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

Faron's Financial Statement Release January 1 to December 31, 2023

Financial statement release March 13, 2024 at 03:00 AM (EDT) / 07:00 AM (GMT) / 09:00 AM (EET)

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Ltd. (AIM: FARN, First North: FARON), a clinical- stage biopharmaceutical company focused on tackling cancers via novel myeloid cell targeted immunotherapies, today announced audited full-year financial results for January 1 to December 31, 2023 (the "Period") and provided an overview of recent corporate developments.

2023 Highlights

- Data from the completed Phase I part of the BEXMAB study demonstrated significant overall response rates (ORR) in both previously hypomethylating agent (HMA)-failed (5 out of 5) and higher-risk myelodysplastic syndrome (MDS) patient (5 out of 5) populations. Most responses were deep and durable with 7 out of 10 MDS patients achieving complete remission/ marrow complete remission (CR/mCR) and two demonstrating partial remission (PR), one of whom moved on to receive a stem cell transplantation and the other, hematological improvement without remission (HI-P).
- Further analysis of the patient profiles of those treated in the Phase I part of the BEXMAB trial showed that prior to responding to *bexmarilimab* in combination with standard of care (SoC), patients had experienced disease progression following treatment with all of the leading azacitidine combinations such as venetoclax, sabatolimab and magrolimab.
- The Company made the decision to commence the Phase II part of the BEXMAB study based on guidance from the U.S. Food and Drug Administration (FDA), investigating *bexmarilimab* in combination with SoC in patients with HMA-refractory or-relapsed MDS.
- The FDA granted *bexmarilimab* Orphan Drug Designation (ODD) for the treatment of acute myeloid leukemia (AML).
- The first in human MATINS study was completed in advanced solid tumor patients. The study results were published in the journal *Cell Reports Medicine*. *Bexmarilimab* was well tolerated, showed activation of intratumoral immunity and reprogramming tumor associated macrophages, resulting in an increase in IFN-gamma signature and changes in the tumor microenvironment (TME), and providing significant clinical benefit.
- The Company conducted three successful fundraising rounds in 2023, successfully raising EUR 25.7 million.
- A virtual briefing and Q&A will be held today, March 13, 2024 at 8:00 AM (EDT) / 12:00 PM (GMT) / 2:00 PM (EET)

Subsequent events

- In January 2024, Faron dosed the first patients in the Phase II part of its BEXMAB Study, to evaluate the safety and efficacy of *bexmarilimab* in combination with SoC, in HMA-refractory or relapsed MDS patients. This project Optimus part will provide the final dosing of *bexmarilimab* for the registrational part.
- In February 2024, Faron announced that it was in breach of several undertakings agreed in the facilities agreement entered into on February 28, 2022 between IPF Fund II SCA, SICAV-FIAR ("IPF") as Lender and Faron Pharmaceuticals Ltd as Borrower ("Facilities Agreement") and subsequent waiver letters provided by IPF, and therefore was in several Events of Default, as defined in the Facilities Agreement.
- In March 2024, Faron successfully raised a total of EUR 3.2 million in subordinated convertible loan arrangements with certain existing shareholders allowing the Company to make critical payments to third parties under agreed waivers with IPF. As at March 13, 2024, the Company is in compliance with all IPF financial covenants as agreed with the waiver letter. In accordance with the waiver letter, the Company shall issue to IPF additional special rights which entitle them to subscribe for new ordinary shares in the Company.
- In March 2024, Faron announced that endeavors are continuing and it is in active discussions to secure short- and long-term funding.

"I am pleased to report that we have made strong progress in 2023 advancing our BEXMAB study of *bexmarilimab*, our wholly owned immunotherapy asset. Throughout the course of the year, we have reported highly encouraging data for *bexmarilimab*, showing a

remarkable overall response rate in both higher-risk frontline MDS patients as well as HMA-failed MDS patients. These are highly significant findings, given the combinations of treatments these patients had previously failed on and the very limited options available for future therapy. They provide us with a path to market and only bolster our confidence in the potential of this novel immunotherapy to treat patients with aggressive hematological malignancies," said Dr. Markku Jalkanen, Chief Executive Officer of Faron.

HIGHLIGHTS (including post period)

Pipeline Highlights

Bexmarilimab *– Faron's wholly owned, novel precision cancer immunotherapy candidate, in Phase I/II development for difficult-to-treat hematological and solid tumor cancers.*

Hematological cancer with standard of care (SoC) – BEXMAB

- The Phase II part of the BEXMAB study commenced based on guidance from the U.S. Food and Drug Administration (FDA), investigating *bexmarilimab* in combination with SoC in patients with HMA-refractory or -relapsed MDS. The first patient was dosed in January 2024.
- Data from the completed Phase I part of the BEXMAB study demonstrated significant ORR in both previously HMA-failed (5 out of 5) and higher-risk MDS patient (5 out of 5) populations. Most responses were deep and durable with 7 out of 10 MDS patients achieving CR/mCR and two demonstrating PR, one of whom moved on to receive a stem cell transplantation and the other, hematological improvement without remission (HI-P).
- Further analysis of the patient profiles of those treated in the completed Phase I part of the BEXMAB trial showed that patients had experienced disease progression following previous treatment with azacitidine monotherapy or combinations of up to four therapies that included azacitidine or decitabine + magrolimab, venetoclax and sabatolimab. 3 of the 5 patients were refractory to previous HMA-therapy, with progressive disease (PD) or stable disease (SD) being the best responses achieved from that therapy. 2 patients had relapsed after treatment with azacitidine or an azacitidine+venetoclax combination.
- The FDA granted ODD for *bexmarilimab* for the treatment of AML.
- BEXMAB phase I/II clinical data were presented at key scientific conferences including the American Society of Hematology (ASH) Annual Meeting and the European Hematology Association Congress 2023.
- Post period, In January 2024, Faron dosed the first patients in the Phase II part of its BEXMAB Study, to evaluate additional safety and efficacy data for *bexmarilimab* in combination with SoC, in HMA-refractory or relapsed MDS patients, to obtain regulatory feedback from the FDA on a final regulatory pathway for market application (BLA)

Single-agent safety and activity in advanced solid tumors – MATINS

- The first in human MATINS study was completed and the full safety and anti-tumor efficacy results from the first-in-human Phase I/II MATINS trial of *bexmarilimab* in patients with treatment-refractory late-stage solid tumors was published in *Cell Reports Medicine*.
- The Company presented two posters at the American Association for Cancer Research Annual Meeting 2023 on its Phase I/II MATINS study of *bexmarilimab* in solid tumors and published a manuscript in Cell Reports Medicine.
- The findings from MATINS, which have established strong foundations for Faron's ongoing development program, showed activation of intratumoral immunity and reprogramming tumor associated macrophages resulting in increase in IFN-gamma signature and changes in the tumor microevironment (TME), resulting in disease control and prolonged survival in late-stage cancer. Furthermore, targeting Clever-1 with *bexmarilimab* was well-tolerated.
- A positive Phase I/II meeting with the FDA supported the potential to continue development of *bexmarilimab* in solid tumors both as a single agent and in combination with anti-PD-1.

Combination potential with PD-1 blockade – BEXCOMBO – and further expansion

- Preparations are ongoing for the initiation of the Phase II BEXCOMBO trial evaluating *bexmarilimab* with PD-1 blockade, aimed at improving the clinical benefits from standard-of-care PD-1 blockade. The first proof-of-concept cohort under investigation will be head and neck cancer, followed by non-small cell lung cancers. Patient cohorts will comprise between 15 and 40 subjects, with the opportunity for subgroup enrichment.
- Given the positive results to date, the Company is exploring *bexmarilimab's* potential in frontline HR MDS, chronic myelomonocytic leukaemia (CMML) patients and considering further development and expansion opportunities with *bexmarilimab* in hematological cancers in the form of further partnerships.

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

- The Company is in collaboration with the Fred Hutchinson Cancer Research Center in Seattle, Washington, to further investigate the use of IV IFN beta-1a for the prevention of organ damage from cytokine release syndrome (CRS) and other CAR-T therapy side effects, such as neurotoxicity (ICANs).

Corporate Highlights

- The balance sheet was strengthened through three private placements directed to institutional and other investors to raising EUR 25.7 million during 2023.
- James O'Brien, CPA, MBA, joined as Chief Financial Officer. Mr. O'Brien is an accomplished biotech and financial executive with extensive experience in the US capital markets. Strengthening of the Board of Directors with the appointments of Dr. Marie-Louise Fjällskog, Ms. Christine Roth and Mr. Tuomo Pätsi, who joined the Board as Non-Executive Directors of the Company. Dr. Marie-Louise Fjällskog was previously the Chief Medical Officer at Faron. In her position as a Board member, she continues to play an integral role in the development of *bexmarilimab*, by providing her clinical and regulatory expertise to support the Company's progress. Ms. Christine Roth is a pharmaceutical executive with over three decades of experience in the industry, with expertise across various therapy areas including Oncology, Cardiovascular, Metabolic, and Infectious Diseases. Mr. Pätsi is an experienced biotech and pharmaceutical executive who was until recently Executive Vice President for Seagen Inc., a US-based, cancer-focused biotechnology company.
- Mr. Leopoldo Zambeletti, who joined Faron's Board as a Non-Executive Director in September 2015, stepped down from the Board, to take on a business development consulting role within Faron. He is a highly respected figure within the life sciences and investment banking industries and, since 2013, has been an independent strategic advisor to life science companies on mergers and acquisitions, out-licensing deals, and financing strategy.
- Dr. Birge Berns, MD, joined Faron as the Company's interim Chief Medical Officer. Dr. Berns is a seasoned senior pharmaceuticals executive with a background in oncology, clinical medicine, rheumatology and immunology. She brings more than 25 years' experience from senior leadership roles in global pharmaceutical companies, including Sanofi Aventis and Johnson & Johnson.
- Dr. Gregory B. Brown and Ms. Anne Whitaker stepped down from their positions as a Non-Executive Directors.

Full-year Financial Results

- On December 31, 2023, Faron held cash balances of EUR 6,9 million (2022: EUR 7,0 million).
- Loss for the period for the financial year ended December 31, 2023, was EUR 30,9 million (2022: EUR 28,7 million).
- Net assets on December 31, 2023, were EUR -15,2 million (2022: EUR -11,5 million).
- In January 2023 the Company successfully raised a total of EUR 12,0 million gross through the issuance of 3,692,308 ordinary shares to investors.
- In June 2023, Faron conducted a placement of 2,601,510 newly issued treasury shares to investors to raise EUR 6,6 million gross.
- In October 2023, the Company successfully raised EUR 7,1 million gross through the issuance of 2,491,998 ordinary shares to investors.
- The primary reason for conducting the placings were to accelerate and expand the clinical development of the Company's main drug candidate, *bexmarilimab*, advance *bexmarilimab's* commercial scale production, support general corporate purposes and other pipeline development, and to strengthen the Company's balance sheet.
- Post period, in February 2024, the Company announced that it is in breach of several undertakings agreed in the Facilities Agreement with IPF and subsequent waiver letters provided by IPF and is therefore in several events of default.
- Post period, in March 2024, the Company successfully raised a total of EUR 3,2 million in convertible loans allowing the Company to secure short-term financing. The company continues active endeavors to secure longer term funding.

Consolidated key figures, IFRS

EUR '000	Unaudited 7-12/2023 6 months	Unaudited 7-12/2022 6 months	1-12/2023 12 months	1-12/2022 12 months
Other operating income	0	318	0	803
Research and Development expenses	(11,024)	(10,683)	(19,542)	(20,730)
General and Administrative expenses	(4,732)	(3,697)	(9,026)	(7,498)
Loss for the period	(15,756)	(14,062)	(28,568)	(28,730)

	Unaudited 7-12/2023 6 months	Unaudited 7-12/2022 6 months	1-12/2023 12 months	1-12/2022 12 months
Loss per share EUR	(0.26)	(0.27)	(0.48)	(0.52)
Number of shares at end of period	68,786,699	59,805,383	68,786,699	59,805,383
Average number of shares	67,137,790	57,230,625	65,055,036	55,229,835

EUR '000	Unaudited 30 June 2023	Unaudited 30 June 2022	31 December 2023	31 December 2022
Cash and cash equivalents	6,315	9,936	6,875	6,990
Equity	(9,483)	(5,194)	(15,160)	(11,476)
Balance Sheet total	12,836	16,729	10,220	11,271

Board of Directors' Proposal on the Dividend

The Group's comprehensive loss for the period was EUR 30,943,935 (2022: EUR 28,924,250). The Board of Directors proposes to the Annual General Meeting 2024 not to pay a dividend.

March 13, 2023
Faron Pharmaceuticals Oy
Board of Directors

Conference call information
A virtual briefing and Q&A session for investors, analysts and media will be hosted by Dr. Markku Jalkanen, Chief Executive Officer, and James O'Brien, Chief Financial Officer, today, March 13, 2024, at 8:00 AM (EDT) / 12:00 PM (GMT) / 2:00 PM (EET).

Webcast registration link: https://faron.videosync.fi/q4-2023

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

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Publication of financial information during year 2024

Faron's financial statements for full year 2023 will be published today, March 13, 2024 and will also be available on Faron's website at https://www.faron.com/investors/results. The half-year financial report for the period January 1 to June 30, 2024 is scheduled to be published on August 27, 2024. The Annual General Meeting is planned for April 5, 2024. A separate stock exchange notice will be issued by Faron's Board of Directors to convene the meeting.

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 trials 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.

CEO Statement

2023 was a year of significant progress for Faron with momentum building in our ambitious *bexmarilimab* development program and a continued laser focus on proving the potential of this novel myeloid cell re-programming immunotherapy to treat patients with aggressive hematological malignancies.

Initial promising results emerged early in 2023 from the first part of our Phase I/II BEXMAB study, investigating *bexmarilimab* in combination with standard of care (azacitidine and venetoclax) in relapsed/refractory acute myeloid leukemia (AML) and myelodysplastic syndromes (MDS) patients who had failed hypomethylating agents (HMAs). These early, positive responses in a very difficult to treat refractory setting were extremely exciting, given patients in the trial had failed standard of care and were left with few treatment options.

Throughout 2023 the trial delivered highly encouraging results which continued to improve over time. And by the time the first part of the trial had completed, the data was no less compelling. The *bexmarilimab* combination therapy had shown a strong overall response rate (ORR) in both higher-risk frontline MDS patients (5/5 patients) as well as HMA-failed MDS patients (5/5 patients). Observed responses were deep and durable with 7/10 MDS patients achieving complete remission/ marrow complete remission (CR/mCR), and two demonstrating partial remission (PR), one of whom moved on to receive a stem cell transplantation and the other, hematological improvement without remission (HI-P).

The combination continued to be well-tolerated and generated strong and durable leukemic blast eradication and immune responses. These were tremendous data, supporting *bexmarilimab's* unique mechanism of action in the field of myeloid cell re-programming. And providing compelling evidence for us to continue development, at pace.

We rapidly initiated the second phase of the BEXMAB study in November, selecting HMA-refractory or -relapsed MDS as the initial indication, based on guidance from the U.S. Food and Drug Administration (FDA). MDS presents a considerable patient burden given the limited efficacy of the current standard of care, resulting in relatively low response rates and poor overall survival. Our data from the first part of the study underscored the potential of combining *bexmarilimab* with existing treatments to advance care for patients who so desperately need help. Post period, in January 2024, the first patients were dosed in the second phase of the study and the team secured additional trial sites to speed up its recruitment.

This is an incredibly important stage in *bexmarilimab's* development as data from this phase of the trial will enable us to discuss a potential registrational study plan with the FDA.

We are thrilled with this progress and our absolute priority is to pursue an accelerated path to approval for *bexmarilimab* in its initial indication, where we know the need is so great. We also understand the broader opportunities for this immunotherapy. The FDA has granted Orphan Drug Designation (ODD) to *bexmarilimab* for the treatment of acute myeloid leukemia (AML), another hematological cancer with too few treatment options. Armed with the wealth of data generated so far in the BEXMAB study, we are exploring *bexmarilimab's* potential in low risk MDS as well as chronic myelomonocytic leukaemia (CMML) patients. These are development and expansion opportunities that we will consider in the form of partnerships as our research continues.

Communicating to the broader healthcare community was an important aspect of our work in 2023 and I am delighted that the team was able to share and discuss the strong data emerging from the BEXMAB program at many of the leading scientific conferences, including the American Association for Cancer Research Annual Meeting, the European Hematology Association (EHA) 2023 Congress and the 65th American Society of Hematology (ASH) Annual Meeting. It was also a significant moment in December of 2023 when the leading scientific journal, Cell Reports Medicine, published the full safety and anti-tumor efficacy results from the Company's first-in-human Phase I/II MATINS trial of *bexmarilimab* monotherapy in solid tumors. That trial achieved disease control and prolonged survival in a proportion of patients with very late-stage cancers who had exhausted all standard treatment options. It formed the bedrock of our understanding of the potential of *bexmarilimab*.

Alongside *bexmarilimab's* significant advancements we have continued to strengthen the Company's foundations. The appointment of Mr. James O'Brien, CPA, MBA, as Chief Financial Officer, supports our journey to becoming a global pharmaceutical company, given his extensive experience in the US capital markets and strong track record as an accomplished biotech and financial executive. When Dr. Marie-Louise Fjällskog stepped down as Faron's Chief Medical Officer, we were delighted that she agreed to continue playing an integral role in the development of *bexmarilimab*, by providing clinical and regulatory expertise through her Non-

Executive Director role on our Board. Dr. Birge Berns, who we appointed interim Chief Medical Officer, is a seasoned senior pharmaceuticals executive with a background in oncology, clinical medicine, rheumatology and immunology. She brings a wealth of global pharmaceutical experience that is critical to this business.

I am excited for the Company's future in 2024. The latest stage of the BEXMAB trial will provide important data to support our continued discussions with the FDA and, we hope, provide us with a clear pathway to bringing *bexmarilimab* to patients. Our confidence grows in the potential of this novel therapy to provide better patient outcomes and improve the quality of life of those suffering from aggressive hematological cancers. The excellent BEXMAB data have intensified numerous ongoing partnering discussions, and we are looking forward to advancing these discussions over the coming year.

None of this work would be possible without the ongoing support from our shareholders, to whom I express my sincere thanks. And to my colleagues on the management team, and the wider Faron community, thank you for your continued commitment to making this Company's vision a reality and bringing the promise of *bexmarilimab* to patients.

Markku Jalkanen
Chief Executive Officer
March 13, 2024

Chairman Statement

2023 has been another solid year of clinical trial progress for Faron. We continue to see *bexmarilimab,* our novel, wholly owned investigational immunotherapy candidate as the major value driver for Faron, and so our focus has been, and remains, to continue to advance *bexmarilimab* through clinical development.

We were pleased to conclude the MATINS trial, which provided a huge amount of information around the safety of *bexmarilimab* in a monotherapy setting and we were honoured to present and publish the data at several conferences and in important scientific Journals. As we have said for a long time, we believe the future of cancer therapy for later-stage treatment is in the combination setting and we strongly believe, reinforced by the remarkable clinical data from the last year, that *bexmarilimab* will be part of the backbone of a combination setting.

Our most advanced program, and our main focus at Faron, is our Phase I/II BEXMAB trial investigating the safety, tolerability and preliminary efficacy of *bexmarilimab* in combination with standard of care therapies. Over the course of the year, we have seen very encouraging data from the BEXMAB trial with *bexmarilimab* continuing to show real clinical benefit in specific patient populations. We have consistently provided updates to the market and presented the data at several prestigious scientific conferences where we have had very positive feedback from key opinion leaders as well as from the clinicians in our trials. This has given us continued confidence in the potential of *bexmarilimab* to provide better patient outcomes and improve the quality of life in patients suffering from these aggressive conditions. We will continue to explore the best options to commercialize *bexmarilimab* in the combination setting and, as we move to next year, we are looking to have substantial interactions with the US FDA about the best path to market in our chosen indications.

We are very fortunate at Faron to have long-term supportive investors and so, despite the incredibly challenging funding environment seen this past year in both Europe and the US, we were pleased to raise additional capital throughout the period totalling EUR 25,7 million. Amongst other things, these funds have allowed us to accelerate our *bexmarilimab* program, bringing this much needed potential treatment one step closer to patients. We will look to strengthen our shareholder base as we move into 2024.

We had several Board and management changes over the course of the year. Dr. Gregory B. Brown and Ms. Anne Whitaker both stepped down from their positions as a Non-Executive Directors of the Company and Faron Board Member Mr. Leopoldo Zambeletti also stepped down to assume a transactional advisor role within the Company on business development opportunities. We were pleased, however, to welcome Mr. Tuomo Pätsi and Ms. Christine Roth as Non-Executive Directors of the Company. Ms. Roth has played key roles in the development and launch of several therapies, including the first immune-oncology therapy and intentionally designed targeted therapy combinations.

Dr. Marie-Louise Fjällskog, moved from Chief Medical Officer to assume a Board position and we are very grateful that when she decided to retire, she had the confidence to continue with the Company in this role. We also appointed a new Chief Financial Officer, Mr. James O'Brien, a very experienced US based CFO who has already made a big impact, and Dr. Birge Berns, MD as Interim Chief Medical Officer.

I would like to take this opportunity to thank our outgoing Board members for their service and guidance to Faron during their tenure and to Mr. Toni Hänninen, our previous CFO, for his service to Faron over the years.

As always, I would like to thank the whole management team, led by Dr. Markku Jalkanen, Chief Executive Officer, for their continued dedication and guidance, my colleagues on the Board for their commitment to the Company and our partner organisations and steering committee members for their support and expertise. I would also like to extend thanks to all the employees at Faron for their hard work and dedication. Most importantly, I would like to thank all the patients on our clinical trials, their families, and our trial investigators without whom we would not be where we are today. 2024 is set to be a pivotal for Faron when BEXMAB will deliver key data giving us a clearer direction towards commercialization. I look forward to providing further updates as we continue to progress our innovative pipeline.

Dr Frank Armstrong

Chairman

Financial Review

Despite continuing challenging market conditions in 2023, the Company was able to conduct three successful fundraising rounds. Combined, these financings raised EUR 25,7 million. As a result of these fundraising efforts, the net cash from financing activities of EUR 23,9 million compared to EUR 23,5 million in 2022. Post period in March 2024, the Company successfully raised a total of EUR 3.2 million in subordinated convertible loan arrangements with existing shareholders.

Faron places a strategic emphasis on capital efficiency, a key element of efforts to extend our cash runway, without compromising the ability to advance our clinical development program. This capital efficiency has allowed us to achieve more with available resources, while focusing on clinical outcomes. During 2023, nearly 70% of cash expenses were spent directly in support of our *bexmarilimab* clinical development program including manufacturing. General and administrative expenses were flat in 2023 when compared to 2022 excluding one-time items and financing costs.

RESEARCH AND DEVELOPMENT EXPENSES

R&D costs were EUR 19,5 million in 2023 compared to 20,7 million in 2022, a decrease of EUR 1,2 million. These costs are attributable to advancing our clinical programs including completion of BEXMAB Phase I and the initiation of Phase II. Clinical trial costs include 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 costs of outsourced clinical trial services were EUR 4,0 million in 2023 compared to EUR 5,1 million in 2022. Compensation and benefits were EUR 3,2 million in 2023 and EUR 5,2 million in 2022 and included stock compensation expense of EUR 0,7 million and EUR 0,3 million in 2023 and 2022, respectively.

GENERAL AND ADMINISTRATION COSTS

G&A expenses were EUR 9,0 million in 2023 compared to EUR 7,5 million in 2022, an increase of EUR 1,5 million. The increase was mainly due to the recognition of the incremental fair value of amending the terms of 2015 option plan of EUR 1,2 million. Compensation and benefits were EUR 5,7 million in 2023 and EUR 4,5 million in 2022 and included stock compensation expense of EUR 1,7 million and EUR 1,0 million in 2023 and 2022, respectively.

TAXATION

The Company's tax credit for the fiscal year 2023 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 December 31, 2023 was EUR 51,6 million (2022: EUR 47,1 million). The Company estimates that it can utilize most of these during the years 2024 to 2034 by offsetting them against potential future profits. In addition, the Company has EUR 95,2 million of R&D costs incurred in the financial years 2010 - 2023 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 2023 was EUR 30,9 million compared to EUR 28,7 million in 2022, which represents a loss of EUR 0.48 per share and EUR 0.52 per share in 2023 and 2022, respectively.

CASH FLOWS

Net cash flow in each of the years ended December 31, 2023 and 2022 was essentially flat. Cash used for operating activities in 2023 was EUR 23,8 million compared to 2022 of EUR 23,0 million. Net cash inflow from financing activities in 2023 was EUR 24,0 million compared to 2022 of EUR 23,5 million.

FUNDRAISING

In January 2023 the Company successfully raised a total of EUR 12,0 million gross through the issuance of 3,692,308 ordinary shares to investors. In June 2023, Faron conducted a placement of 2,601,510 newly issued treasury shares to raise EUR 6.6 million gross. In October 2023, the Company successfully raised EUR 7,1 million gross through the issuance of 2,491,998 ordinary shares to investors. Post period, In March 2024, the Company successfully raised a total of EUR 3,2 million in subordinated convertible loan arrangements with certain existing shareholders.

FINANCIAL POSITION

As of 31 December 2023, total cash and cash equivalents held were EUR 6,9 million compared to 2022 of EUR 7,0 million.

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. 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 EUR30,9 million and recorded EUR 23,8 million cash outflow from operating activities during the year ended 31 December 2023. At the end of the financial year, it had total negative equity of EUR15,2 million including an accumulated deficit of EUR 172,2 million. As of that date, the group had cash and cash equivalents of EUR6,9 million.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Director's estimate that the cash held by the Group, together with known receivables will be sufficient to support the current level of activities into the second quarter of 2024. The Group also maintains loan agreements which include financial covenants related to minimum cash balance and thus loan amounts (EUR 9,4 million on December 31, 2023) become due if the Group is not able to maintain minimum cash balances or negotiate a waiver with the lender. The directors are continuing to explore sources of finance available to the Group and they believe that they have a reasonable expectation that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from December 31, 2023; they have therefore prepared the financial statements on a going concern basis.

During the financial period ended 31, December 2023, the Group raised EUR 25.7 million in three successful fundraising rounds. . Subsequently, in March 2024, the Group received EUR 3,2 million Capital Loan to secure immediate short-term financing needs until the end of March 2024. The Capital Loan shall be governed by the provisions of Chapter 12 of the Finnish Companies Act (624/2006, as amended) (the "Finnish Companies Act") concerning capital loans (in Finnish: pääomalaina).

The Loans shall be converted to new shares in the Company as a part of (and at the subscription price of) the next investment round where shares or other equity securities are issued by the Company to existing shareholders and/or new third- party investors, with a minimum size of EUR 8.0 million ("Investment Round").

In the event that the subscription price in such Investment Round exceeds EUR 1.50 per share, an Investor shall have the right to postpone the conversion of the Loan until June 10, 2024 ("Due Date"). In the event that there is no Investment Round by the Due Date (or the subscription price of the Investment Round exceeds EUR 1.50 per share and the respective Investor has decided to postpone the conversion of the Loan) and the Loan has not been otherwise repaid prior to the Due Date (subject to a subordination agreement to be entered into between the Investors, the Company and IPF), then the Loan shall be at the request of the Investor

converted into new shares in the Company in connection with the Due Date. In such case, the subscription price per share shall be EUR 1.50 per share. However, if then the Investor elects not to exercise its conversion right on the Due Date, (such option being only available if there has not been any Investment Round), the Due Date of the Loan will automatically be extended until December 31, 2024 ("Final Due Date"). On such Final Due Date, the Loan shall be either repaid in full in cash, subject to the terms of the subordination agreement, or converted into new shares in the Company with the subscription price of EUR 1.50 per share, subject to a valid share issue authorization being in place.

In case the Loan is converted before the Due Date, each Investor is entitled to an arrangement fee of 15% of its respective Loan amount. If conversion has not taken place prior to the Due Date, the arrangement fee will be 30% of the Investor's respective Loan amount. No interest shall be payable on the Loan if a conversion takes place before May 30, 2024, and thereafter the interest will be 12% + 3-months Euribor and paid subject to the subordination agreement.

The Group is actively pursuing the following activities during 2024:

- Securing approximately EUR5,0 million of short-term bridge financing to extend the Group's cash runway until longer-term financing can be obtained.
- Securing longer-term funding of approximately EUR 35.0 million in total. The Directors intend to propose to the Annual General Meeting on 5 April 2024 an authorization for a larger share issuance contemplated to be launched as a public offering (with planned allocation preferences to existing shareholders and bridge finance lenders, including the Investors to enable the conversion of the Capital Loan and in compliance with the relevant securities markets regulation) as soon as practicable once the required preparations and approvals are in place. The targeted size of the contemplated share issue is planned to be set accordingly, to meet cash runway needs for 2024.
- Evaluating and negotiating several business development alternatives that may result in non-dilutive funding.
- Evaluating new sources of financing from third parties on acceptable terms. With respect to the availability of additional funding from IPF, the respective term allowing the Group to draw on Tranche B and Tranche C has expired and the availability of Funds from IPF would be subject to further negotiations. The Group does not anticipate, at this time, having the ability to draw on Tranche B or Tranche C under favorable terms, in the near future.
- 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 the Group's ability to continue as a going concern. Should the Group 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.

HEADCOUNT

Faron's headcount at the end of year was 34 (2022: 40).

SHARES AND SHARE CAPITAL

During the period January 1 to December 31, 2023, the Company, using the share authorities granted at the Extraordinary General Meeting held on July 7, 2022, issued a total of 3,692,308 new ordinary shares at an issuance price of EUR 3.25 per share to investors. During the same period, the Company, using the share authorities granted at the Annual General Meeting held on March 24, 2023, issued a total of 2,601,510 shares at an issuance price of EUR 2.55 per share to investors. During the same period, the Company, using the share authorities granted at the Annual General Meeting held on March 24, 2023, issued a total of 2,491,998 new ordinary shares at an issuance price of EUR 2.85 to investors. The subscription price net of costs was credited in full to the Company's reserve for invested unrestricted equity, and the share capital of the Company was not increased. The Company has no shares in treasury; therefore, at the end of 2023 the total number of voting rights was 68,786,699.

Consolidated Income Statement, IFRS

EUR '000	**Unaudited 7-12/2023 6 months**	**Unaudited 7-12/2022 6 months**	**1-12/2023 12 months**	**1-12/2022 12 months**
Other operating income	0	318	0	803
Research and development expenses	(11,024)	(10,683)	(19,542)	(20,730)
General and administrative expenses	(4,732)	(3,697)	(9,026)	(7,498)
Operating loss	**(15,756)**	**(14,062)**	**(28,568)**	**(27,426)**
Financial income	233	(596)	233	96
Financial expense	(1,691)	(970)	(2,609)	(1,400)
Loss before tax	**(17,214)**	**(15,628)**	**(30,944)**	**(28,730)**
Tax expense	0	19	0	0
Loss for the period	**(17,214)**	**(15,609)**	**(30,944)**	**(28,730)**
Other comprehensive gain/loss	2	6	2	17
Total comprehensive loss for the period	**(17,212)**	**(15,603)**	**(30,942)**	**(28,713)**
Loss per ordinary share				
Basic and diluted loss per share, EUR	(0.26)	(0.27)	(0.48)	(0.52)

Consolidated Balance Sheet, IFRS

EUR '000	**31 December 2023**	**31 December 2022**
Assets		
Non-current assets		
Machinery and equipment	6	13
Right-of-use-assets	198	314
Intangible assets	1,088	1,154
Prepayments and other receivables	60	60
Total non-current assets	**1,352**	**1,541**
Current assets		
Prepayments and other receivables	1,992	2,740
Cash and cash equivalents	6,875	6,990
Total current assets	**8,868**	**9,730**
Total assets	**10,220**	**11,271**
Equity and liabilities		

Capital and reserves attributable to the equity holders of Faron		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	154,352	129,544
Accumulated deficit	(172,208)	(143,713)
Translation difference	4	2
Total equity	**(15,160)**	**(11,476)**
Provisions		
Other provisions	0	158
Total provisions	**0**	**158**
Non-current liabilities		
Borrowings	9,423	11,102
Lease liabilities	50	163
Other liabilities	895	853
Total non-current liabilities	**10,369**	**12,118**
Current liabilities		
Borrowings	3,475	1,851
Lease liabilities	163	153
Trade payables	8,971	6,014
Accruals and other current liabilities	2,403	2,453
Total current liabilities	**15,012**	**10,471**
Total liabilities	**25,380**	**22,748**
Total equity and liabilities	**10,220**	**11,271**

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 2021	2,691	116,507	(15)	(116,265)	2,919
Comprehensive loss for the year 2022	0	0	17	(28,730)	(28,713)
Transactions with equity holders of					

the Company					
Issue of ordinary shares, net of transaction costs	0	13,037	0	0	13,037
Share-based compensation	0	0	0	1,297	1,297
Other movements	0	0	0	(16)	(16)
	0	13,037	17	(27,448)	(14,395)
Balance as at 31 December 2022	2,691	129,544	2	(143,713)	(11,476)
Comprehensive loss for the year 2023	0	0	2	(30,944)	(30,942)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	0	24,808	0	0	24,808
Share-based compensation	0	0	0	2,450	2,450
	0	24,808	2	(28,494)	(3,684)
Balance as at 31 December 2023	2,691	154,352	4	(172,208)	(15,160)

Consolidated Cash Flow Statement, IFRS

	Unaudited	**Unaudited**	**1-12.2023**	**1-12.2022**
EUR '000	**7-12.2023**	**7-12.2022**	**12 months**	**12 months**
	6 months	**6 months**		
Cash flow from operating activities				
Loss before tax	(17,214)	(15,628)	(30,944)	(28,730)
Adjustments for:				
Received grant	(33)	(388)	(33)	(803)
Depreciation and amortization	172	149	346	300
Change in provision	0	(158)	(158)	(158)
Financial items	1,458	787	2,376	1,304
Tax expense	0	19	0	0
Share-based compensation	1,964	632	2,450	1,297

Adjusted loss from operations before changes in working capital	(13,653)	(14,587)	(25,963)	(26,790)
Change in net working capital:				
Prepayments and other receivables	(728)	2,045	300	2,864
Trade payables	3,002	(657)	2,994	719
Other liabilities	223	2,197	(50)	1,183
Cash used in operations	(11,156)	(11,001)	(22,719)	(22,023)
Transaction costs related to loans and borrowings	0	0	0	(165)
Interest received	243	11	243	11
Interest paid	(548)	(708)	(1,330)	(816)
Net cash used in operating activities	**(11,461)**	**(11,698)**	**(23,806)**	**(22,993)**
Cash flow from investing activities				
Payments for intangible assets	(56)	(218)	(123)	(385)
Payments for equipment	0	0	0	0
Net cash used in investing activities	**(56)**	**(218)**	**(123)**	**(385)**
Cash flow from financing activities				
Proceeds from issue of shares	13,954	8,923	26,031	13,445
Share issue transaction cost	(542)	(174)	(1,190)	(365)
Proceeds from borrowings	0	(0)	64	10,389
Repayment of borrowings	(861)	0	(861)	(105)
Transaction and structuring fees of borrowings	(400)	0	(400)	0
Proceed from grants	99	231	481	231
Payment of lease liabilities	(58)	(20)	(142)	(116)
Net cash from financing activities	**12,192**	**8,959**	**23,983**	**23,478**
Net increase (+) / decrease (-) in cash and cash equivalents	**560**	**(2,946)**	**(114)**	**137**
Effect of exchange rate changes on cash and cash equivalents	(116)	11	(168)	37
Cash and cash equivalents at 1 January / 1 July	6,315	9,936	6,315	6,853
Cash and cash equivalents at 31 December	**6,876**	**6,990**	**6,876**	**6,6990**