Faron Pharmaceuticals Oy

Faron's Financial Statement Release January 1 to December 31, 2022

Financial statement release March 3, 2023 at 09:00 AM (EET) / 07:00 AM (GMT) / 03:00 AM (EDT)

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Oy ("Company", AIM: FARN, First North: FARON) together with its subsidiaries ("Faron"), a clinical stage biopharmaceutical group focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer and inflammation, today announced audited full-year financial results for January 1 to December 31, 2022 (the "period") and H2 2022 and provided an overview of recent corporate developments.

2022 Highlights

- Faron reported that for the Phase I/II BEXMAB study of *bexmarilimab,* in combination with standard of care (SoC), in aggressive hematological malignancies including acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS), that a partial responder achieved complete remission of blasts in blood and bone marrow followed by normalization of blood counts. A second patient showed reduced blast counts.
- *Bexmarilimab* has been evaluated as a single agent in the Phase I/II MATINS in more than 200 patients and found to be well-tolerated.
- In MATINS, median overall survival was 14.9 months for patients who achieved stabilization of disease from *bexmarilimab* compared to 4.4 months for those who did not, representing a 3.4-fold increase.
- *Bexmarilimab* ignites the immune system by inducing IFN-γ production. A high baseline level of IFN-γ in the tumor indicates that the immune system is already set to attack cancer cells and seems required for PD-1 blockade to work. Thus, adding *bexmarilimab* to PD-1 blockade is anticipated to enhance efficacy.
- The Company plans to initiate the Phase II BEXCOMBO study investigating *bexmarilimab* in metastatic or unresectable, recurrent HNSCC, locally advanced or metastatic UCC and metastatic NSCLC where first-line PD-1 blockade is approved SoC.
- The Company conducted two successful fundraising rounds in 2022. Combined, they raised EUR 13.4 million gross and both rounds included new and existing investors. The Company also obtained up to EUR 30.0 million debt funding from IPF Partners, drew EUR 10.0 million upon signing in February 2022, further tranches possible under certain conditions
- Virtual briefing and Q&A to be held today at 8:00 AM (EDT) / 12:00 PM (GMT) / 2:00 PM (EET)

Major Events After the 2022 Financial Year

- Post period in January 2023, Faron reported that three out of five patients achieved objective responses in the first doublet cohort of the Phase I/II BEXMAB study evaluating the combination of azacitidine and *bexmarilimab*. Two of the three responders were refractory

to standard of care (SoC) azacitidine monotherapy. The addition of *bexmarilimab* to standard of care was well-tolerated.
- Both the 1mg/kg and 3mg/kg doublet arms are fully enrolled, and the dose-escalation meeting is planned for Q1 2023.
- The Company successfully raised a total of EUR 12.0 million gross. This fundraising round was supported by long-only institutional investors, family offices, existing shareholders, and the Leukemia & Lymphoma Society® (LLS).
- Faron will support activities in preparation of a potential clinical trial with the Fred Hutchinson Cancer Center in Seattle, Washington, to investigate intravenous (IV) interferon beta in the prevention of cytokine release syndrome (CRS) and other CAR-T therapy side effects, such as neurotoxicity.

"I am extremely proud of the progress we made in 2022 for the *bexmarilimab* program and building our corporate infrastructure, both in the US and in Europe, to support the ambitious plans we have for 2023 and beyond," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "Last year we accelerated the development of *bexmarilimab* in hematological malignancies and reported exciting early data that lays a solid trajectory. We also demonstrated compelling antitumor activity in heavily pretreated patients across multiple solid tumor types, setting the stage for a combination with standard of care in first-line solid tumors. We accomplished all of this while also strengthening our balance sheet, adding highly experienced team members and expanding our global footprint with a growing presence in the US."

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 cancers.*

Hematological cancers

- **Faron reported objective responses for three out of five patients** enrolled in the first doublet cohort of the Phase I/II BEXMAB study investigating *bexmarilimab* and azacitidine in patients with hematological cancers. Notably, 2 of the 3 responders had been refractory to prior azicitidine therapy. No additional adverse events have been observed adding *bexmarilimab* to standard of care.
- **BEXMAB's 1mg/kg and 3mg/kg *bexmarilimab* doublet cohorts have fully enrolled.** Faron anticipates sites in the US to be opened during Q1 2023 to speed up recruitment even further.

Advanced solid tumors

- ***Bexmarilimab* has been evaluated as a single agent** in the Phase I/II MATINS in more than 250 patients and found to be well-tolerated.
- **Up to 36% of heavily pretreated patients achieved disease control** in certain indications.

- **Median overall survival was 14.9 months for patients who achieved stabilization of disease** from *bexmarilimab* compared to 4.4 months for those who did not, **representing a 3.4-fold increase.**
- ***Bexmarilimab* treatment in MATINS induced significant systemic interferon gamma (IFN-γ) increase,** again showing the therapy's capacity to activate immune response in cancer patients, especially in patients with immunologically "cold" tumors. As presented at ASCO2022 in Chicago, the higher baseline CLEVER-1 levels in the tumors were associated with clinical benefit and could become an essential component as a diagnostic tool for patient selection.
- **An FDA meeting will take place in Q1 2023 for feedback on the recommended dosing regimen** and study design for further development of single agent *bexmarilimab.*

Traumakine® - *Faron's investigational intravenous (IV) interferon beta-1a therapy, in development for the prevention of complications from cytokine release syndrome, and hyperinflammatory conditions.*

- **Faron has refocused its therapeutic strategy of Traumakine** and closed its Phase II/III HIBISCUS trial investigating Traumakine in the treatment of hospitalized COVID-19 patients compared to corticosteroid treatment with dexamethasone.
- **Data from the preclinical Salvage, Preservation, and Advanced Resuscitation through Endothelial Stabilization (SPARES) study** was presented at the Military Health System Research Symposium (MHSRS) held in Orlando, Florida. The results further highlight the promise of IV interferon beta-1a (IFN beta-1a) therapy as a potential therapeutic for emergency and trauma patients, especially when given early on.
- **The Company filed a patent to the US Patent Office and Trademark Office regarding a patient selection method** in terms of steroid treatment with an identified gene mutation in the interferon beta receptor. It received positive feedback in 2022.
- ***Scientific Reports* published data from INFORAAA study showing Traumakine induced up-regulation of CD73 was associated with 100% survival** in surgically operated ruptured abdominal aorta aneurysm (RAAA) patients. These patients are at high risk of ischemia-reperfusion injury, with expected mortality between 30-40%.
- **Another patent has been filed on sequencing interferon beta and steroid treatments**, so that steroids can be used once adequate levels of CD73 are reached using IV IFN beta-1a.

Haematokine® - *An investigative AOC3 (amine oxidase copper containing 3) protein inhibitor targeting Vascular Adhesion Protein-1 (VAP-1) for the use in regenerative medicine for the expansion of hematopoietic stem cells and to treat supressed bone marrow and the production of new blood cells.*

Corporate Highlights

- Balance sheet was strengthened by raising EUR 13.4 million gross through fundraising rounds. This included two private placements, which encompassed existing and new

investors, including The Leukemia & Lymphoma Society® (LLS). In February 2022, Faron also announced a debt funding agreement with IPF Partners for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future through additional tranches of EUR 5 million and EUR 15 million, subject to certain conditions being met. Post period in January 2023, Faron raised EUR 12.0 million gross from new and existing shareholders, including The Leukemia & Lymphoma Society® (LLS).

- **Marie-Louise Fjällskog, M.D., Ph.D., joined Faron's Global Management Team as Chief Medical Officer**, bringing with her over 30 years of experience in clinical oncology, translational research, and drug development. Dr. Fjällskog joined Faron from Sensei Biotherapeutics (NASDAQ: SNSE). As Chief Medical Officer at Sensei, she was responsible for leading clinical and development strategy and operations. Previously, she served as Vice President, Clinical Development at Merus (NASDAQ: MRUS) and Infinity Pharmaceuticals (NASDAQ: INFI) where she led development of multiple small molecule and immuno-oncology clinical programs. She was also formerly Global Clinical Program Leader at the Novartis Institute for Biomedical Research.
- **Maija Hollmén, Ph.D, joined Faron's Global Management Team as Chief Scientific Officer.** In her role, Dr. Hollmén oversees preclinical and support clinical development for Faron. Her priority will be the further development of *bexmarilimab*, Faron's wholly owned, novel precision cancer immunotherapy candidate. Dr. Hollmén is the world-leading expert on CLEVER-1 biology and CLEVER-1-expressing tumor-associated macrophages. She is an Adjunct Professor of Tumor Immunology on the Faculty of Medicine at the University of Turku in Finland, as well as a Principal Investigator.
- **Juho Jalkanen, M.D., Ph.D., joined Faron's Global Management Team as as Chief Operating Officer**. In his role, Dr. Jalkanen will lead business strategy and daily operations for Faron. This includes oversight of academic and industry partnerships, resource prioritization and allocation, chemistry, manufacturing and controls, supply chain and driving performance measures. Dr. Jalkanen joined Faron in 2018 as the Faron's Chief Development Officer. He also served as Faron's interim Chief Medical Officer in 2021 prior to the appointment of Dr. Marie-Louise Fjällskog.
- **Vesa Karvonen, LL.M. General Counsel and Juuso Vakkuri, MA, MSc, EMBA, Chief Human Resources Officer joined Faron's Global Management Team.**
- **Faron appointed Erik Ostrowski as a Non-Executive Director of the Company.** Mr. Ostrowski is an experienced biotech and financial executive who is currently the Chief Financial Officer of AVROBIO, Inc. (NASDAQ: AVRO).

Financial Highlights

- On December 31, 2022, Faron held cash balances of EUR 7.0 million (2021: EUR 6.9 million).
- Loss for the period for the financial year ended December 31, 2022 was EUR 28.7 million (2021: EUR 21.2 million).
- Net assets on December 31, 2022 were EUR -11.5 million (2021: EUR 2.9 million).
- In June 2022, the Company successfully raised a total of EUR 5.0 million gross (EUR 4.8 million net) from new and existing shareholders, through issuance of a total of 3,318,421 new ordinary shares to itself without consideration. 2,006,621 of those shares were conveyed to investors. In October 2022, the Company successfully raised a total of EUR 8.4 million gross (EUR 8.2 million net) from new and existing shareholders, through issuance of a

total of 3,229,930 new ordinary shares to itself. Those shares and the 1,311,800 existing treasury shares were conveyed to investors. Proceeds from both raises will be used to accelerate clinical development of Faron's main drug candidate, continue the CMC process and US build-up and to strengthen the Company's balance sheet.

- In February 2022, the Company secured a debt funding agreement with IPF Partners for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future though additional tranches of EUR 5 million and EUR 15 million, subject to certain conditions being met.
- Post period, 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 itself without consideration which were conveyed to investors.

Consolidated key figures, IFRS

EUR '000	**Unaudited 7-12/2022 6 months**	**Unaudited 7-12/2021 6 months**	**1-12/2022 12 months**	**1-12/2021 12 months**
Other operating income	318	4,927	803	6,137
Research and Development expenses	(10,683)	(8,361)	(20,730)	(17,369)
General and Administrative expenses	(3,697)	(7,250)	(7,498)	(9,876)
Loss for the period	(15,609)	(10,649)	(28,730)	(21,194)

	Unaudited 7-12/2022 6 months	**Unaudited 7-12/2021 6 months**	**1-12/2022 12 months**	**1-12/2021 12 months**
Loss per share EUR	(0.27)	(0.21)	(0.52)	(0.42)
Number of shares at end of period	59,805,383	53,232,032	59,805,383	53,232,032
Average number of shares	57,230,625	51,836,953	55,229,835	50,723,964

EUR '000	**Unaudited 30 June 2022**	**Unaudited 30 June 2021**	**31 December 2022**	**31 December 2021**
Cash and cash equivalents	9,936	6,967	6,990	6,853

Equity	(5,194)	2,813	(11,476)	2,919
Balance Sheet total	16,729	11,865	11,271	13,182

Board of Directors' Proposal on the Dividend

The Company's comprehensive loss for the period was EUR 28,924,250.82 (2021: EUR 21,270,235.71) . The Board of Directors proposes to the Annual General Meeting 2023 not to pay dividend.

March 2, 2023

Faron Pharmaceuticals Oy

Board of Directors

Webcast for investors, analysts and media

A live webcast and Q&A session for investors, analysts and media will be hosted by Dr. Markku Jalkanen, Chief Executive Officer of Faron, and Toni Hänninen, Chief Financial Officer of Faron, at 2:00 pm EET / 12:00 pm GMT / 8:00 am EDT today. The Full-year results release for 2022, presentation, webcast details, and Annual Report 2022 will be made available at www.faron.com/investors. A replay of the analyst briefing will be made available shortly afterwards.

Webcast link: https://faron.videosync.fi/2022-financial-statement

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Publication of financial information during year 2023

Faron's financial statements for full year 2022 will be published today, March 3, 2023 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, 2023 is scheduled to be published on August 29, 2023. The Annual General Meeting is planned for March 24, 2023. 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, investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid cell function. A novel anti-CLEVER-1 humanised antibody, *bexmarilimab* targets CLEVER-1 positive (Common Lymphatic Endothelial and Vascular Endothelial Receptor 1) tumor-associated macrophages (TAMs) in the tumor microenvironment, converting these highly immunosuppressive M2 macrophages to immune stimulating M1 macrophages. In mouse models, *bexmarilimab* has successfully blocked or silenced CLEVER-1, activating antigen presentation and promoting interferon gamma secretion by leukocytes. Additional preclinical studies have proven that CLEVER-1, encoded by the Stabilin-1 or STAB-1 gene, is a major source of T cell exhaustion and involved in cancer growth and spread. Observations from clinical studies to date indicate that CLEVER-1 has the capacity to control T cell activation directly, suggesting that the inactivation of CLEVER-1 as an immune suppressive molecule could be more broadly applicable and more important than previously thought. As an immuno-oncology therapy, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules.

About Faron

Faron Pharmaceuticals Oy (AIM: FARN, First North: FARON) together with its subsidiaries, is a clinical stage biopharmaceutical group focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer and inflammation. *Bexmarilimab,* a novel anti-CLEVER-1 humanized antibody, is its investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid function. Currently in Phase I/II clinical development as a potential therapy for patients with hematological cancers and untreatable solid tumors, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. In terms of other pipeline assets, Traumakine® is an investigational intravenous (IV) interferon beta-1a therapy for the treatment of hyperinflammatory conditions. Faron is headquartered in Turku, Finland. 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 Faron'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 Faron. Other factors which could cause actual results to differ materially include the ability of the Faron 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 Faron 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

The past year 2022 has been an incredible year of transformation for Faron, in terms of development of our key asset *bexmarilimab*, building up a new Global Management Team with five new C-level members and the initiation of a clinical/regulatory team for US-based activities. We are excited to go into 2023 with strong clinical data behind us and clear plans to move forward.

The year 2022 started with premium recruitment when Dr. Marie-Louise Fjällskog (M.D., PhD) came on board as Chief Medical Officer, bringing over 30 years of experience in clinical oncology, translational research, and drug development. She joined Dr. Juho Jalkanen (M.D., PhD), Chief Operating Officer, as well as our new General Counsel, Vesa Karvonen. We also welcomed Juuso Vakkuri as our Chief Human Resources Officer, and most recently, Dr. Maija Hollmén, PhD, as our Chief Scientific Officer. She will spearhead further inventions around *bexmarilimab,* Faron's wholly owned, novel precision cancer immunotherapy candidate.

Our first, large Phase I/II MATINS study has provided us a proper dosing regimen for *bexmarilimab* and demonstrated a good safety profile. Initial efficacy data on advanced solid tumors allows us to identify biomarkers predicting extended survival of these hard-to-treat cancer patients. Our teams have worked hard to build a solid data package for the FDA on the next steps forward. This feedback will significantly impact our activities in 2023.

Importantly, we have found *bexamarilimab* is effective for patients who are refractory to PD-1 blockade. These patients have silent immune reaction as observed in low interferon gamma (IFN-gamma) levels. This is opposite to PD-1 blockers that are usually are active in cancer patients with high IFN-gamma levels. This is understandable as their mode of action is based on activating the existing T-cells, not to generate new T-cell populations. Thus, the combination of PD-1 blockade with *bexmarilimab* provides a unique opportunity to stimulate immune ignition and effective T-cells.

Bexmarilimab is being evaluated for safety and efficacy in the Phase I/II BEXMAB clinical trial, in combination with standard of care (SoC), in aggressive hematological malignancies including acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS). This study is very exciting as now we have cancer cells which express the therapy target molecule CLEVER-1 on their surfaces. This means that wherever they travel in cancer patients, they carry this immunosuppressive element with them. In December, we reported in BEXMAB a partial responder achieving complete remission of blasts in blood and bone marrow followed by normalization of blood counts. A second patient showed reduced blast counts. This is particularly noteworthy considering the population targeted in BEXMAB, such as those having AML, have high mortality rates. Post period, we reported even more positive news: that three out of five patients achieved objective responses in the first doublet cohort of the Phase I/II BEXMAB study evaluating the combination of azacitidine and *bexmarilimab*. Two of the three responders were refractory to standard of care (SoC) azacitidine monotherapy.

We are thrilled with the progress and are pushing ahead in opening sites at US hematological centers.

We have also been successful in obtaining continued, long-term patent protection for *bexmarilimab*. During 2021 the United States Patent and Trademark Office and equivalent Japanese patent office approved protection, at least through 2037, for our humanized anti-CLEVER-1 antibody *(bexmarilimab)* sequence. During 2022 we obtained similarly patent coverage in Europe and other territories providing Faron excellent commercial opportunity in more than 90% of pharmaceutical markets. This fact has been recognised also by our partner candidates.

We have continued background work to advance both Traumakine® and Haematokine® programs to open clinical studies for both in 2023. We decided to close the HIBISCUS study using Traumakine due to lack of steroid-free patients. Our focus now is on opportunities where steroids cannot be used, and where ischemic conditions with vascular damage is the main reason for patient death. For the latter, we will continue to collaborate with the US Department of Defense (DoD). We also understand today the molecular basis of steroid interruption of IFN-beta signalling pathway and what role some genetic alterations may cause.

The third program in our pipeline, Haematokine, an investigational Vascular Adhesion Protein 1 (VAP-1) inhibitor, has preclinical studies continuing. We believe Haematokine could have broad applicability, not just in hematological malignancies, but across the field of regenerative medicine.

Our future looks bright, with the focus for 2023 to accelerate *bexmarilimab's* clinical development, especially in BEXMAB. We also aim to initiate the Phase II BEXCOMBO study investigating *bexmarilimab* in metastatic or unresectable, recurrent HNSCC, locally advanced or metastatic UCC and metastatic NSCLC where first-line PD-1 blockade is approved standard of care. This combination

regimen has the potential to change the future of cancer care. Future interactions with the FDA will guide our path forward.

I would like to thank our shareholders for their continued support of Faron and the management team. I would also like to express my profound gratitude to every Faron team member who come to work each day committed to disrupting the current treatment landscape and fundamentally improving patient outcomes.

Markku Jalkanen

Chief Executive Officer

March 2, 2023

Chairman Statement

During 2022, Faron has continued to focus on *bexmarilimab,* our novel, wholly owned novel precision cancer immunotherapy candidate, with exciting clinical data milestones anticipated for 2023. We have also grown the Company in the US and in Finland, bringing world-class expertise into Faron to advance *bexmarilimab*.

We have the ongoing Phase I/II MATINS clinical trial in pretreated, late-stage cancer, and as a result have delivered on our goals to understand monotherapy *bexmarilimab* efficacy and safety across multiple tumor types, as well as identify a dose and potential dosing regimens. We have also undertaken substantial work on biomarkers to develop enrichment strategies to identify patients who will best respond in future trials.

Faron has published data on *bexmarilimab* that consistently supports earlier positive results and continues to underscore that the mechanism of action demonstrates an effect on mortality in responders. The company will be presenting a data package to the US Food and Drug Administration in the first quarter of 2023.

Faron recognises the future of cancer treatment will be in combination therapies, and as such we have reported exciting data from the Phase I/II BEXMAB study in hematological malignancies. We also plan to initiate BEXCOMBO, a Phase II study of the combination therapy *bexmarilimab* plus PD-1 blockade in patients that have metastatic or unresectable, recurrent HNSCC, locally advanced or metastatic UCC and metastatic NSCLC where first-line PD-1 blockade is approved standard of care.

We continue to see *bexmarilimab* as the major value driver for Faron, and our goal is to deliver worldwide approvals to allow *bexmarilimab* to be used by cancer physicians to treat patients.

Despite Faron's focus on *bexmarilimab,* we have used partnerships to develop Traumakine®, Faron's investigational intravenous (IV) interferon (IFN) beta-1a therapy, to prevent multiorgan dysfunction.

We recognise the funding environment for European companies has been extremely challenging and despite that, we have continued to raise capital to finance Faron's activities. In 2022, we announced Faron had entered into a secured debt agreement with IPF Partners to advance and accelerate its pipeline programs. We had two equity financing rounds and are pleased we continue to have supportive shareholders in Finland and the rest of Scandinavia. In January 2023 we completed a further financing round of EUR 12 million to support the continued development of *bexmarilimab*. We are delighted that The Leukemia & Lymphoma Society participated in the previous round and in the January fundraise.

In terms of building the company, Dr. Juho Jalkanen was promoted to COO and we welcomed CMO Marie-Louise Fjällskog, based in Boston, as well as a Vesa Karvonen, our new general counsel based in Turku and Juuso Vakkuri as Chief Human Resources Officer. We have developed the US team in Boston, investing in clinical and regulatory personnel. Erik Ostrowski joined the Board of Directors. He brings substantial finance experience including as the CFO of a NASDAQ-listed company. We anticipate continuing to add employees in 2023.

I'd like to thank the staff of Faron, our partner organizations, study steering and advisory committee members investigators and patients that have participated in our clinical trials. I am indebted to CEO Dr. Markku Jalkanen, CFO Toni Hänninen, COO Juho Jalkanen, CMO Marie-Louise Fjällskog, General Counsel Vesa Karvonen and CHRO Juuso Vakkuri for their contributions to Faron in 2022. We look forward to great success in 2023.

Dr Frank Armstrong

Chairman

March 2, 2023

Financial Review

Despite continuing challenging market conditions, the Company was able to conduct two successful fundraising rounds in 2022. Combined, they raised EUR 13.4 million gross and both rounds included new and existing investors. In our fundraising round in June we were able to attract The Leukemia & Lymphoma Society® (LLS) to support our newest *bexmarilimab* trial, BEXMAB. Faron became part of LLS' Therapy Acceleration Program® (TAP). In our October fundraise we were further able to attract reputable Finnish pension funds.

Additionally, in February 2022, the Company secured a debt funding agreement with IPF Partners, one of the leading alternative financing providers focused on the healthcare sector, for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future, subject to certain conditions being met. This funding agreement strengthened our financial position and gives us the flexibility to access supplemental and inexpensive capital as we continue to accelerate the development of our pipeline assets.

As a result of these fundraising efforts, the net cash from financing activities of EUR 23.5 million exceeded the net cash used in operating activities of EU 23.0 million in 2022. We were able to accomplish this while also increasing R&D and reducing G&A expenditures, as per our plan, to focus on accelerating our pipeline.

Post period in January 2023, the Company successfully raised a total of EUR 12.0 million gross. This fundraising round was supported by long-only institutional investors, family offices, existing shareholders and the Leukemia & Lymphoma Society® (LLS).

Revenue and Other Operating Income

Faron's revenue was nil for the year ended December 31, 2022 (2021: EUR nil). Faron recorded other income of EUR 0.8 million that consisted of grants from the European Union and Business Finland.

Research and Development Costs

R&D costs increased by EUR 3.4 million from EUR 17.4 million in 2021 to EUR 20.7 million in 2022. In total, almost 90% of the R&D costs are directly attributable to advancing our clinical programs, and Faron expects this to continue as we accelerate patient recruitment. The costs of outsourced clinical trial services were increased by EUR 1.6 million from EUR 3.5 to EUR 5.1 million. The cost of employee benefits increased by EUR 1.9 million from EUR 3.3 to EUR 5.2 million, mainly driven by additional headcount in the US.

General and Administration Costs

Administrative expenses decreased by EUR 2.4 million from EUR 9.9 million in 2021 to EUR 7.5 million in 2022. The decrease was mainly due to the EUR 3.5 million decrease of legal expenses, that consisted in 2021 of the arbitration with Rentschler Biopharma SE, resulting in Faron's favor. Employee benefits increased by EUR 1.1 million from EUR 3.5 million to EUR 4.5 million due to additional headcount.

Taxation

The Company's tax credit for the fiscal year 2022 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, 2022 was EUR 47.1 million (2021: EUR 41.0 million). The Company estimates that it can utilize most of these during the years 2023 to 2033 by offsetting them against future profits.

In addition, the Company has EUR 91.8 million of R&D costs incurred in the financial years 2010 - 2022 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 was EUR 28.7 million (2021: EUR 21.2 million). Comprehensive loss for the year was EUR 28.7 million (2021: EUR 21.2 million), representing a loss of EUR 0.52 per share (2021: EUR 0.42 per share).

Cash Flows

Net cash flow was EUR 0.1 million positive for the year ended December 31, 2022 (2021: EUR 2.7 million positive). Cash used for operating activities increased by EUR 0.8 million to EUR 23.0 million for the year, compared to EUR 22.2 million for the year ended December 31, 2021. This increase was mostly driven by an increase in R&D investments. Net cash inflow from financing activities was EUR 23.5 million (2021: EUR 25.6 million) mainly due to the successful equity placings completed in June 2022 and October 2022 as well as the proceeds from borrowings of the loan with IPF Partners.

Fundraising

In June 2022, the Company successfully raised a total of EUR 5.0 million gross (EUR 4.8 million net) from new and existing shareholders, through issuance of a total of 3,318,421 new ordinary shares to itself without consideration. 2,006,621 of those shares were conveyed to investors. In October 2022, the Company successfully raised a total of EUR 8.4 million gross (EUR 8.2 million net) from new and existing shareholders, through issuance of a total of 3,229,930 new ordinary shares to itself. Those shares and the 1,311,800 existing treasury shares were conveyed to investors. Proceeds from both raises were used to accelerate clinical development of the Company's main drug candidate, continue the CMC process and US buildup and to strengthen the Company's balance sheet. In February 2022, the Company secured a debt funding agreement with IPF Partners for up to EUR 30 million. EUR 10 million was accessed upon signing of the agreement with an additional EUR 20 million available in the future, subject to certain conditions being met.

Post period, in January 2023, the Company successfully raised a total of EUR 12.0 million gross through and issuance of 3,692,308 ordinary shares to itself without consideration which were conveyed to investors.

Financial Position

As of December 31, 2022, total cash and cash equivalents held were EUR 7.0 million (2021: EUR 6.9 million).

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 a number of risks 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. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Faron's commercial and development activities and generating a level of revenue adequate to support Faron's cost structure.

Faron made a net loss of EUR 28.7 million during the year ended December 31, 2022. It had a negative equity of EUR 11.4 million including an accumulated deficit of EUR 143.7 million. As of that date, Faron had cash and cash equivalents of EUR 7.0 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 Directors estimate that the cash held by Faron together with known receivables will be sufficient to support the current level of activities into the third quarter of 2023. The Directors are continuing to explore sources of finance available to Faron and they believe they have a reasonable expectation that they will be able to

secure sufficient cash inflows for Faron to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis. Because the additional finance is not committed at the date of issuance of these financial statements, these circumstances represent a material uncertainty that may cast significant doubt on Faron's ability to continue as going concern. Should Faron be unable to obtain further 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.

Headcount

Faron's headcount at the end of year was 40 (2021: 37).

Shares and Share Capital

During the period January 1 to December 31, 2022, the Company, using the share authorities granted at the Annual General Meeting held on April 23, 2021, issued a total of 3,318,421 new ordinary shares to itself without consideration and conveyed 2,006,621 of those shares at an issuance price of EUR 2.49 per share to investors. During the same period, the Company, using the share authorities granted at the Extraordinary General Meeting held on July 7, 2022, issued a total of 3,229,932 new ordinary shares to itself without consideration. Those shares and the existing treasury shares were conveyed to investors at an issuance price of EUR 1.85 per share.

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 2022 the total number of voting rights was 59,805,383.

Toni Hänninen

Chief Financial Officer

March 2, 2023

Consolidated Income Statement, IFRS

EUR '000	**Unaudited 7-12/2022 6 months**	**Unaudited 7-12/2021 6 months**	**1-12/2022 12 months**	**1-12/2021 12 months**
Other operating income	318	4,927	803	6,137
Research and development expenses	(10,683)	(8,361)	(20,730)	(17,369)
General and administrative expenses	(3,697)	(7,250)	(7,498)	(9,876)
Operating loss	**(14,062)**	**(10,684)**	**(27,426)**	**(21,108)**
Financial income	(596)	103	96	165
Financial expense	(970)	(44)	(1,400)	(235)

Loss before tax	**(15,628)**	**(10,625)**	**(28,730)**	**(21,178)**
Tax expense	19	(9)	0	(16)
Loss for the period	**(15,609)**	**(10,634)**	**(28,730)**	**(21,194)**
Other comprehensive gain/loss	6	(15)	17	(15)
Total comprehensive loss for the period	**(15,603)**	**(10,649)**	**(28,713)**	**(21,209)**
Loss per ordinary share				
Basic and diluted loss per share, EUR	(0.27)	(0.21)	(0.52)	(0.42)

Consolidated Balance Sheet, IFRS

EUR '000	**31 December 2022**	**31 December 2021**
Assets		
Non-current assets		
Machinery and equipment	13	20
Right-of-use-assets	314	187
Intangible assets	1,154	899
Prepayments and other receivables	60	53
Total non-current assets	1,541	**1,159**
Current assets		
Prepayments and other receivables	2,740	5,170
Cash and cash equivalents	6,990	6,853
Total current assets	**9,730**	**12,023**
Total assets	**11,271**	**13,182**
Equity and liabilities		
Capital and reserves attributable to the equity holders of Faron		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	129,544	116,507

Accumulated deficit	(143,713)	(116,265)
Translation difference	2	(15)
Total equity	**(11,476)**	**2,919**
Provisions		
Other provisions	158	0
Total provisions	**158**	**0**
Non-current liabilities		
Borrowings	11,102	2,918
Lease liabilities	163	16
Other liabilities	853	151
Total non-current liabilities	**12,118**	**3,085**
Current liabilities		
Borrowings	1,851	429
Lease liabilities	153	184
Trade payables	6,014	2,229
Accruals and other current liabilities	2,453	4,336
Total current liabilities	**10,471**	**7,178**
Total liabilities	**22,748**	**10,263**
Total equity and liabilities	**11,271**	**13,182**

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 2020	2,691	92,015	2	(96,557)	(1,849)
Comprehensive loss for the year 2021	0	0	(15)	(21,194)	(21,209)
Transactions with equity holders of the Company					

Issue of ordinary shares, net of transaction costs	0	24,492	0	0	24,492
Share-based compensation	0	0	0	1,487	1,487
	0	24,492	0	1,487	25,980
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)

Consolidated Cash Flow Statement, IFRS

	Unaudited	**Unaudited**	**1-12.2022**	**1-12.2021**
EUR '000	**7-12.2022**	**7-12.2021**	**12 months**	**12 months**
	6 months	**6 months**		
Cash flow from operating activities				
Loss before tax	(15,628)	-10,64	(28,730)	(21,194)
Adjustments for:				
Received grant	(388)	(745)	(803)	(1,387)
Depreciation and amortization	149	165	300	307
Change in provision	(158)	0	(158)	0
Financial items	787		1,304	0
Interest expense	0	128	0	216
Tax expense	19	6	0	16

Unrealized foreign exchange loss (gain), net	0	434	0	153
Share-based compensation	632	644	1,297	1,487
Adjusted loss from operations before changes in working capital	(14,587)	(10,008)	(26,790)	(20,402)
Change in net working capital:				
Prepayments and other receivables	2,045	(-1259)	2,864	(1,919)
Trade payables	(657)	744	719	723
Other liabilities	2,197	24	1,183	(566)
Cash used in operations	(11,001)	(10,499)	(22,023)	(22,163)
Taxes paid	0	(1)	0	(16)
Transaction costs related to loans and borrowings	0	0	(165)	0
Interest received	11	0	11	0
Interest paid	(708)	(10)	(816)	(40)
Net cash used in operating activities	**(11,698)**	**(10,508)**	**(22,993)**	**(22,218)**
Cash flow from investing activities				
Payments for intangible assets	(218)	(76)	(385)	(461)
Payments for equipment	0	(6)	(0)	(13)
Net cash used in investing activities	**(218)**	**(81)**	**(385)**	**(473)**
Cash flow from financing activities				
Proceeds from issue of shares	8,923	10,515	13,445	25,559
Share issue transaction cost	(174)	(405)	(365)	(1,067)
Proceeds from borrowings	(0)	145	10,389	662
Repayment of borrowings	0	0	(105)	(122)
Proceed from grants	231	750	231	750
Payment of lease liabilities	(20)	(95)	(116)	(191)
Net cash from financing activities	**8,959**	**10,910**	**23,478**	**25,590**
Net increase (+) / decrease (-) in cash and cash equivalents	**(2,946)**	**320**	**137**	**2,899**
Effect of exchange rate changes on cash and cash equivalents	11	(434)	37	(153)
Cash and cash equivalents at 1 January / 1 July	9,936	6,967	6,853	4,108
Cash and cash equivalents at 31 December	**6,990**	**6,853**	**6,990**	**6,853**