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

Faron Reports Half-Year Financial Results, January 1 – June 30, 2023

Company Announcement, August 29, 2023

Summary Highlights (including post-period events)

- The US Food and Drug Administration (FDA) granted *bexmarilimab* Orphan Drug Designation (ODD) for the treatment of acute myeloid leukemia (AML).
- The latest data from the Phase I/II BEXMAB study reinforces *bexmarilimab's* potential to improve the therapeutic benefit for patients with aggressive hematological malignancies who do not respond to the current standard of care (SoC).
- Compelling data with objective responses were observed in three of five patients in the 6 mg/kg *bexmarilimab* + azacitidine doublet cohort.
- Eight of fifteen objective responses were observed across all three doublet dosing cohorts, with one patient still on treatment after 13 months.
- Continued efficacy signals with the prolonged duration of responses thus far support advancement to Phase II in Q4 2023 in relapsed/refractory AML and myelodysplastic syndromes (MDS) patients failing hypomethylating agents (HMAs).
- New biomarker data presented at the EHA2023 Congress indicates that *bexmarilimab's* mode of action in AML/MDS is supported by durable Clever-1 target engagement in the bone marrow. This mechanism results in notable increases in T and NK cells, along with enhanced antigen presentation.
- The Phase II BEXCOMBO protocol has been approved by the FDA.
- The Board was strengthened with the addition of Tuomo Pätsi, and the Leadership team was enhanced with the appointment of James O'Brien, CPA, MBA, as Chief Financial Officer.
- Mr. Leopoldo Zambeletti stepped down from the Board to assume a business development consulting role at Faron.
- Cash position was strengthened through two private placements directed to institutional and other investors, successfully raising EUR 18.6 million.
- Virtual briefing and Q&A to be held today at 08:00 am (EDT) / 13:00 pm (BST) / 15:00 pm (EEST).

TURKU, FINLAND / BOSTON, MA - Faron Pharmaceuticals Ltd. (AIM: FARN, First North: FARON), a clinical-stage biopharmaceutical company focused on tackling cancers via novel immunotherapies, today announces unaudited half-year financial results for January 1 to June 30, 2023 (the "period").

"I am extremely proud of the progress we made in the first half of 2023," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "We continued to execute on advancing our clinical Phase I/II BEXMAB study of *bexmarilimab*, our wholly-owned immunotherapy asset, in hematological malignancies. To date, we achieved strong objective responses across all three cohorts in relapsed/refractory to SoC patients, including objective responses in three of five patients receiving the high dose. Based on this compelling data, we are advancing into the Phase II portion of the study and actively preparing for regulatory submission in the first half of 2025. The recent FDA Orphan Drug Designation for *bexmarilimab* in AML further reaffirms our program by offering important clinical development and commercialization benefits. We also strengthened our cash position and welcomed a former Board member as a transactional advisor. I am excited for what the future holds."

Pipeline Highlights

Bexmarilimab *– Faron's wholly-owned, novel precision cancer immunotherapy candidate, in Phase I/II development for relapsed/refractory AML and MDS.*

- The FDA has granted ODD for *bexmarilimab* for the treatment of AML.
- Updated data from the Phase I/II BEXMAB study showed objective responses (OR) with complete remission of blasts in the bone marrow (mCR) in three of five patients in the 6 mg/kg *bexmarilimab* + azacitidine cohort. In addition, one of the three patients achieved complete recovery of blood counts i.e., complete remission (CR).
- Eight of fifteen ORs were observed across all three doublet dosing cohorts.
- Four of the eight patients across the three doublet dosing cohorts (1, 3, and 6 mg/kg) had failed prior SoC hypomethylating agents (HMAs).

- All three patients with MDS and prior HMA failure demonstrated ORs (partial response (PR), mCR, and CR) across the dosing cohorts.
- Four patients out of six in the triplet dosing cohort treated with azacitidine, venetoclax, and *bexmarilimab* have shown objective responses.
- The updated BEXMAB data supports advancement to Phase II in Q4 2023 in SoC relapsed/refractory AML and MDS patients failing hypomethylating agents (HMA).
- Biomarker data presented at the European Hematology Association 2023 Hybrid Congress showed *bexmarilimab's* mode of action in AML/MDS is supported with durable Clever-1 target engagement in the bone marrow, with increases observed in T and NK cells, and antigen presentation.
- 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 via medRxiv. The findings from MATINS, which have established strong foundations for Faron's ongoing development program, indicate that *bexmarilimab* monotherapy facilitates macrophage conversion, and induces changes in the tumor microenvironment resulting in disease control and prolonged survival in late-stage cancer. Furthermore, targeting Clever-1 with *bexmarilimab* is well-tolerated. A positive Phase I/II meeting with the FDA supported *bexmarilimab's* development in solid tumors.
- 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 the investigation will be in head and neck cancer, followed by bladder and non-small cell lung cancers. Patient cohorts will comprise between 15 and 40 subjects, with the opportunity for subgroup enrichment.

Corporate Highlights

- The cash position has been strengthened through two private placements directed to institutional and other investors to raise EUR 18.6 million in January 2023 (EUR 12.0 million) and in June 2023 (EUR 6.6 million), which settled in early July 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. His appointment highlights Faron's progression towards becoming a global biopharmaceutical company.
- Mr. Tuomo Pätsi joined the Board as a Non-Executive Director of the Company. Dr. Gregory B. Brown stepped down from his position as a Non-Executive Director. Mr. Pätsi was the President of the EMEA region and Worldwide Markets for Celgene Corporation, a global pharmaceutical company and currently wholly owned subsidiary of Bristol Myers Squibb, engaged primarily in the discovery, development, and commercialization of therapies for the treatment of cancer. He is an experienced biotech and pharmaceutical executive who was until recently the Executive Vice President for Seagen Inc., a US-based, cancer-focused biotechnology company.
- Mr. Leopoldo Zambeletti, who joined Faron's Board as a Non-Executive Director in September 2015, stepped down 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.

Half-Year Financial Results

- Cash balances of EUR 6.3 million on June 30, 2023 (2022: EUR 9.9 million). The Company raised EUR 6.6 million at the end of June which had not been settled until July 2023. The Company entered the third quarter with EUR 12.8 million and has funds sufficient to support operations into Q4 2023.
- Operating loss of EUR 12.8 million for the six months ended June 30, 2023 (2022: EUR 13.4 million).
- Net assets of EUR -9.5 million on June 30, 2023 (2022: EUR -5.2 million).
- The cash position has been strengthened by two private placements directed to institutional and other investors to raise EUR 18.6 million.
- On June 30, 2023, the Company had outstanding borrowings of EUR 9.8 million under a loan facility with IPF Partners which is subject to financial covenants. The Company is required to satisfy these agreed covenants including the requirement to maintain a minimum cash balance of EUR 6.0 million while maintaining three months cash runway. On June 30, 2023, and August 28, 2023, the Company was in compliance with all covenants while holding cash balances of EUR 6.3 million and EUR 9.1 million, respectively. The cash held by the Group together with known receivables will be sufficient to support the current level of activities until the year end of 2023.

Consolidated key figures, IFRS

EUR'000	Unaudited 1-6/2023 6 months	Unaudited 1-6/2022 6 months	Audited 1-12/2022 12 months
Revenue	0	0	0
Other operating income	0	485	803
Research and Development expenses	(8 518)	(10 047)	(20 730)
General and Administrative expenses	(4 294)	(3 801)	(7 498)
Loss for the period	(13 730)	(13 121)	(28 730)

	Unaudited 1-6/2023 6 months	Unaudited 1-6/2022 6 months	Audited 1-12/2022 12 months
Loss per share, EUR	(0.22)	(0.25)	(0.52)
Number of shares at end of period	66 161 373	56 575 453*	59 805 383
Average number of shares	62 985 028	53 235 643	55 229 835

EUR'000	Unaudited 30 Jun 2023	Unaudited 30 Jun 2022	Audited 31 Dec 2022
Cash and cash equivalents	6 315	9 936	6 990
Equity	(9 483)	(5 194)	(11 476)
Balance sheet total	12 836	16 729	11 271

** of which 1,311,800 were held in treasury*

August 29, 2023
Faron Pharmaceuticals
Board of Directors

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 ("MAR").

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, August 29, 2023, at 8:00 am (EST) / 1:00 pm (BST) / 3:00 pm (EEST) on the day of results.

Webcast registration link: https://faron.videosync.fi/h1-2023

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.

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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 a first-in-human, 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 i*n combination with SoC (azacitidine) treatment and to identify the recommended Phase II dose. 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 BEXCOMBO

The Phase BEXCOMBO study will be aimed at testing *bexmarilimab* with PD-1 blockade. The study's purpose is to improve standard-of-care PD-1 response rates. The indications targeted are head and neck cancer as the first cohort to gain proof-of-concept data, followed by bladder cancer and non-small cell lung cancer. Patient cohorts will number between 15 and 40 subjects, with allowed enrichment of subgroups. We see development in this space as key to addressing an unmet medical need, as clinical data show that up to 80% of cancer patients do not respond to single agent PD-1 blockade. Planning continues for trial initiation.

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 targeting 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.

Chairman and Chief Executive Officer's Review

Introduction

The first half of 2023 has been a period of significant progress for Faron. Most notably, we continued to accelerate our ambitious *bexmarilimab* development program. The most recent data from the Phase I/II BEXMAB study in relapsed/refractory myeloid leukemia (AML) and myelodysplastic syndromes (MDS) patients builds upon earlier positive data. These findings set a clear trajectory for further *bexmarilimab* clinical and regulatory development, bringing the promise of treatment to patients who do not respond to currently approved standard-of-care treatments.

Bexmarilimab

Driving the clinical development of *bexmarilimab* continues to be Faron's top priority. Since we recruited the first patient in our Phase I/II BEXMAB study in June 2022, we have continued to see positive data that indicates truly life-changing therapeutic potential for acute myeloid leukemia (AML) and myelodysplastic syndromes (MDS) patients refractory to standard of care (SoC).

Most recently, we reported compelling data of objective responses in three of five patients in the 6 mg/kg *bexmarilimab* + azacitidine doublet cohort, and eight of 15 objective responses observed in all three doublet dosing cohorts with patient still on treatment after 13 months. We intend to have additional Phase I data in Q4 2023. Yet even now, the updated data supports the advancement to the Phase II portion in the Q4 2023 focusing on SoC relapsed/refractory acute AML and MDS patients failing hypomethylating agents (HMA). Furthermore, we announced plans to file the Company's first Biologics License Application (BLA) to the FDA in H1 2025.

This opportunity is so exciting because we know that certain blood cancer cells carry significant amounts of cell surface Clever-1, which may limit the body's ability to mount an immune response. In fact, research has shown a clear survival benefit among certain blood cancer patients with low Clever-1 expression. By adding *bexmarilimab* to standard of care we expect to downregulate Clever-1 expression, thereby increasing antigen presentation and allowing the immune system to better identify and kill cancer cells. This could result in a deeper and more durable clinical benefit compared to what most patients experience with currently approved treatments.

The FDA has recognized the importance of addressing the unmet needs of this population and granted bexmarilimab ODD for the treatment of AML. AML is the most common leukemia among the adult population and accounts for about 80% of all cases.

As *bexmarilimab* advances and Faron expands into a global pharmaceutical company, we hired James O'Brien, CPA, MBA, as Chief Financial Officer (CFO). Mr. O'Brien is an accomplished biotech and financial executive with extensive experience in the US capital markets. Most recently, Mr. O'Brien served as the CFO of Cognition Therapeutics, Inc. (NASDAQ: CGTX), a clinical-stage biopharmaceutical company which successfully completed an IPO in October 2021, raising USD 52 million. He previously served as Executive Vice President of Finance with Enzo Biochem, Inc. (NYSE: ENZ). Earlier in his career, he held positions with increasing responsibilities at pharmaceutical companies including Actavis PLC (now AbbVie, Inc. (NYSE: ABBV)), the US subsidiary of Swiss company Nycomed, which has since been acquired by Takeda Pharmaceuticals, and Bristol Myers Squibb.

In terms of other plans for *bexmarilimab*, we anticipate initiation of the Phase II BEXCOMBO trial evaluating *bexmarilimab* with PD-1 blockade. The trial is aimed at improving standard-of-care PD-1 response rates. Head and neck cancer would be the first cohort indication to gain proof-of-concept data, followed by bladder cancer and non-small cell lung cancer. Patient cohorts will number between 15 and 40 subjects, with allowed enrichment of subgroups. We see development in this space as key to addressing an unmet medical need, as clinical data show that up to 80% of cancer patients do not respond to single agent PD-1 blockade and evolving data suggest that promoting pro-inflammatory cytokines, such as IFN-gamma (ɣ), is necessary for effective responses to these agents. Because *bexmarilimab* induces IFN-ɣ upregulation, which is required for immune modulation in the tumor microenvironment, BEXCOMBO offers the potential to expand the population of PD-1 responders and provide meaningful benefit to more patients.

Financial review Faron entered 2023 having completed a EUR 12.0 million equity financing in January 2023. In June, we completed our second equity financing, bringing the year-to-date total to EUR 18.6 million. The capital raised through the private placements is instrumental in advancing our *bexmarilimab* research and development program, accelerating the progress of our pipeline, and bringing us closer to delivering life-changing therapies to tackle aggressive hematological malignancies. Faron's shareholders continue to be extremely supportive of our clinical development programs and achieving our objectives.

Faron's recent financial performance has been marked by a strategic emphasis on capital efficiency, a key element of extending our cash runway, while having the strength and ability to advance our clinical development programs. This capital efficiency has allowed us to achieve more with our available resources, fostering a culture of innovation while maintaining a prudent financial approach. By allocating resources thoughtfully and embracing a culture of continuous improvement, we are dedicated to maximizing the impact of our efforts and achieving our mission. The balance between achieving clinical milestones and responsible fiscal management underscores our dedication to creating a sustainable, long-term value for all stakeholders.

During the period, nearly 70% of all spending was directly supportive of our *bexmarilimab* clinical development program. Faron maintained General and Administrative expenses at 2022 levels excluding one-time items and financing expenses.

Statement of comprehensive income
The operating loss for the six months ended June 30, 2023, was EUR 12.8 million (six months ended 30 June 2022: loss of EUR 13.4 million). No revenue was generated during the period or prior period. Research and development expenses decreased by EUR 1.5 million to EUR 8.5 million (2022: EUR 10.0 million). General and administrative expenses increased by EUR 0.5 million to EUR 4.3 million (2022: EUR 3.8 million).

The loss for the period was EUR 13.7 million (2022: loss of EUR 13.1 million) and the basic and diluted loss per share was EUR 0.22 (2022: loss per share of EUR 0.25).

Statement of financial position and cash flows
As of June 30, 2023, net assets amounted to EUR -9.5 million (June 30, 2022: EUR -5.2 million). The net cash flow for the first six months in 2023 was EUR -0.7 million (2022: EUR 3.1 million). As of June 30, 2023, total cash and cash equivalents held were EUR 6.3 million (2022: EUR 9.9 million).

Corporate
Faron's Annual General Meeting (AGM) was held on March 24, 2023. The AGM adopted the financial statements of the Company and re-elected audit firm PricewaterhouseCoopers Oy ("PwC") as the Company's auditor. Additionally, the number of members of the Board was confirmed as seven. Frank Armstrong, John Poulos, Leopoldo Zambeletti, Markku Jalkanen, Anne Whitaker and Erik Ostrowski were re-elected to the Board and Tuomo Pätsi was elected as a new member to the Board for a term that ends at the end of the next AGM. In June 2023 Leopoldo Zambeletti stepped down from his position in Faron's Board due to his appointment as the Company's business development consultant.

Summary & outlook

Our focus for the remainder of 2023 continues to be the acceleration of bexmarilimab's clinical development. Faron plans to seek FDA advice during Q3 2023 on bexmarilimab's progress. The completion of dose escalation, readout of enrichment cohorts, and initiation of phase II BEXMAB part are expected in Q4 2023. We are committed to changing the treatment paradigm for those with limited treatment options.

On behalf of the Board, we would like to thank our shareholders, existing and new, for their support of Faron. We would also like to thank our employees for their continued commitment to our mission and the patients we serve. We look forward to updating the market on our progress throughout the course of the year.

Dr Markku Jalkanen
Chief Executive Officer

Dr Frank Armstrong
Chairman

Consolidated Income Statement, IFRS

EUR'000	**Unaudited 1-6/2023 6 months**	**Unaudited 1-6/2022 6 months**	**Audited 1-12/2022 12 months**
Revenue	0	0	0
Other operating income	0	485	803
Research and development expenses	(8 518)	(10 047)	(20 730)
General and administrative expenses	(4 294)	(3 801)	(7 498)
Operating loss	**(12 812)**	**(13 364)**	**(27 426)**
Financial income	0	692	96
Financial expense	(918)	(430)	(1 400)
Loss before tax	**(13 730)**	**(13 102)**	**(28 730)**
Tax expense	0	(19)	0
Loss for the period	**(13 730)**	**(13 121)**	**(28 730)**
Translation difference	0	11	17
Comprehensive loss for the period attributable to the equity holders of the Parent company	**(13 730)**	**(13 110)**	**(28 713)**
Loss per ordinary share			
Basic and diluted loss per share, EUR	*(0.22)*	*(0.25)*	*(0.52)*

Consolidated Balance Sheet, IFRS

EUR'000	Unaudited 30 Jun 2023	Unaudited 30 Jun 2022	Audited 31 Dec 2022
Assets			
Non-current assets			
Machinery and equipment	10	17	13
Right-of-use-assets	272	98	314
Intangible assets	1 127	1 011	1 154
Prepayments and other receivables	60	53	60
Total non-current assets	**1 469**	**1 179**	**1 541**
Current assets			
Prepayments and other receivables	5 052	5 614	2 740
Cash and cash equivalents	6 315	9 936	6 990
Total current assets	**11 367**	**15 550**	**9 730**
Total assets	**12 836**	**16 729**	**11 271**

EUR'000	Unaudited 30 Jun 2023	Unaudited 30 Jun 2022	Audited 31 Dec 2022
Capital and reserves attributable to the equity holders of the Parent company			
Share capital	2 691	2 691	2 691
Reserve for invested unrestricted equity	144 778	120 839	129 544
Accumulated deficit	(156 955)	(128 726)	(143 713)
Translation difference	2	2	2
Total equity	**(9 483)**	**(5 194)**	**(11 476)**
Provisions			
Other provisions	0	0	158
Total provisions	**0**	**0**	**158**
Non-current liabilities			
Borrowings	10 892	12 250	11 102
Lease liabilities	163	0	163
Other liabilities	702	539	853
Total non-current liabilities	**11 757**	**12 789**	**12 118**
Current liabilities			
Borrowings	2 304	0	1 851
Lease liabilities	119	106	153
Trade payables	6 002	7 791	6 014
Accruals and other current liabilities	2 137	1 238	2 453
Total current liabilities	**10 562**	**9 135**	**10 471**
Total liabilities	**22 319**	**21 924**	**22 748**
Total equity and liabilities	**12 836**	**16 729**	**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 (Audited)	**2 691**	**116 507**	**-15**	**-116 265**	**2 919**
Comprehensive loss for the last six months 2022	0	0	11	-13 121	-13 110
Transactions with equity holders of the Parent company					
Issue of ordinary shares	0	4 332	0	0	4 332
Share-based compensation	0	0	0	665	665
	0	**4 332**	**0**	**665**	**4 997**
Balance as at 30 June 2022 (Unaudited)	**2 691**	**120 839**	**2**	**-128 726**	**-5 194**
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 (Audited)	**2 691**	**129 544**	**2**	**(143 713)**	**(11 476)**
Comprehensive loss for the last six months 2023	0	0	0	(13 730)	(13 730)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	0	15 233	0	0	15 233
Share-based compensation	0	0	0	489	489
	0	15 233	0	(13 241)	1 992
Balance as at 30 June 2023 (Unaudited)	**2 691**	**144 778**	**2**	**(156 955)**	**(9 483)**

Consolidated Cash Flow Statement, IFRS

€'000	Unaudited 1-6/2023 6 months	Unaudited 1-6/2022 6 months	Audited 1-12/2022 12 months
Cash flow from operating activities			
Loss before tax	(13 730)	(13 102)	(28 730)
Adjustments for:			
Received grants	0	(415)	(803)
Depreciation and amortization	174	151	300
Change in provision	(158)	0	(158)
Financial items	918	529	1 304
Tax expense	0	(19)	0
Share-based compensation	489	665	1 297
Adjusted loss from operations before changes in working capital	(12 308)	(12 191)	(26 790)
Change in net working capital:			
Prepayments and other receivables (increase -)	1 028	819	2 864
Trade payables (increase +)	(8)	1 211	719
Other liabilities (increase +)	(272)	(1 014)	1 183
Cash used in operations	(11 561)	(11 175)	(22 023)
Income taxes paid	0	0	0
Transaction costs related to loans and borrowings	0	0	(165)
Interest received	0	0	11
Interest paid	(782)	(108)	(816)
Net cash used in operating activities	**(12 343)**	**(11 283)**	**(22 993)**
Cash flow from investing activities			
Payments for intangible assets	(68)	(167)	(385)
Payments for tangible assets	0	0	(0)
Net cash used in investing activities	**(68)**	**(167)**	**(385)**
Cash flow from financing activities			
Proceeds on issue of shares	12 077	4 331	13 445
Share issue transaction cost	(648)	0	(365)
Proceeds from borrowings	64	10 389	10 389
Repayment of borrowings	0	(108)	(105)
Proceeds from grants	382	0	231
Payment of lease liabilities	(84)	(96)	(116)
Net cash from financing activities	**11 791**	**14 516**	**23 478**
Net increase (+) / decrease (-) in cash and cash equivalents	(675)	3 083	137
Effect of exchange rate changes	(55)	17	37
Cash and cash equivalents at 1 January	6 990	6 853	6 853
Cash and cash equivalents at the end of period	**6 315**	**9 936**	**6 990**

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 currently has a pipeline based on the endothelial receptors involved in regulation of immune response, in oncology and organ damage.

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.

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 a number of assumptions regarding the quantity and timing of future expenditure and income as well as other key factors. Though these estimates have been made with caution and care, they continue to contain a significant amount of uncertainty. The Group also has debt obligations which carry financial covenants that could adversely impact the Group's liquidity and operating flexibility. Based on the forecast the Group believes that it has adequate financial resources to continue its operations until the year end of 2023.

The Group has taken several actions to secure further financing during the rest of the year 2023. 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. At this stage the Group cannot disclose any of these options.

Because the additional finance is not committed at the date of issuance of this H1 2023 report, 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 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 covenants

At June 30, 2023, the Company had outstanding borrowings of EUR 9.8 million under a loan facility with IPF Partners which is subject to financial covenants. The Company is required to satisfy these agreed covenants including the requirement to maintain a minimum cash balance of EUR 6.0 million while maintaining three months cash runway. At June 30, 2023, and August 28, 2023, the Company is in compliance with all covenants while holding cash balances of EUR 6.3 million and EUR 9.1 million, respectively. The cash held by the Group together with known receivables will be sufficient to support the current level of activities until the year end of 2023.

3. Subsequent events

The settlement of the second private placement during the period announced on June 29, 2023, was completed early July 2023. In its meeting on August 28, 2023, the Board of Directors of the Company approved the publishing of this interim financial report.