FARON

Faron Pharmaceuticals Ltd.

HALF-YEAR REPORT

1 JANUARY TO 30 JUNE 2025

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Half-year report, 27 August 2025 at 06:00 AM (GMT) / 09:00 AM (EEST)

Significant clinical and financial milestones achieved in first half of 2025

Figures in parentheses refer to the corresponding period of previous year, unless otherwise indicated.
This half-year report is unaudited.

January–June 2025 in brief

- On 31 January 2025, Faron announced the identification of the final patient for the BEXMAB phase II dose optimization study in refractory or relapsed myelodysplastic syndrome (r/r MDS), as well as the BEXMAB phase I/II study in frontline high-risk (HR) MDS.
- On 5 February 2025, Faron carried out a significantly oversubscribed private placement of newly issued treasury shares, raising gross proceeds of EUR 12 million in total.
- On 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, the FDA granted an orphan drug designation for *bexmarilimab* in MDS.
- On 21 March 2025, Mr. Colin Bond and Dr. Juho Jalkanen, the CEO of the Company, were appointed as members to the Board of Directors.
- On 3 April 2025, Faron entered into an up to EUR 35 million unsecured convertible bond arrangement with Heights Capital Management Inc. ("HCM") to repay its secured loan to IPF Partners and strengthen its financial position and issued first tranche of bonds with a principal amount of EUR 15 million.
- On 15 April 2025, Faron announced positive phase II results in HR-MDS.
- During the review period, Faron gave multiple oral presentations of *bexmarilimab* data at the several prestigious scientific forums in the field; in May, the 18th International Congress on Myelodysplastic

Syndromes (MDS 2025); in May–June, the 2025 American Society of Clinical Oncology (ASCO) Annual Meeting; and in June, the 30th European Hematology Association's (EHA 2025) Congress.
- On 28 May 2025, Faron appointed seasoned commercial development expert, Ralph Hughes, as Chief Business Officer.
- On 30 May 2025, Faron announced the publication of full phase I BEXMAB study data in one of the top medical journals – the Lancet Haematology.
- On 12 June 2025, Faron presented the updated phase II data from the BEXMAB study, showing strong efficacy and survival outcomes with *bexmarilimab* in HR-MDS supporting the advancement to phase III.
- Faron's other operating income was EUR 0 (0)
- R&D expenses were EUR 7.1 (6.7) million
- Operating loss for the reporting period was EUR -11.9 (-11.3) million
- Loss per share was EUR 0.18 (0.20)
- On 30 June 2025, cash and cash equivalents were EUR 13.5 (30.0) million
- Net assets were EUR -16.2 million (1.4) million

Significant events after the reporting period

- On 7 July 2025, Faron announced the acceptance of two studies involving its lead candidate, *bexmarilimab*, for presentation at the 19th IUIS International Congress of Immunology in Vienna, Austria, in August 2025.
- On 11 July 2025, Business Finland informed Faron that they had approved the Company's application to forgive an R&D loan related to the development of Traumakine. The forgiveness applies also to accumulated interest. This will have a positive impact of EUR 1.3 million on Operating Profit on the second half of 2025.
- On 30 July 2025, Faron announced that new clinical and translational data from the phase I/II BEXMAB study evaluating *bexmarilimab* in combination with azacitidine in HR-MDS will be orally presented at the 2025 European Society for Medical Oncology (ESMO) Congress, in October 2025, in Berlin, Germany.
- On 6 August 2025, Faron announced an increase in the complete remission (CR) rate in patients with frontline or treatment-naïve HR-MDS, based on updated efficacy data from its phase I/II BEXMAB trial. According to the investigator-assessed response using IWG 2006 criteria, as per protocol, the CR rate has increased to 43% (9 out of 21 patients), a substantial improvement from the 28% rate, seen in the earlier data cut. This data builded on the phase II early results featured in recent oral presentation at the 2025 American Society of Clinical Oncology (ASCO) meeting.
- On 18 August 2025, Faron announced positive feedback received from the U.S Food and Drug Administration (FDA) as part of the Company's recent BEXMAB study's end-of-phase II (EOP2) meeting. Faron will advance *bexmarilimab* into a registrational phase II/III study for patients with the treatment-naïve (frontline) HR-MDS. The FDA confirmed IWG 2023-defined CR + CReq as an acceptable primary endpoint with overall survival (OS) as a co-primary endpoint to support an application for accelerated approval making the entire HR MDS market accessible to Faron with one single trial and accelerated approval possibility for all HR MDS patients.

Consolidated key figures, IFRS

EUR '000 unless otherwise indicated	1-6/2025	1-6/2024	1-12/2024 (audited)
Other operating income	0	0	0
Research and development expenses	(7,115)	(6,662)	(11,744)
General and administrative expenses	(4,794)	(4,628)	(6,929)
Operative loss for the reporting period	(11,909)	(14,395)	(18,673)
Loss per share EUR	(0,18)	(0.20)	(0.29)
Number of shares at end of period	111,954,597	104,624,864	104,624,864
Average number of shares	107,403,444	70,452,291	88,518,654
Cash and cash equivalents	13,532	29,979	9,503
Equity	(16,246)	1,379	(9,762)
Balance sheet total	16,204	35,460	12,521

Outlook for 2025

Due to the nature of Faron Pharmaceuticals' business, the company does not provide a short-term outlook.

CEO Statement

"I'm extremely proud of our people and what we have accomplished in the first half of 2025. We have achieved a number of our main business goals: fully enrolled our BEXMAB phase II study, published very strong phase II efficacy data for *bexmarilimab* and had the privilege to present it at the world's leading oncology conferences, we received a series of regulatory designations, enhanced our management team and substantially strengthened our financial position. These are absolutely outstanding results from a team of our size.

Strong BEXMAB data supports path to single registrational trial for the entire HR MDS population

In the first half of the year, the clinical development program for our lead asset, *bexmarilimab* made strong and consistent progress. In January, we identified the final patient for the BEXMAB phase II part in refractory or relapsed myelodysplastic syndrome (r/r MDS), as well as the BEXMAB phase I/II study in frontline high-risk (HR) MDS.

In June, at EHA we presented the phase II response data from the BEXMAB study, showing strong response rates in frontline HR MDS and r/r MDS, as well exceptional survival in r/r MDS, for which the follow-up data is more mature. The results support the advancement into single phase II/III registrational trial in frontline HR MDS making the entire HR MDS market accessible for Faron at one go. This was later confirmed in August in BEXMAB's EOP2 meeting with the FDA.

Especially for r/r MDS patients, for whom treatment options are limited, our data were highly encouraging. *Bexmarilimab*'s estimated median overall survival (mOS) was approximately 13.4 months, compared to the 5-6 months that would typically be expected under standard of care. The BEXMAB study also demonstrated significant efficacy in patients with r/r MDS with a high objective response rate (ORR) of 63%. An ORR of 81% and an outstanding CR rate of 43% was observed in frontline HR MDS patients according to the study protocol criteria. These results, especially the new frontline MDS patient data, suggest a potential to transform the treatment paradigm for the entire disease.

In the spring, both the European Medicines Agency (EMA) and U.S. Food and Drug Administration (FDA) granted us opinion on Orphan Drug Designation for *bexmarilimab* for the treatment of MDS. The FDA and EMA designations allow us to receive important regulatory guidance and protocol assistance for the development of *bexmarilimab*. The FDA designation also qualifies the sponsor of the drug for certain development incentives, including tax credits for qualified clinical testing and prescription drug user fee exemptions. In addition, Orphan Drug Designations offer market exclusivity once the medicine is on the market.

Strengthening our financial position

We substantially strengthened our financial by an oversubscribed EUR 12 million placing in February and an up to EUR 35 million convertible bond arrangement in April. The first tranche of bonds with a principal amount of EUR 15 million was issued in April, and we have the option to issue two additional tranches, each with a principal amount of EUR 10 million. The proceeds from the first tranche were used to repay the outstanding loan from IPF Partners and for general corporate purposes, extending our cash runway into the first quarter of 2026. The bond arrangement also increased our flexibility by reducing restrictive cash covenants and releasing our patents that were pledged as a security for a loan from IPF Partners.

Challenging operating environment

Capital markets and uncertainty in the biopharma and life sciences sectors remained challenging in the first half of this year. 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, as the first six months of this year prove, 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 with survival as the most important endpoint. This has had little impact on us, since thanks to our scientific advice meeting with the FDA last year, we have already been building the case around *bexmarilimab* with survival in our mind and using a randomized setting against a comparator, i.e. the frontline setting in HR MDS. We were very happy to see that

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.

New blood to our Board and Management Team

In the first half of this year, we reinforced our management team and Board of Directors. In March, Mr. Colin Bond joined our Board, bringing extensive international experience from the finance, CDMO and biopharma industries. At the same time, I was also proud to assume the role of a member of Faron's Board, while continuing as CEO. In May, Mr. Ralph Hughes joined our management team to strengthen Faron's commercial strategy, business development and market assessment functions. These appointments enhance our expertise enabling us to better navigate the complexities of our competitive and rapidly evolving sector and to reach our strategic objectives.

Unique achievements for Faron in scientific forums

The medical industry continues to recognize the therapeutic potential of *bexmarilimab*. We were proud to present our data in oral sessions at all three leading oncology conferences: the European Hematology Association's (EHA) Congress, American Society of Clinical Oncology Annual Meeting (ASCO) and International Congress on Myelodysplastic Syndromes (MDS 2025). Securing oral presentation in all three conferences – recognized as the premier scientific forums in our field – and having our data published in Lancet are exceptional for any company and especially in the context of Finnish drug development, and we are humbled by them. I could not be prouder and more grateful of our incredible team. I would also like to deeply thank all our shareholders who have supported this important work to bring a new cancer treatment to life.

Solid tumor research progressing as planned

Our research on solid tumors continues to make important progress. In May 2025, two articles were published in the Journal for ImmunoTherapy of Cancer, highlighting the significance of CLEVER-1 in solid tumors and deepening our understanding of the tumor microenvironment's influence. The results suggested that *bexmarilimab* stimulated response in immunologically-cold tumors and inhibited inflammation in treatment resistant tumors. The results can potentially impact the design of future trials for *bexmarilimab* in solid tumors. The BLAZE trial for the treatment of checkpoint inhibitor refractory metastatic lung cancer and melanoma has gained ethical approval and is in its final stages of contracting. In addition, Faron has reached an agreement with the Helsinki University Hospital to join the national FINPROVE Study to investigate *bexmarilimab* in combination with standard chemotherapy for the treatment of metastatic breast cancer. This will be the first ever *bexmarilimab* trial that will use prospective patient selection for Clever-1 positivity.

Outlook

Many BEXMAB patients in r/r MDS remain on drug and are doing well, so giving the final survival readout is delayed, which is a good thing. Same goes to frontline patients where many have moved on to transplant and if all go well for the patients, we will not be getting survival data for frontline HR MDS any time soon. Next, we'll be reporting on the dynamic positive changes that happen in the body when treated with Bex and Aza together at the annual ESMO congress, and then further follow-up data at ASH towards the end of the year. Meanwhile we will be interacting with EMA and other regulatory agencies on the phase II/III trial. We are decisively progressing toward the initiation of the phase II/III registrational trial for HR MDS in parallel with partnering

discussions. We are now well equipped to enter the next phase of commercial discussions and are continuously exploring different options we have to ensure maximising Faron's shareholder value while progressing the development of *bexmarilimab* in both solid tumors and hematological malignancies. Faron's financial position is good. Our current cash runway extends until 2026, and with the remaining two tranches of convertible bonds we have the needed flexibility to make the next business decisions. This gives us the opportunity to maximize shareholder value as we prepare to progress *bexmarilimab* into its final stage of development for the treatment of HR MDS.

Faron's first half of 2025 was remarkable, and I am looking forward to the second half of this year with eager anticipation. If H1 was the time of strong and steady development, then H2 is the time for business."

Pipeline highlights January–June 2025 in more detail

Faron's focus is on the development of *bexmarilimab*, a first-in-class, humanized monoclonal antibody that binds to Clever-1, an immunosuppressive receptor found on macrophages leading to tumor growth and metastases, and a novel immune checkpoint target for drug development. *Bexmarilimab*, a wholly Faron's owned, novel precision cancer immunotherapy candidate, is in phase II development for difficult-to-treat hematological and solid tumor cancers.

Indication(s)	Regimen	Phase of clinical development Phase I / Phase II / Phase III	Anticipated Key Milestones
Advanced solid tumors **FARON SPONSORED**	*Bexmarilimab single agent*	MATINS	▪ Completed
r/r + 1st line MDS and AML **FARON SPONSORED**	Bexmarilimab + SoC	BEXMAB	▪ End of phase II meeting held with the FDA
1st Line MDS **FARON SPONSORED**	Bexmarilimab + azacitidine	BEXMAB-02	▪ Phase II/III preparations according to FDA's guidance
PD-1 resistant NSCLC and Melanoma **INVESTIGATOR INITIATED**	Bexmarilimab +anti PD-1	BLAZE	▪ First-patient-in expected in H2 '25
Soft Tissue Sarcomas **INVESTIGATOR INITIATED**	Bexmarilimab + doxorubicin	BEXAR	▪ First-patient-in expected in H1 '26
Clever-1 positive breast cancer **INVESTIGATOR INITIATED**	Bexmarilimab + Nab-paclitaxel	FINPROVE	▪ First-patient-in expected in H1'26
PD-1 Blockade Basket Trial in Solid Tumors **Faron Sponsored**	Bexmarilimab +anti PD-1	MATINS-02	▪ In planning, awaiting initial efficacy readouts from solid tumor IITs.

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

- 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 MDS by EMA, and on 3 March 2025, also the FDA granted an orphan drug designation for *bexmarilimab* in 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 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 tumor 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.

- On 2 June 2025, 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 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 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 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

After the reporting period Faron announced positive results of the EOP2 meeting held with the FDA confirming the accelerated approval pathway for frontline patients with CR + CReq, and overall survival (OS) as primary endpoints. The FDA supported an adaptive phase II/III design with randomized dose-optimization, Independent Data Monitoring Committee (IDMC) governed interim oversight, and an interim efficacy assessment using CR + CReq (IWG 2023) with OS as the key confirmatory endpoint. The FDA also indicated openness to an accelerated-approval pathway in the frontline setting contingent on the interim magnitude/durability of effect and supportive OS. On the basis of the EOP2 FDA meeting feedback, Faron will initiate a seamless, adaptive, randomized, placebo-controlled, double-blinded phase II/III trial in treatment-naïve HR-MDS with a trial start targeted for the second quarter 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.

Combination potential with solid tumors – proof of concept in multiple settings that bexmarilimab can overcome treatment resistance

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

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. Only patients with Clever-1 positive disease will be enrolled to *bexmarilimab*-specific cohort of the trial. 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.

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. The response to *bexmarilimab* combined with anti-PD-1 antibody will serve as proof-of-concept for reversing resistance. The study 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 primary refractory STS tumors more sensitive to treatment. Bexar is an Investigator Initiated Trial.

MATINS-02 – Can *bexmarilimab* overcome PD-1 primary resistance and expand the population of PD-1 responders? PD-1 inhibitors have shown disappointing results in immunologically cold tumors like gastric, gallbladder, cholangiocarcinoma, and ER+ breast cancer. *Bexmarilimab* has the potential to make these primary refractory (cold) tumors sensitive to PD-1. The trial will also prospectively validate the use of intratumoral Clever-1 positivity as a predictive biomarker for treatment benefit. Matins-02 is a Faron Sponsored Trial.

Traumakine® - Faron's investigational intravenous (IV) interferon beta-1a therapy, in development for hyperinflammatory conditions

The development of Traumakine by Faron has been discontinued as the company is focusing its resources on its lead candidate, *bexmarilimab*. In connection with the discontinuation of Traumakine, the company was forgiven the loan granted by Business Finland for the value of EUR 1.3 million. This strategic shift allows Faron to concentrate on advancing *bexmarilimab*, which has shown significant potential in clinical trials for various Clever-1 positive cancers. Faron is still a collaborator in a research group that received a U.S. Department of Defence grant to investigate the use of intravenous interferon beta (Traumakine®) for preventing ischemia-reperfusion injury in battlefield victims when using a lifesaving tourniquet to prevent excessive blood loss. The study, named Resuscitation by Endothelial Stabilization and Targeted Oxygen Rescue (RESTOR) Platform for Battlefield Applications, involves Duquesne University School of Pharmacy and Wake Forest Medical University Health Sciences. Faron gives scientific support to the group and monitors any new avenues that may open from this collaboration.

Financial review January–June 2025

During the January – June 2025 Faron strengthened its financial position by raising net EUR 12 million equity and entering an up to EUR 35 million unsecured convertible bond arrangement. Financial flexibility in terms of ability to use various financial instruments is important going forward. The Company and its management carefully evaluate different options to maximise financial stability while focusing on shareholder value.

Loss before income tax and total comprehensive loss in January–June 2025 was EUR -19.4 (-14.4) million, which represents a loss of EUR 0.18 (0.20) per share. A major contributor to the loss was the fair value through profit and loss ("FVTPL") -valuation of the HCM Convertible Bond, which resulted to at EUR 5.1 million non-cash charge in the accounts. Actual operational burn for the period was EUR 11.9 million.

Operating expenses

In January–June 2025, Faron's R&D costs were EUR 7.1 (6.7) million, year-on-year increase of EUR 0.4 million. These costs were mainly attributable to advancing clinical programs including the completion of BEXMAB phase II trial. Clinical trial costs included the cost of patient and site enrollment, CRO service costs including monitoring, investigator fees, and compensation and benefits for personnel directly responsible for R&D activities, and product supply costs. The other significant part of the R&D costs was the CMC-costs, which relate to the production ramp-up of *bexmarilimab*.

In January–June 2025, G&A expenses were EUR 4.8 (4.6) million.

Financial income of EUR 0.6 million (1.3) consist of non-cash decrease of the value of IPF warrants. Financial expenses amounted to EUR 8.1 (4.4) million consisting of non-cash HCM convertible bond valuation change of EUR 5.1 million, cash cost of bond arrangement fees and expenses EUR 1.1 million, net cash costs related to early repayment of IPF loan of EUR 1.1 million and other movements inc. interest accruals and paments of EUR 0.7 million.

Financial position and cash flows

As of 30 June 2025, total cash and cash equivalents were EUR 13.5 (30.0) million.

In January–June 2025, cash flow from operating activities was EUR -10.4 (-8.7) million negative. Net cash inflow from financing activities was positive EUR 14.7 (31.8) million.

Financing

On 6 February 2025, Faron concluded 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 to 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 are to be used for general corporate purposes, such as the continuation of the BEXMAB phase II trial to produce follow-up data (duration of

response and survival), prepare the package for end of phase II FDA meeting and for phase III trial preparations, and to strengthen the Company's balance sheet. See Note 2.3 for details.

Going concern

As part of their going concern review, the Directors have followed the Finnish Limited Liability Companies Act, the Finnish Accounting Act and the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks – Guidance for directors of companies that do not apply the UK Corporate Governance Code". Faron is subject to several risks like those of other development stage 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. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil Faron's commercial and development activities and generating a level of revenue adequate to support Faron's cost structure.

Faron Pharmaceuticals Ltd, and all subsidiaries (the "The Group") has forecasted its estimated cash requirements over the next twelve months. To make these forecasts the Group has made several assumptions regarding the quantity and timing of future expenditure and income as well as other key factors. Though these estimates have been made with caution and care, they continue to contain a significant amount of uncertainty.

Based on the current forecast and existing cash balances, the Group believes that it has adequate financial resources to continue its operations until Q1 2026. The Group is in process of evaluating several financing options including drawing down remaining tranches under the convertible bond arrangement from HCM (partly at Group's discretion and partly requires HCM's concents). The directors believe that the Group can gain access to further resources to sustain operations over the next 12 months. Therefore, this unaudited financial report has been prepared on a going concern basis. Other than the HCM financing, the Group cannot disclose any of these options at this stage. Because the additional finance is not committed at the date of issuance of this H1 2025 report, these circumstances represent uncertainty that may cast doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required, including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise.

Personnel

On 30 June 2025, Faron had 32 (25) employees.

Governance

Management Team

On 30 June 2025, the members of Faron 's Management Team were Juho Jalkanen, CEO; Yrjö Wichmann, CFO; Petri Bono, CMO; Maija Hollmén, CSO; Vesa Karvonen, General Counsel; and Ralph Huges, CBO.

Annual General Meeting

Faron Group's Annual General Meeting ("AGM") was held on 21 March 2025. The Annual General Meeting adopted the financial statements for the financial year 1 January–31 December 2024 and resolved to discharge the members of the Board and the CEO of the Company from liability for the financial period from 1 January–31 December 2024. The Annual General Meeting approved the Board's proposal not to pay dividends, and the losses of the Company for the financial year, amounting to EUR 25.9 million (IFRS), will be carried forward to the reserve for invested unrestricted equity.

The AGM resolved that the annual remuneration of the members of the Board remain unchanged and that EUR 35,000 will be paid to the Board members, in addition to which an annual remuneration of EUR 35,000 will be paid to the chair of the Board. In addition, a further annual remuneration of EUR 11,000 will be paid to the chair of the audit committee, a further annual remuneration of EUR 9,000 will be paid to the chair of the remuneration committee and a further annual remuneration of EUR 6,000 will be paid to the chair of the nomination committee. In addition, a further annual remuneration of EUR 6,000 will be paid to the audit committee members, a further annual remuneration of EUR 5,000 will be paid to the remuneration committee members and a further annual remuneration of EUR 3,000 will be paid to the nomination committee members.

The General Meeting furthermore resolved that meeting fees will be paid to the Board members as follows: a meeting fee of EUR 1,000 will be paid to Board members per Board meeting where the Board member was physically present, and which was held on another continent than the member's place of residence; and

no meeting fees will be paid to Board members who were attending a Board meeting but not physically present or for Board meetings held on the same continent as the member's place of residence.

In addition, it was resolved that all reasonable and properly documented expenses incurred in the performance of duties of the members of the Board shall be compensated. It was also resolved that no remuneration will be paid based on the Board membership of the CEO of the Company or a person serving the Company under a full-time employment or service agreement.

The General Meeting re-elected John Poulos, Markku Jalkanen, Tuomo Pätsi, Christine Roth and Marie-Louise Fjällskog as members of the Board and elected Colin Bond and Juho Jalkanen as the new members of the Board.

The General Meeting re-elected PricewaterhouseCoopers Oy (PwC) as the company's auditor. PwC has appointed Panu Vänskä, authorized public accountant (KHT), as the key audit partner.

The General Meeting resolved to amend the terms and conditions of the Share Option Plan 2019 by extending the validity period of the options granted under the Share Option Plan 2019 by one (1) year and the terms of the Share Option Plan 2019 was amended so that the maximum term of any granted option is six 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 General Meeting resolved to amend the Company's Articles of Association by removing the old Article 18 (Obligation to Purchase Shares) and to amend the Article 17 (Notification on the Change of Holdings in the Company) by adding a new section 17.1: "For as long as the Company is listed on AIM, the procedure described in this Article 17 will be adhered to. In addition, the relevant legislation concerning notifications of holdings and proportions of voting rights from time to time in force shall be taken into account."

The General Meeting authorized the Board to decide on the issuance of shares, option rights or other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act, which authorization contains the right to issue new shares or dispose of the Company's own shares in the possession of the Company. The authorization consisted of up to thirty million (30,000,000) new shares in the aggregate (including shares to be received based on options or other special rights), which corresponds to approximately twenty-seven (27) per cent of the existing shares and votes on the date of the AGM Notice, as well as the conveyance of up to the same maximum number (thirty million (30,000,000)) of treasury shares in the possession of the Company. The same authorization can be used to issue the aforementioned up to thirty million (30,000,000) new shares in the aggregate to the Company itself without consideration (to be further issued as shares to be received based on such option rights or other special rights), in case the Board resolves to issue option rights or other special rights entitling to treasury shares held by the Company.

The Board was authorized to resolve on all other terms and conditions of the issuance of shares, options or other special rights entitling to shares.

The authorization is effective until 30 June 2026. This authorization does not cancel the authorization given to the Board by the Annual General Meeting on 5 April 2024 to resolve on issuances of shares, option rights or other special rights entitling to shares.

Shares and share capital

On 30 June 2025, Faron had 111,954,597 total number of ordinary shares with voting rights. The Company's share capital is EUR 2,69 million (EUR 2,69 million). On 30 June 2025, the company held 5,000,000 treasury shares.

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). In January–June 2025, the highest price of the Company's share in First North Growth Market Finland was EUR 3.35 (3.77) and the lowest price was EUR 1.85 (1.05). Volume weighted average price was EUR 2.36 (1.39). Faron's share price on the last day of trading was EUR 2.45 (1.19). On 30 June 2025, Faron's market cap was EUR 286.0 (124.5) million.

Short-term risks and uncertainties

Faron is a clinical stage biopharmaceutical company and, is subject to a number of risks and uncertainties similar to those of other development stage 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, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil Faron's commercial and development activities and generating a level of revenue adequate to support Faron's cost structure, reliance on key personnel, uninsured and underinsured losses and other factors.

Conference call

A virtual briefing and Q&A session for investors, analysts and media will be hosted by Dr. Juho Jalkanen, Chief Executive Officer, and Mr. Yrjö Wichmann, Chief Financial Officer, **today, 27 August 2025 at 9:00 AM (EST) / 2:00 PM (GMT) / 4:00 PM (EEST)**. Webcast registration link: Faron 2025 Half-Year Financial Results

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

27 August 2025
Faron Pharmaceuticals Ltd.
Board of Directors

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About *bexmarilimab*

Bexmarilimab is Faron's wholly owned, investigational immunotherapy designed to overcome resistance to existing treatments and optimize clinical outcomes, by targeting myeloid cell function and igniting the immune system. *Bexmarilimab* binds to Clever-1, an immunosuppressive receptor found on macrophages leading to tumor growth and metastases (i.e. helps cancer evade the immune system). By targeting the Clever-1 receptor on macrophages, *bexmarilimab* alters the tumor microenvironment, reprogramming macrophages from an immunosuppressive (M2) state to an immunostimulatory (M1) one, upregulating interferon production and priming the immune system to attack tumors and sensitizing cancer cells to standard of care.

About BEXMAB

The BEXMAB study is an open-label Phase I/II clinical trial investigating *bexmarilimab* in combination with standard of care (SoC) in the aggressive hematological malignancies of acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS). The primary objective is to determine the safety and tolerability of *bexmarilimab* in combination with SoC (azacitidine) treatment. Directly targeting Clever-1 could limit the replication capacity of cancer cells, increase antigen presentation, ignite an immune response, and allow current treatments to be more effective. Clever-1 is highly expressed in both AML and MDS and associated with therapy resistance, limited T cell activation and poor outcomes.

About Faron Pharmaceuticals Ltd.

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*, a novel anti-Clever-1 humanized antibody, with the potential to remove immunosuppression of cancers through reprogramming myeloid cell function. *Bexmarilimab* is being investigated in Phase I/II clinical trial as a potential therapy for patients with hematological cancers in combination with other standard treatments. Further information is available at www.faron.com.

Forward-Looking Statements

Certain statements in this announcement are, or may be deemed to be, forward-looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "expect", "hope", "seek", "envisage", "estimate", "intend", "may", "plan", "potentially", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not

based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward-looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results and expectations discussed in the forward-looking statements, many of which are beyond the control of the Company. In addition, other factors which could cause actual results to differ materially include the ability of the Company to successfully license its programs within the anticipated timeframe or at all, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets or other sources of funding, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Tables

Accounting principles for the half-year report

The financial figures have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC). The figures in this half-year report are unaudited unless otherwise indicated. Full year 2024 figures are audited.

The unaudited interim financial report incorporates the parent company, Faron Pharmaceuticals Ltd, and all subsidiaries (the "Group"). All amounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest euro thousand.

Consolidated Income Statement, IFRS

	Unaudited	Unaudited	Audited
EUR '000	**1-6/2025 6 months**	**1-6/2024 6 months**	**1-12/2024 12 months**
Other operating income	0	0	0
Research and development expenses	(7,115)	(6,662)	(11,744)
General and administrative expenses	(4,794)	(4,628)	(6,929)
Operating loss	**(11,909)**	**(11,290)**	**(18,673)**
Financial income	602	1,292	434
Financial expense	(8,115)	(4,350)	(7,676)
Loss before tax	**(19,423)**	**(14,349)**	**(25,915)**
Tax expense	0	-46	(5)
Loss for the period	**(19,423)**	**(14,395)**	**(25,920)**
Other comprehensive gain/loss	0	11	9
Total comprehensive loss for the period	**(19,423)**	**(14,384)**	**(25,911)**
Loss per ordinary share			
Basic and diluted loss per share, EUR	(0.18)	(0.20)	(0.29)

Consolidated Balance Sheet, IFRS

EUR '000	30 June 2025	30 June 2024
Assets		
Non-current assets		
Machinery and equipment	1	3
Right-of-use-assets	249	344
Intangible assets	1,111	1,086
Prepayments and other receivables	39	60
Total non-current assets	**1,399**	**1,494**
Current assets		
Prepayments and other receivables	1,273	3,987
Cash and cash equivalents	13,532	29,979
Total current assets	**14,805**	**33,966**
Total assets	**16,204**	**35,460**
Equity and liabilities		
Capital and reserves attributable to the equity holders of Faron		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	197,187	184,866
Accumulated deficit	(216,137)	(186,181)
Translation difference	13	3
Total equity	**(16,246)**	**1,379**
Provisions		
Other provisions	0	0
Total provisions	**0**	**0**
Non-current liabilities		
Borrowings	21,309	8,706
Lease liabilities	138	239
Other liabilities	3,176	1,643
Total non-current liabilities	**24,623**	**10,588**
Current liabilities		
Borrowings	834	3,672
Lease liabilities	127	105
Trade payables	5,634	17,473
Accruals and other current liabilities	1,232	2,243
Total current liabilities	**7,827**	**23,493**
Total liabilities	**32,450**	**34,081**
Total equity and liabilities	**16,204**	**35,460**

Consolidated Statement of Changes in Equity, IFRS

EUR '000	Share capital	Reserve for invested unrestricted equity	Translation difference	Accumulated deficit	Total equity
Balance as at 31 December 2023	2,691	154,352	4	(172,208)	(15,160)
Comprehensive loss for the year 2024	0	0	9	(25,920)	(25,911)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	0	30,609	0	0	30,609
Share-based compensation	0	0	0	694	694
Reserve on retained earnings for legal		(5)		11	6
	0	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 last six months 2025	0	0	0	(19,423)	(19,423)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	0	12,232	0	0	12,232
Share-based compensation	0	0	0	706	706
	0	12,232	0	(18,716)	(6,484)
Balance as at 30 June 2025	2,691	197,187	13	(216,137)	(16,246)

Consolidated Cash Flow Statement, IFRS

EUR '000	Unaudited 1-6.2025 6 months	Unaudited 1-6.2024 6 months	Audited 1-12-2024 12 months
Cash flow from operating activities			
Loss before tax	(19,423)	(14,349)	(25,915)
Adjustments for:			
Received grant	0	0	0
Depreciation and amortization	151	158	314
Change in provision	0	0	0
Financial items	7,513	3,059	7,242
Share-based compensation	706	369	694
Adjusted loss from operations before changes in working capital	(11,052)	(10,764)	(17,665)
Change in net working capital:			
Prepayments and other receivables	296	(2,127)	444
Trade payables	758	5,557	(4,095)
Other liabilities	(223)	(593)	(947)
Cash used in operations	(10,221)	(7,926)	(22,263)
Income tax paid	0	(150)	(41)
Interest received	19	0	361
Interest paid	(208)	(617)	(1,028)
Net cash used in operating activities	**(10,410)**	**(8,693)**	**(22,971)**
Cash flow from investing activities			
Payments for intangible assets	(101)	(123)	(225)
Payments for equipment	0	0	(1)
Net cash used in investing activities	**(101)**	**(123)**	**(226)**
Cash flow from financing activities			
Proceeds from issue of shares	12,000	35,500	31,850
Share issue transaction cost	(676)	(498)	(4,951)
Proceeds from borrowings	13,892	3200	3,200

Repayment of borrowings	(7,993)	(5,314)	(3,371)
Transaction and structuring fees of borrowings	(2,500)	(750)	(750)
Proceed from grants	0	(28)	0
Payment of lease liabilities	(50)	(337)	(162)
Net cash from financing activities	**14,673**	**31,773**	**25,816**
Net increase (+) / decrease (-) in cash and cash equivalents	**4,029**	**23,103**	**2,627**
Effect of exchange rate changes on cash and cash equivalents	(133)	(145)	(8)
Cash and cash equivalents at 1 January / 1 July	9,503	6,876	6,876
Cash and cash equivalents at 31 December	**13,532**	**29,979**	**9,503**

Notes to the interim financial report

1. Corporate information

Faron Pharmaceuticals Ltd (the "Company") is a clinical stage biopharmaceutical company incorporated and domiciled in Finland, with its headquarters at Joukahaisenkatu 6, 20520 Turku, Finland.. The Company has been listed on the London Stock Exchange's AIM market since November 17, 2015, with a ticker FARN, and since December 3,2019, the Company has been listed on the Nasdaq First North Growth Market with a ticker FARON.

2. Summary of significant accounting policies

2.1. Basis of preparation

The unaudited H1 interim financial report has been prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) and as adopted by the European Union (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC). The principal accounting policies applied in the preparation of these interim financial report is set out below. The Company has consistently applied these policies to all the periods presented, unless otherwise stated. The areas of the report involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial report, are disclosed in note 2.2 of the Financial Statement of 2024 Annual Report. The unaudited interim financial report incorporates the parent company, Faron Pharmaceuticals Ltd, and all subsidiaries (the "Group"). All amounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest euro thousand.

2.2. Going concern

The Group has forecasted its estimated cash requirements over the next twelve months. To make these forecasts the Group has made several assumptions regarding the quantity and timing of future expenditure and income as well as other key factors. Though these estimates have been made with caution and care, they continue to contain a significant amount of uncertainty.

Based on the forecast the Group believes that it has adequate financial resources to continue its operations until beginning of 2026. The Group has taken several actions to secure further financing. The Group has agreed financing from HCM that can be partly drawn down at Group’s discression and partly requires HCM’s concents. Further, the directors believe that the Group can gain access to further resources to sustain operations over the next 12 months. Therefore, this unaudited financial report has been prepared on a going concern basis. Other than the HCM financing, the Group cannot disclose any of these options at this stage. Because the additional finance is not committed at the date of issuance of this H1 2025 report, these circumstances represent uncertainty that may cast doubt on the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required, including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise.

2.3. Financial Liabilities

EUR '000	Unaudited 1-6.2025 6 months	Unaudited 1-6.2024 6 months	Audited 1-12-2024 12 months
Financial liabilities measured at amortised cost			
Lease liabilities	265	344	303
Account payables	5,634	17,473	4,876
Borrowings in form of Business Finland R&D loans	2,740	3,476	3,124
Borrowings in form of IPF Tranche A	0	8,907	8,686
Total financial liabilities measured at amortised cost	**8,639**	**30,200**	**16,990**
Financial liabilities measured at FVTPL			
FV of warrants	3,176	1,643	3,839
FV of Convertible bond	19,408	0	0
Total financial liabilities measured at FVTPL	**22,584**	**1,643**	**3,839**

The Group's financial liabilities comprise of interest-bearing borrowings, trade payables, other non-currentand 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 an unconditional 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 four government loans with a below-market rate of interest from The Finnish Funding Agency for Technology and Innovation ("Business Finland"). The grant component of the gorvernment loans,

which is the benefit of the below-market interest rate, is measured as the difference between the initial fair value of the loan and the proceeds received.

Other liabilities consist of warrants issued as part of the IPF loan agreement for no consideration paid as well as a loan in form of Convertible Bonds by Heights Capital (HCI). Both of these financial instruments are 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 an unconditional 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.

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. The carrying amount of all the Business Finland loans was EUR 2,740 thousand (H124 EUR 3,476 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. The interest on Business Finland R&D loans amounted to EUR 39 thousand (H124 EUR 25 thousand).

Warrants held by IPF

The IPF warrants were issued as part of the loan agreement which Faron entered into with IPF Fund II SCA (IPF) on 28 February 2022. 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. Liabilities designated at fair value through profit or loss primarily represent warrants which entitle IPF to subscribe for new ordinary shares in the Company. 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.

Convertible Bond loan by HCM

The Convertible Bonds

Faron entered into a convertible bond arrangement for to up to EUR 35 million with an entity managed by Heights Capital Management, Inc. ("HCM") and resolved to issue first tranche of amortising unsecured bonds convertible into new and/or existing shares in the Company with an aggregated principal amount of EUR 15 million. 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 first tranche consists of 150 bonds with a principal value of EUR 100,000 each. They will be 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.

A holder of the bonds shall be able to convert the outstanding principal amount of the bonds or any instalment amount at any time during the term of the bonds. The initial conversion price was set at EUR 2.93952, which equals a 20 per cent premium to the reference share price of EUR 2.4496. The conversion price is 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 to make payments in shares in certain situations, 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 term of the bonds. Additionally, HCM will also have the right to defer any upcoming amortisation payment to be paid later.

Accounting of Convertible Bonds

The Convertible Bond includes 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 Bond is recognised as financial liability according to IAS 32.

The entire Convertible Bond -instrument ia 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).

Convertible Bond measurement

Faron applies IFRS 9.4.3.5 paragraph and makes an irrecoverable election to measure the whole Convertible Bond 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. Any transaction costs related to the Convertible Bond are expensed in profit or loss when incurred. Based on the analysis,

Transaction costs

Since Faron recognizes the Convertible Bond at fair value through profit or loss, all transaction costs are expensed when occurred. The costs fulfill the criteria of transaction costs in accordance with IFRS 9.

Valuation methodology

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

Parameter	Value	Source
Share Price	2.445	Closing price on valuation date
Risk free rate	2.0528%	Continuous rate
Historical volatility	75.9%	Given by exponentially weighted moving average (EWMA), where decay parameter is 0.995. It corresponds to half-life of 140 trading days

Share or cash payments	50%	Company estimates that they will use shares and cash with equal probabilities when paying instalments
Qualified Equity Offering ("QEO") rate/year	0.83/year	Peer and CB adjusted historical rate
QEO -price multiplier	86.58%	Peer adjusted placement price multiplier. Calculated with placement price divided by prior close and averaging across 20 observations
Change of Control ("CoC") -probalility/year	20%	Estimate for a CoC -event effecting Faron per year over next five years.

The FVTPL -value of the Convertible Bond 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 Tranche 2 criteria and if passed reset conversion price
5) Calculate discounted coupons and instalments
6) Calculating total cash flow and terminal payment

Simulation was run 1 000 000 times to achieve most probable average outcome.

Fair value hierarcy allocation

Recurring fair value measurements		Level 1	Level 2	Level 3	Total
At 30 June 2025	Notes	€'000	€'000	€'000	€'000
Financial assets					
Financial assets at FVTPL					
IPF warrants			3,176		3,176
HCM Convertible bond				19,408	19,408
Total financial assets		**0**	**3,176**	**19,408**	**22,584**

Recurring fair value measurements		Level 1	Level 2	Level 3	Total
At 30 June 2024	Notes	**€'000**	**€'000**	**€'000**	**€'000**
Financial assets					
Financial assets at FVTPL					

IPF warrants		1,643		1,643
HCM Convertible bond				
Total financial assets	0	1,643	0	1,643

As of June 30, 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 bond.

Recurring fair value measurements	Value used in FV valuation	Value used in sensitivity analysis	Impact on FV, € 000
Qualified Equity Offering ("QEO") rate/year	0.83/year	1/year	178,8
QEO -price multiplier	86.58%	80,00 %	335,9
Change of Control ("CoC") -probalility/year	20 %	30 %	176,5

3. Subsequent events

- On 7 July 2025, Faron announced the acceptance of two studies involving its lead candidate, *bexmarilimab*, for presentation at the 19th IUIS International Congress of Immunology in Vienna, Austria, from August 17-22, 2025.
- On 11 July 2025, Business Finland informed Faron that they had approved Company's application to forgive a R&D loan related to the development of Traumakine. The forgiveness applies also to accumulated interest. This will have a positive impact of EUR 1.3 million on the second half of 2025.
- On 30 July 2025, Faron announced that new clinical and translational data from the phase I/II BEXMAB study evaluating *bexmarilimab* in combination with azacitidine in HR-MDS will be orally presented at the 2025 European Society for Medical Oncology (ESMO) Congress, in October 17-21, 2025, in Berlin, Germany.
- On 6 August, Faron announced an increase in the complete remission (CR) rate in patients with frontline or treatment-naïve HR-MDS, based on updated efficacy data from its phase I/II BEXMAB trial. According to the investigator-assessed response using IWG 2006 criteria, as per protocol, the CR rate (as explained below) has increased to 43% (9 out of 21 patients), a substantial improvement from the 28% rate, seen in the earlier data cut. This data builded on the phase II early results featured in recent oral presentation at the 2025 American Society of Clinical Oncology (ASCO) congress.
- On 8 August Faron announced that it has been granted a patent in th US which covers treatment of Clever-positive cancers with *bexmarilimab* and related structures. The patent is valid until 2040.
- On 18 August 2025, Faron announced that it will advance *bexmarilimab* into a registrational phase II/III study in treatment-naïve HR-MDS after a positive meeting with the FDA.
- In its meeting on 26 August 2025, the Board of Directors of the Company approved the publishing of this interim financial report.

FARON

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