fraudulent.

Employees and Directors act in the best interests of Faron and use its assets and services solely for legitimate business purposes and not for any personal benefit or the personal benefit of anyone else.

RISK MANAGEMENT AND INTERNAL CONTROL

The principal risks and uncertainties identified by the Board are set out on pages 24-26 of the 2025 Report. The Board has put in place internal controls and systems which are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. A key element of delivering Faron's strategy and managing the risks facing Faron is the employment of a skilled workforce and use of appropriate vendors. The Board reviews the risks and uncertainties facing Faron and the effectiveness of its systems annually.

At present, Faron does not consider it necessary to have an internal audit function due to the small size of the administrative function, the frequent interaction with the external auditors and the supervision of the Board's audit committee. The Board is, however, closely following both regulatory and operational developments in this realm and plans to react appropriately if, and to the extent, considered necessary.

There is a monthly review and authorisation of transactions by the Chief Financial Officer and Chief Executive Officer. A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis and discussed in detail.

Faron maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against Faron. The insured values and type of cover are comprehensively reviewed on a periodic basis.

REGULATED ADVISORS

The shares of the Company are listed for trading on the London Stock Exchange AIM and Nasdaq First North Growth Market marketplaces, which require the nominating of advisors. Cairn Financial Advisers LLP is the Company´s nominated advisor and broker on AIM and Sisu Partners Oy is the Company's certified advisor on First North.

SUSTAINABILITY

At Faron we embrace the responsibility we have to patients, our employees, the communities where we work and the planet. We set ambitious goals for our own operations, high expectations for our suppliers and serve as an example of leadership for our industry.

In the same way that it drives the development of our transformational medicines, innovation fuels our approach to practices related to environmental, social and governance (ESG) matters. We are focused on enhancing patient access to medicines, being an employer of choice and prioritising environmental sustainability, all while operating with the highest levels of quality, integrity and ethics. Our strong governance profile includes Board oversight and active participation and reporting from leadership and team members across functions and geographies.

Faron is committed to maintaining and promoting high standards of business integrity. Faron's values, which incorporate the principles of corporate social responsibility and sustainability, guide its relationships with clients, employees and the communities and environment in which it operates. Faron's approach to sustainability addresses both its environmental and social impacts, supporting its vision to remain an employer of choice, while meeting client demands for socially responsible partners.

By putting ESG into practice, Faron is committed, wherever possible, to:

- developing treatments for medical conditions with significant unmet needs
- conducting itself responsibly and in an ethical manner
- creating a positive and supportive working environment
- acting fairly in its dealings with suppliers and other third parties
- minimising the impact on its environment

Environmental – prioritising sustainability

The well-being of our communities is enriched by a safe, clean and healthy environment. Faron is committed to behaving responsibly and to minimising its impact on the world around us. In considering the environment, Faron has resolved to include environmental factors in its business travel practices and to minimise its consumption of natural resources and manage waste through responsible disposal and reuse and recycling. Faron endeavours also, through its suppliers, to make environment-friendly choices where possible, for example when selecting packages for our drug substances.

Social – patients, employees and inventions

Unmet medical needs and enhancing patient access
Faron exists to help patients overcome serious medical conditions and diseases. Bexmarilimab has been used for cancer patients for which all available treatments have been tested and which were not bringing help for them.

Inventions from academia to patients
We are a pioneer in collaborating with academia to translate scientific breakthroughs from the laboratory into clinical practice. All candidates in Faron's pipeline have originated from academic research laboratories.

Be an employer of choice
Driving everything we do is a team of dedicated and talented professionals who share a commitment to working every day to deliver innovative medicines for patients with serious and life-threatening diseases. Not only do we hire the best and brightest people, but we also provide them with a work environment that places a premium on diversity, integrity, collaboration, community involvement and personal development. We have created an inclusive and empowering culture that embraces diverse experiences and perspectives of all our employees to drive innovation and transformative scientific and business results. Faron considers all staff members to be equal and aims to create a working environment which is free of unlawful discrimination. In this regard, Faron maintains an internal Code of Business Conduct and Ethics based on professionalism and respect.

Governance

Accountability is fundamental to our business. Faron respects local laws and customs while supporting international laws and regulations. Faron aims to adopt the highest professional standards and not to act in such a way as to compromise its integrity. Faron is also committed to eliminating unlawful discrimination and to promoting equality and diversity in its professional dealings, which includes a commitment to enter into clear and fair contracts with its suppliers.

The cornerstone for Faron's internal policies is its Code of Business Conduct and Ethics, which embodies the standards and policies under which Faron operates. The Code combines the values and corporate responsibility commitments to provide the framework and guidance for

its employees to operate in an open, honest, ethical, and principled way. The Code is supported by a set of internal policies varying from information security to anti-corruption. Faron continuously trains its employees on e.g., business ethics, securities regulations, and data privacy. We have also engaged with external providers to test IT security, the results of which identified no major vulnerabilities.

The Board has overall responsibility and plays a key role in ensuring that appropriate systems and controls are in place and effective. As described in this Annual Report, the Company complies with QCA's Corporate Governance Code for Small and Medium Sized Companies. Faron is fully committed to the highest possible standards of openness, honesty, and accountability. In line with that commitment, Faron actively encourages all staff members who have serious concerns about any real or perceived departure from the high ethical standard that it sets to voice those concerns openly.

STATEMENT OF RESPONSIBILITIES

Under the Finnish Limited Liability Companies Act and the Finnish Accounting Act, the Company must prepare financial statements in accordance with applicable law and regulations.

The Board and the CEO are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board in Finland. The Board is responsible for the appropriate arrangement of the control of Faron's accounts and finances, and the CEO shall see to it that the accounts of Faron are in compliance with the law and that its financial affairs have been arranged in a reliable manner. In accordance with the rules of the London Stock Exchange for companies trading securities on AIM, the Company is also required to prepare annual accounts and financial statements under IFRS. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Board and the CEO are responsible for keeping adequate accounting records that are sufficient to show and explain Faron's transactions and disclose with reasonable accuracy at any time the financial position of Faron and enable them to ensure that the financial statements comply with the requirements of the Finnish Accounting Act. They are also responsible for safeguarding the assets of Faron and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring that the financial statements are made available on the Company's website. Financial statements are published on Faron's website in accordance with AIM Rule 26, Nasdaq First North Growth Market Rulebook and the recommendations of the QCA's Corporate Governance Code for Small and Medium Sized Companies.

On behalf of the Board

Tuomo Pätsi
Non-Executive Chairman

3 March 2026

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2025.

DIRECTORS

During the year ended 31 December 2025, the following persons have been members of the Board of the Company:

Executive
Dr. Juho Jalkanen, MD, PhD | Chief Executive Officer started as a Board member on 21 March 2025

Non-executive
Mr. Tuomo Pätsi | Non-Executive Director, Chairman

Dr. Markku Jalkanen | Non-Executive Director
Mr. John Poulos | Non-Executive Director
Dr. Marie-LouiseFjällskog | Non-Executive Director
Mrs. Christine Roth | Non-Executive Director
Mr. Colin Bond* | Non-Executive Director

** A member starting 21 March 2025*

PRINCIPAL RISKS AND UNCERTAINTIES

For a discussion of the principal risks and uncertainties which face Faron please see pages 24 to 26 of this document.

RESULTS AND DIVIDENDS

The Consolidated Statement of Comprehensive Income for the year is set out here.

The Group's loss of the financial year after taxation and other comprehensive losses was EUR 27.3 million (2024: EUR 25.9 million).

The company has no distributable equity and thus the Directors do not recommend the payment of a dividend (2024: nil).

FINANCIAL INFORMATION

The Group produces budgets and cash flow projections on an annual basis for approval by the Board. These are reviewed during the year and updated if needed to reflect any changes in the business. Detailed management accounts are produced on a monthly basis, with all significant variances investigated promptly. The management accounts are reviewed and commented on by the Board at Board meetings and are reviewed and reported to the Directors on a monthly basis by the Chief Financial Officer.

RESEARCH AND DEVELOPMENT

Details of the Group's key research and development programmes are presented in the Business Review and the detailed programme sections. See also notes 2.7 and 5. Further information is also available on Faron's website, www.faron.com.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF LIQUID RESOURCES

The Group's principal financial instrument comprises cash, and this is used to finance the Group's operations. The Group has also other financial instruments such as leasing facilities that arise directly from its operations.

The Group has a policy, which has been consistently followed, of not trading in financial instruments and to minimise currency exposure by actively matching currency expenses and income to the extent possible. The Group's cash is held on bank accounts in reputable banks in Finland, Switzerland and US. See note 2.16 'Financial assets', note 18 'Financial assets and liabilities' and note 19, 'Financial risk management' in the notes to the Financial Statements for IFRS disclosure regarding financial instruments.

SUBSTANTIAL SHAREHOLDINGS

On 31 December 2025, the company had been notified of the following holdings of 3% or more of the issued share capital of the company.

The information presented in the below table is consistent with the company's best knowledge as at 31 December 2025.

Timo Syrjälä*	14.96%
Varma Mutual Pension Fund	4.47%
The European Investment Council Fund, EIC	3.16%

(*) of which 5,716,128 are held directly by Timo Syrjälä and 11,404,872 are held by Acme Investments SPF S.à.r.l., an entity which is wholly owned by Timo Syrjälä

GENERAL MEETINGS

The company held the Annual General Meeting on 21 March 2025. In 2026, an Extraordinary General Meeting will be held on 2 March 2026 and the Annual General Meeting will be held on 30 March 2026. Further details will be provided to shareholders in advance of the meeting.

INDEPENDENT AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors for the year. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

DISCLOSURE AND INFORMATION TO AUDITORS

Each of the current Directors hereby confirms that:

(a) So far as he/she is aware, there is no relevant audit information of which the auditors are unaware; and

(b) He/she has taken all reasonable steps to ascertain any relevant audit information and to ensure that the auditors are aware of such information

On behalf of the Board

Tuomo Pätsi
Chairman

3 March 2026

REMUNERATION REPORT

Remuneration Report

REMUNERATION POLICY FOR DIRECTORS

Faron's Remuneration Committee sets the remuneration policy that aims to align the remuneration of the Directors with shareholders' interests and attract and retain the best talent for the benefit of Faron. No Director is involved in discussions relating to their own remuneration. This report sets out Faron's remuneration policy for the Executive and Non-Executive Directors. The remuneration of the Directors during the year ended 31 December 2025 is set out below:

BASIC SALARY

Executive Directors' basic salaries are reviewed annually. The review process is managed by the Remuneration Committee with reference to market salary data, the Executive Directors' performance and contribution to Faron during the year.

BONUSES

Executive Directors' annual bonuses are based on the achievement of Faron's strategic and financial targets and personal performance objectives. The Non-Executive Directors believe that bonuses are an incentive to achieve the targets and objectives and represent an important element of the total compensation of the CEO; they have established that the annual bonus potential will be up to 30% for the CEO.

LONGER TERM INCENTIVES

In order to further incentivise the CEO and employees, and to align their interests with shareholders, the AGM held on 28 May 2019 authorised the Board to implement a share option plan for the employees and Directors of Faron, and persons providing services to the Group as the previous 2015 option plan was fully granted. Rules of that new option plan were approved by the Board on 20 November 2019 ("the 2019 Option Plan"). The most recent version of the amendment 2019 Option Plan was resolved by the Annual General Meeting in 2025. Details of this option plan are on pages 33 to 34. During 2025, the options granted under the company's earlier option plan, the 2015 Option Plan, expired.

PENSION

Faron has a law-defined contribution plan under which it pays fixed contribution, covering the CEO, into a separate entity. Faron has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

OTHER BENEFITS

Some executive employees have the possibility to take a company car allowance, which is part of their gross salary. All employees including Executive Directors have a company mobile phone that constitutes a company mobile phone allowance.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS AND TERMINATION PROVISIONS

The service contracts of Executive Directors are approved by the Board and are concluded for an indefinite term.

The details of the CEO's contract is summarised below:

	Date of contract	Notice period
Juho Jalkanen, CEO	1.5.2024	6 months

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

The remuneration and compensation payable to the members of the Board including the Non-Executive Directors is approved by the shareholders at the AGM. Any Non-Executive Director who, by request, goes or resides abroad for any purposes of Faron or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid extra remuneration or may receive such other benefits as the Remuneration Committee may approve. Non-Executive Directors are entitled to be reimbursed in respect of their reasonably and properly incurred travelling, accommodation and incidental expenses for attending and returning from meetings of the Board, Committee meetings or the general meetings of shareholders.

With the exception of share options disclosed below, the Non-Executive Directors do not receive any pension, bonus or benefit from the Company. The contracts of the Non-Executive Directors, excluding remuneration and compensation, are reviewed by the Board annually.

Current contracts are summarised below:

Non-Executive Directors	Independence	Contract	Date of contract
Tuomo Pätsi	Independent	Chairman	27.03.2023
Markku Jalkanen	Not independent	Member	16.09.2015
John Poulos	Independent	Member	16.05.2017
Christine Roth	Independent	Member	25.09.2023
Marie-Louise Fjällskog	Not independent	Member	25.09.2023
Colin Bond	Independent	Member	02.11.2025

The appointments of Non-Executive Directors are terminable with immediate effect, in accordance with the Company's Articles of Association and pursuant to the Finnish Limited Liability Companies Act, through a resolution of shareholders at a general meeting on any grounds. The Non-Executive Directors may resign as a director by delivering three months' notice to the registered office of the company or through tendering such resignation at a meeting of the Board.

The Directors received the following remuneration during the year:

€	Salaries and fees	Bonus	Taxable benefits	Total
Executive Director				
Juho Jalkanen*	334,754	89,377	240	424,371
Non-Executive Directors				
Markku Jalkanen	55,250	-	-	55,250
Tuomo Pätsi	101,250	-	-	101,250
Marie-Louise Fjällskog	55,250	-	-	55,250
Colin Bond*	37,819	-	-	37,819
John Poulos	60,000	-	-	60,000
Christine Roth	55,750	-	-	55,750

(*) Board member starting March 2025

THE COMPANY'S OPTION PLANS AND DIRECTORS' SHARE OPTIONS

Aggregate remunerations disclosed on the previous page exclude any amounts for the value of options to acquire ordinary shares in the company granted to or held by the Directors.

Option Plan 2015 was adopted by the company at the Extraordinary General Meeting held on 15 September 2015 and amended in the Annual General Meetings of 16 May 2017, 18 May 2020, 23 April 2021 and 22 September 2023, respectively. All options granted under the Option Plan 2015 expired latest during year 2025.

Share Option Plan 2019 was adopted by the Board on 20 November 2019 and amended on 19 March 2020 based on an authorisation by the Annual General Meeting of 28 May 2019 and as amended in the Annual General Meetings of 18 May 2020 and of 24 March 2023. During 2025, the Option Plan 2019 was also amended at the Annual General Meeting on 21 March 2025. Share Option Plan 2019 allows the company to offer options for subscription free of charge to employees and directors of the Group (including any non-executive members of the Board) and any eligible person who provides services to the Group. Each option entitles the holder of the option to subscribe for one ordinary share in the company. Under the amended rules of the Share Option Plan 2019, an aggregate maximum number of 4,350,000 options can be granted. The number of granted options under the Option Plan 2019 and their exercise period and prices are presented in the table below.

Option tranches under Option Plans 2019	Total number of options outstanding 31.12.2025	Grant date	Exercised period, vesting 25% per annum	Exercise price, €
2019 A options	532,833	23.07.2020	23.07.2021–23.07.2026	3.80
2019 B options	572,833	24.03.2021	24.03.2022–24.03.2027	3.99
2019 B tertiary options	129,000	17.11.2021	17.11.2022–17.11.2027	4.47 (4.04€ under US plan)
2019 C options	387,000	24.03.2022	24.03.2023–24.03.2028	3.09 (2.91€ under US plan)
2019 C bis options	118,750	24.08.2022	24.08.2023–24.08.2028	2.50 (2.38€ under US plan)
2019 C tertiary options	5,000	17.11.2022	17.11.2023–17.11.2028	2.06
2019 D options	649,000	08.06.2023	08.06.2024–08.06.2029	3.57 (3.36€ under US plan)
2019 D bis options	30,000	09.11.2023	09.11.2024–9.11.2029	3.53 (3.35€ under US plan)
2019 E options	645,000	25.06.2024	25.06.2025–25.06.2030	1.00 (1.35€ under US plan)
2019 E bis options	100,000	26.08.2024	26.08.2025–26.08.2030	1.48
2019 E tertiary options	20,000	04.12.2024	04.12.2025–04.12.2030	2.28 (2.01€ under US plan)
2019 F options	876,000	4.4.2025	04.04.2026–04.04.2031	2.20 (2.31€ under US plan)
2019 F bis options	180,000	1.12.2025	01.12.2026–01.12.2031	2.26

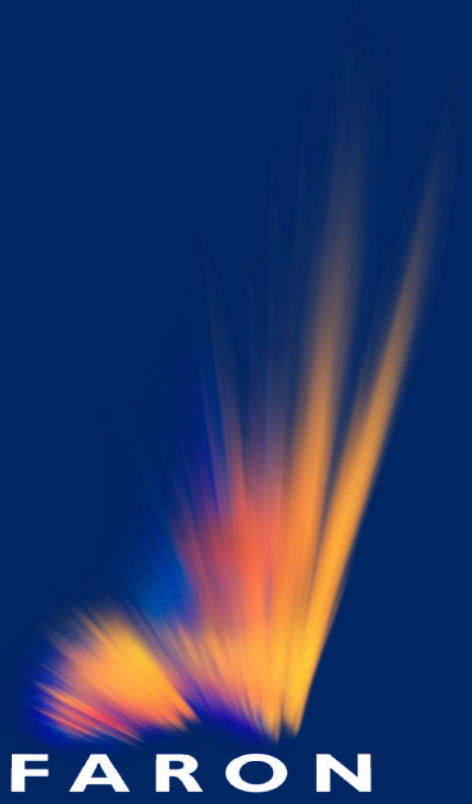
Total options under the 2019 Option Plan	At 1 January 2025	Granted during the period	Exercised during the period	At 31 December 2025	Average exerc. price per 2025 options granted, €
Markku Jalkanen	330,000	30,000	-	360,000	2.20
Juho Jalkanen*	330,000	200,000	-	530,000	2.20
Colin Bond*	-	30,000	-	30,000	2.20
John Poulos	150,000	30,000	-	180,000	2.31
Tuomo Pätsi	130,000	100,000	-	230,000	2.20
Marie-Louise Fjällskog	210,000	30,000	-	240,000	2.31
Christine Roth	60,000	30,000	-	90,000	2.20

(*) Board member starting March 2025

Total options under the 2015 Option Plan	At 1 January 2025	Granted during the period	Exercised during the period	At 31 December 2025	Average exerc. price per 2025 options granted, €
Markku Jalkanen	240,000	-	-	-	-
Juho Jalkanen	102,270	-	30,000	-	-
John Poulos	20,000	-	-	-	-

	Issued Share Capital		Share Options	
At 31 December 2025	Ordinary shares	Percentage held	Options	Average exercise price, €
Executive Director				
Juho Jalkanen	1,142,015	0.99	530,000	2.12
Non-Executive Directors				
Markku Jalkanen*	3,113,434	2.71	360,000	3.46
Colin Bond	-	-	30,000	2.20
John Poulos	-	-	180,000	2.95
Tuomo Pätsi	53,265	0.05	230,000	1.86
Marie-Louise Fjällskog	-	-	240,000	3.19
Christine Roth	46,075	0.04	90,000	2.30

(*) of which 1,625,266 are held by Markku Jalkanen directly, 988,168 are held by Markku Jalkanen's wife Sirpa Jalkanen and 500,000 are held by Sirpa ja Markku Jalkasen foundation



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