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Faron Pharmaceuticals Oy
27 February 2025

Faron Pharmaceuticals Ltd.

("**Faron**" or the "**Company**")

Faron's Financial Statement Release 1 January to 31 December 2024

Financial statement release, 27 February 2025 at 02:00 AM (EST) / 07:00 AM (GMT) / 09:00 AM (EET)

TURKU, FINLAND - Faron Pharmaceuticals Ltd. (AIM: FARN, First North: FARON), a clinical-stage biopharmaceutical company focused on tackling cancers via novel immunotherapies, today announces audited full-year financial results for 1 January to 31 December 2024 (the "Period") and provides an overview of recent corporate developments.

2024 Highlights

- Interim Phase II read-out from the BEXMAB trial confirmed earlier positive Phase I and II findings in myelodysplastic syndrome (MDS) patients with prior hypomethylating agent (HMA) failure.
- In Phases I and II, 20 MDS patients who are refractory or relapsed on HMA (r/r MDS) and have no effective treatment options, continued to show a high objective response rate (ORR) at 80%.
- The BEXMAB Phase I and II MDS patients with prior HMA failure experienced an estimated median overall survival (mOS) of approximately 13.4 months, compared to the 5-6 months that would typically be expected under standard of care.
- The U.S. Food and Drug Administration (FDA) granted *bexmarilimab* Fast Track Designation for the treatment of r/r MDS in combination with azacitidine.
- The Company announced positive feedback from the FDA regarding the registrational clinical development plan for *bexmarilimab* for the treatment of higher-risk (HR) MDS, with a recommendation that the Company conducts a confirmatory phase III trial in frontline HR MDS, without requiring a separate phase III trial in the relapsed / refractory setting, and accelerated approval for r/r MDS could be achieved with an interim read-out of the confirmatory phase III study.
- The Company received regulatory approval from the UK's Medicines and Healthcare products Regulatory Agency (MHRA) to conduct the BEXMAB trial in the UK and *bexmarilimab* received an Innovation Passport from the MHRA for the treatment of r/r MDS.
- Further analysis of patient profiles from the Phase I part of the BEXMAB trial confirmed 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 filed a patent application around the use of soluble Clever-1 for inactivating T-cells and the treatment of autoimmune diseases and inflammatory disorders.
- Dr. Juho Jalkanen was appointed as Faron's new Chief Executive Officer, Mr. Yrjö Wichmann was appointed Chief Financial Officer, Dr. Petri Bono was appointed Chief Medical Officer and Mr. Tuomo Pätsi was elected as the Chair of the Board.
- Cash position was strengthened through a convertible loan issuance and two share placements successfully raising a total of EUR 35.5 million (gross).
- A virtual briefing and Q&A will be held today, 27 February 2025 at 4:00 AM (EST) / 9:00 AM (GMT) / 11:00 AM (EET).

Subsequent events

- In January 2025, Faron announced that the final MDS patient was identified for the BEXMAB Phase II trial, and that topline readout is expected in April 2025.
- In early February 2025, Faron conducted a private placement directed to a limited number of institutional and other investors raising EUR 12.0 million.

"2024 was a year of success and transformation for the Company, with the positive clinical development of *bexmarilimab* solidifying our position in the field of immunotherapy. Faron's progress, from both a clinical and regulatory perspective, only strengthens our confidence in the potential of *bexmarilimab* to address critical unmet needs in oncology and unlock significant value creation for the Company and shareholders. We remain steadfast in our mission to bring life-changing immunotherapies to patients who need them most and the exceptional progress we've achieved this year brings us closer to achieving that goal," **said Dr. Juho 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 cancers in combination with standard of care (SoC) - BEXMAB

- The Company announced Positive Phase II Interim data from the BEXMAB trial confirming earlier positive Phase I and II findings in MDS patients with prior HMA failure.
    - Overall response rate of 80% (16 out of 20) in refractory or relapsed HMA failed MDS patient population (r/r MDS)

(r/r MDS).
    - Observed responses were primarily deep and durable with 70% (14 out of 20) r/r MDS patients achieving complete response (CR) / marrow complete remission (mCR) / partial response (PR).
    - Four patients have moved on to receive a bone marrow transplant.
    - Estimated mOS of approximately 13.4 months in r/r MDS population.
    - The combination of *bexmarilimab* and azacitidine remains well tolerated.
    - Clever-1 target engagement and expression in the bone marrow with an increased antigen presentation capacity and presence of CD8 T and NK cells supports *bexmarilimab* mechanism-of-action.
- The FDA granted *bexmarilimab* Fast Track Designation for the treatment of r/r MDS in combination with azacitidine.
- Faron received positive feedback from its formal Type D Scientific Advice Meeting with the FDA regarding the registrational clinical development plan for *bexmarilimab* in the treatment of HR MDS. The FDA acknowledged the difficulties of running a randomized study with a comparator in the r/r setting and instead proposed that Faron conduct a confirmatory phase III trial in frontline high-risk MDS (HR MDS), that would not require a separate phase III in r/r MDS. Accelerated approval for r/r MDS could possibly be obtained with the existing phase II trial in addition to an interim read-out from the confirmatory phase III trial as per the FDA's Project FrontRunner.
- The Company received regulatory approval from the MHRA to conduct the BEXMAB trial in the UK. This approval allows Faron to recruit in the UK hematology patients directly, accelerating its research efforts by increasing recruitment and enhancing the study's diversity and scope by expanding the participant pool.
- *Bexmarilimab* received an Innovation Passport, under the Innovative Licensing and Access Pathway (ILAP) from the MHRA, for the treatment of r/r MDS.
- Further analysis of the patient profiles of those treated in the completed Phase I part of the BEXMAB trial confirmed that patients had experienced disease progression following previous treatment with azacitidine monotherapy or combinations of up to four therapies that included azacitidine or decitabine combined with magrolimab, venetoclax and sabatolimab.
- Full analysis of the positive Phase II interim data from BEXMAB trial was presented at the 66th American Society of Hematology (ASH) Annual Meeting and Exposition.

Combination potential with solid tumours - and further expansion

- Preparations are ongoing for the initiation of three proof-of-concept studies in solid tumours.
    - BLAZE - **Can *bexmarilimab* overcome resistance to PD-1 inhibitors?** Resistance to first-line immunotherapy in NSCLC and melanoma is common. Targeting tumor-associated macrophages may overcome this resistance. The response to *bexmarilimab* combined with anti-PD-1 antibody will serve as proof-of-concept for reversing resistance. The study involves initial priming with *bexmarilimab* seven days before the combination treatment. Biomarker analysis will provide translational correlations of macrophage switch and immune activation. Blaze is an Investigator Initiated Trial.
    - **BEXAR - Can *bexmarilimab* turn cold tumors hot in soft-tissue sarcomas?** Early clinical trials with immune checkpoint inhibitors (ICIs) in soft tissue sarcoma (STS) have been disappointing, as these tumors are often "cold" due to an immunosuppressive tumor microenvironment rich in M2-like macrophages and Clever-1 expression. Studies show that Clever-1-positive macrophages are associated with poor chemotherapy response. In vitro, Clever-1 inhibition induces anti-tumor macrophages, and combining chemotherapy with an anti-Clever-1 antibody significantly increases survival in mice models. Targeting Clever-1 in immune cells may improve chemotherapy response in cancer patients by making primary refractory STS tumors more sensitive to treatment. Bexar is an Investigator Initiated Trial.
    - **MATINS-02 - Can *bexmarilimab* overcome PD-1 primary resistance and expand the population of PD-1 responders?** PD-1 inhibitors have shown disappointing results in immunologically cold tumors like gastric, gallbladder, cholangiocarcinoma, and ER+ breast cancer. *Bexmarilimab* has the potential to make these primary refractory (cold) tumors sensitive to PD-1. The study will also prospectively validate the use of intratumoral Clever-1 positivity as a predictive biomarker for treatment benefit. Matins-02 is a Faron Sponsored Trial.

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

- Faron joined a research consortium which received a U.S. Department of Defence grant to investigate the use of intravenous interferon beta (Traumakine®) for the prevention of ischemia-reperfusion injury in battlefield victims when using a lifesaving torniquet for the prevention of excessive blood loss. The Study is named **Resuscitation by Endothelial Stabilization and Targeted Oxygen Rescue (RESTOR) Platform for Battlefield Applications**. Participating institutions are Duquesne University School of Pharmacy and Wake Forest Medical University Health Sciences.

Corporate Highlights

- The cash position was significantly strengthened through a combination of a convertible note issuance, private placements directed to institutional and other investors, a public offering to Finnish retail investors and an open offering to UK retail and institutional investors to raise a total of EUR 35.5 million (gross).
- In May 2024, Dr. Juho Jalkanen was appointed as the Company's new Chief Executive Officer (CEO), taking over from Dr. Markku Jalkanen, who retired as CEO, but who is continuing as a member of the Board of Directors of Faron. Dr. Juho Jalkanen has worked at Faron in various roles since 2006, most recently serving as its Chief Operating Officer.
- Mr. Tuomo Pätsi was elected as the Chair of the Board, following the departure of Dr. Frank Armstrong who did not stand for re-election. 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.
- In April 2024, Mr. Yrjö Wichmann was appointed as the Company's interim Chief Financial Officer (CFO) and in August as the permanent CFO. Mr. Wichmann previously served as the Company's CFO between 2014 and 2019 and as Senior Vice President, Financing & IR from 2019 to April 2024. Mr. Wichmann is an accomplished biotech

and as Senior Vice President, Financing & IR from 2019 to April 2024. Mr. Wichmann is an accomplished biotech and financial executive with over 20 years' experience in financing and investment banking.

- In August 2024, Dr. Petri Bono was appointed as the Company's Chief Medical Officer (CMO), succeeding Dr. Birge Berns, who will continue her role as part of Faron's medical leadership team involved in developing *bexmarilimab*. Dr. Bono is an oncologist and has served as the CMO and member of the Group executive team of Terveystalo, the largest private healthcare service provider in Finland. Prior to joining Terveystalo he was the CMO at Helsinki University Hospital. He brings leading expertise in immunology, with his own research focusing on molecular and immunological oncology.
- In May 2024, Dr. Markku Jalkanen, co-founder, Board member and former CEO of Faron, and Dr. Sirpa Jalkanen, co-founder and member of Faron's Scientific Advisory Board, were selected as finalists for the European Inventor Award 2024, in recognition of their research developing Faron's wholly owned precision cancer immunotherapy candidate, *bexmarilimab*.
- The Company filed a patent application around the use of soluble Clever-1 for inactivating T-cells and the treatment of autoimmune diseases and inflammatory disorders. The Company will take the identified part of soluble Clever-1 and design the optimal drug composition with the desired characteristics for treating autoimmune diseases.

Full-year Financial Results

- On December 31, 2024, Faron held cash balances of EUR 9.5 million (2023: EUR 6.9 million).
- Loss for the period for the financial year ended December 31, 2024, was EUR -25.9million (2023: EUR -30.9 million).
- Net assets on December 31, 2024, were EUR -9.8 million (2023: EUR -15.2 million).
- In February 2024, Faron announced that it was in breach of several undertakings agreed in the facilities agreement entered into on 28 February 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.
- In April 2024 the Company conducted a private placement directed to a limited number of institutional and other investors to raise EUR 4.8 million which, together with the EUR 3.2 million convertible loan announced on 4 March 2024, secured the required short-term bridge financing totaling EUR 8 million.
- In June 2024, the Company raised a total of approximately EUR 30.7 million, of which approximately EUR 3.7 million was paid by converting the convertible loan and related arrangement fees and interests into shares in the Company.
- 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.

Consolidated key figures, IFRS

EUR '000	Unaudited 7-12/2024 6 months	Unaudited 7-12/2023 6 months	1-12/2024 12 months	1-12/2023 12 months
Other operating income	0	0	0	0
Research and Development expenses	(5,082)	(11,024)	(11,744)	(19,542)
General and Administrative expenses	(2,301)	(4,732)	(6,929)	(9,026)
Operative Loss for the period	(7,383)	(15,756)	(18,673)	(28,568)

	Unaudited 7-12/2024 6 months	Unaudited 7-12/2023 6 months	1-12/2024 12 months	1-12/2023 12 months
Loss per share EUR	(0.11)	(0.26)	(0.29)	(0.48)
Number of shares at end of period	104,624,864	68,786,699	104,624,864	68,786,699
Average number of shares	104,624,864	67,137,790	88,518,654	65,055,036

EUR '000	Unaudited 30 June 2024	Unaudited 30 June 2023	31 December 2024	31 December 2023
Cash and cash equivalents	29,979	6,315	9,503	6,875
Equity	1,379	(9,483)	(9,762)	(15,160)
Balance Sheet total	35,460	12,836	12,521	10,220

Board of Directors' Proposal on the Dividend

The Group's comprehensive loss for the period was EUR 25,910,878 (2023: EUR 30,943,935). The Board of Directors proposes to the Annual General Meeting 2025 not to pay a dividend.

27 February 2025
Faron Pharmaceuticals Ltd.
Board of Directors

Conference call information
A virtual briefing and Q&A session for investors, analysts and media will be hosted by Dr. Juho Jalkanen, Chief Executive Officer, and Mr. Yrjö Wichmann, Chief Financial Officer, today, 27 February 2025 at 4:00 AM (EST) / 9:00 AM (GMT) / 11:00 AM (EET)

Webcast registration link: Annual report for the year ended 31 December, 2024

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.

For more information please contact:

ICR Healthcare
Mary-Jane Elliott, David Daley, Lindsey Neville
Phone: +44 (0)20 3709 5700
E-mail: faron@icrhealthcare.com

Cairn Financial Advisers LLP, Nominated Advisor and Broker
Sandy Jamieson, Jo Turner
Phone: +44 (0) 207 213 0880

Sisu Partners Oy, Certified Adviser on Nasdaq First North
Juha Karttunen
Phone: +358 (0)40 555 4727
Jukka Järvelä
Phone: +358 (0)50 553 8990

Publication of financial information during year 2025

Faron's financial statements for full year 2024 will be published today, 27 February 2025 and will also be available on Faron's website at Reports and presentations - Faron. The half-year financial report for the period 1 January to 30 June 2025 is scheduled to be published on 27 August 2025. The Annual General Meeting is planned for 21 March 2025. A separate stock exchange notice will be issued by Faron's Board of Directors to convene the meeting.

About *bexmarilimab*

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

About BEXMAB

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

About Faron Pharmaceuticals Ltd.

Faron (AIM: FARN, First North: FARON) is a global, clinical-stage biopharmaceutical company, focused on tackling cancers via novel immunotherapies. Its mission is to bring the promise of immunotherapy to a broader population by uncovering novel ways to control and harness the power of the immune system. The Company's lead asset is *bexmarilimab*, a novel anti-Clever-1 humanized antibody, with the potential to remove immunosuppression of cancers through reprogramming myeloid cell function. *Bexmarilimab* is being investigated in Phase I/II clinical trial as a potential therapy for patients with hematological cancers in combination with other standard treatments. Further information is available at www.faron.com.

Forward-Looking Statements

Certain statements in this announcement are, or may be deemed to be, forward-looking statements. Forward looking statements are identified by their use of terms and phrases such as ''believe'', ''could'', ''should'', ''expect'', ''hope'', ''seek'', ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''potentially'', ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward-looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results and expectations discussed in the forward-looking statements, many of which are beyond the control of the Company. In addition, other factors which could cause actual results to differ materially include the ability of the Company to successfully license its programs within the anticipated timeframe or at all, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital

markets or other sources of funding, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

CEO Statement

2024 was a year of success and transformation for Faron Pharmaceuticals, marking a new chapter in Faron's story and solidifying our position as a leader in the field of immunotherapy.

With fresh leadership and renewed focus, we reinforced our organisational structure. We welcomed Tuomo Pätsi as the new Chairman of our Board, taking over from Dr. Frank Armstrong, alongside Yrjö Wichmann as our new CFO and Dr. Petri Bono as Chief Medical Officer, all of whose extensive expertise and fresh perspectives have invigorated our renewed strategy. I was also proud to assume the role of CEO this year, taking over from Dr. Markku Jalkanen. These changes, coupled with the strong foundation built by our predecessors, have enabled us to refine our mission and approach, making us well-equipped to navigate the complexities of a competitive and rapidly evolving sector and I would like to thank Markku and Frank for their commitment to Faron and for their support during this transition. Their contributions thus far, combined with the dedication of our entire team, have enabled us to sustain momentum even amidst challenging market conditions, setting a clear course for sustainable growth and innovation at Faron.

The theme of transformation has continued through the clinical development program for our lead asset, *bexmarilimab*. We have made significant progress, from both a clinical and regulatory perspective, further cementing our believe in the potential of *bexmarilimab* to address critical unmet needs in oncology. We had numerous positive interactions with regulatory authorities resulting in key milestones including Fast Track Designation (FTD) for *bexmarilimab* from the FDA for the treatment of relapsed or refractory myelodysplastic syndrome (r/r MDS) patients, underscoring the urgency for novel therapies in treating this aggressive blood cancer.

We also received positive feedback from our formal Type D Scientific Advice Meeting with the FDA regarding the registrational clinical development plan for *bexmarilimab* in the treatment of high-risk MDS (HR MDS). The FDA acknowledged the difficulties of running a randomized study with a comparator in the r/r setting and instead proposed that Faron conduct a confirmatory phase III trial in frontline HR MDS, that would not require a separate phase III in r/r MDS.

These two milestones significantly enhance our ability to advance *bexmarilimab* through the regulatory process, also allowing for frequent FDA interactions and streamlined development pathways, which will be invaluable as we prepare for pivotal studies and market approval.

In parallel, the Phase II interim data from our BEXMAB trial, presented at the 66th American Society of Hematology (ASH) Annual Meeting, demonstrated remarkable efficacy. The trial achieved an 80% overall response rate in r/r MDS patients, with 70% achieving deep and durable responses, including complete and partial remissions. Importantly, four patients progressed to potentially curative bone marrow transplants, and the combination therapy with azacitidine continued to show a favourable safety profile.

The regulatory recognition and the robust clinical results achieved to date highlight *bexmarilimab's* ability to reprogram myeloid cells by engaging the Clever-1 receptor, overcoming resistance to hypomethylating agents (HMAs), and activating the immune system, demonstrating its potential as a transformative therapy for an underserved population. As we advance to pivotal efficacy readouts and prepare for the initiation of Phase III development in the second half of 2025 after having an end-of-phase 2 (EOP2) meeting with the FDA. We remain focused on our mission to bring this innovative therapy to patients facing significant unmet medical needs.

Also in 2024, we considerably strengthened our financial position, successfully raising EUR 35.5 million (gross) through an oversubscribed combined share offering, a strong reflection of our investors' confidence in the potential of *bexmarilimab*. This additional financing played an essential role in the acceleration of our clinical programs - particularly our BEXMAB trial and provided a stronger foundation for advancing *bexmarilimab* towards commercialisation.

Looking ahead, 2025 promises to be a pivotal year as we aim to deliver crucial clinical data and engage in meaningful discussions with regulatory authorities. We remain steadfast in our mission to bring life-changing immunotherapies to patients who need them most and the exceptional progress we've achieved this year brings us closer to achieving that goal. I would like to extend my gratitude to our shareholders, partners, and the Faron team for their continuous support and commitment this year and I look forward to what 2025 brings.

Chairman Statement

2024 has seen us achieve significant clinical milestones and strategic advancements, showcasing our resilience in a challenging biotechnology landscape. Despite the obstacles encountered, we conclude the year in our strongest position to date.

Faron has continued to make significant strides in the clinical development of *bexmarilimab*, its wholly owned, investigational immunotherapy, through the progression of our BEXMAB trial. We were very pleased to dose the first patient in Phase II part of that trial at the start of the year, evaluating the safety and efficacy of *bexmarilimab* in combination with standard of care (SoC) in patients with hypomethylating agents (HMAs)-refractory or relapsed myelodysplastic syndrome (r/r MDS). Data generated continue to be highly encouraging with the latest positive interim Phase II data, presented at the American Society of Hematology (ASH) Annual Meeting, showing a remarkable 80% overall response rate. In July 2024, we received positive feedback from the FDA regarding the registrational study plan for *bexmarilimab*, providing clear guidance on the path to approval. Their proposal significantly reduces the devolvement costs and timelines to bring this promising therapy to a broader group of patients and is a significant achievement for Faron.

The financial landscape for biotechnology companies has been challenging but, despite this, Faron has demonstrated remarkable resilience. We successfully raised EUR 35.5 million (gross) through an oversubscribed combined share offering, supported by both existing and new shareholders. This financial achievement not only provides critical funding for our BEXMAB trial but also reflects the confidence of our investors in our scientific approach and further validates the potential of *bexmarilimab*.

In 2024 we had notable changes in our leadership and governance. We welcomed Juho Jalkanen (previously our COO) as our new CEO, while retaining the invaluable guidance of former CEO, Markku Jalkanen, as a member of the Board. We also appointed Yrjö Wichmann as our CFO, Dr. Petri Bono as Chief Medical Officer and I assumed the position of Chairman from

appointed Hjo Wichmann as our CFO, Dr. Petri Bono as Chief Medical Officer and I assumed the position of Chairman from Frank Armstong. I'd particularly like to thank both Markku and Frank for their support and guidance during their tenure at Faron. Their contributions have helped enormously in bringing Faron to the strong position that we find ourselves in today. Additionally, we established a Shareholders' Nomination Board, comprised of representatives from our top five shareholders, which will provide direct input into our Board nominations and strategic direction.

One highlight of the year was the international recognition received by our founders, Dr. Markku Jalkanen and Prof. Sirpa Jalkanen, as finalists at the 2024 European Inventor Awards, underscoring the innovative spirit that continues to drive Faron.

Looking forward to 2025, we remain excited about the potential of our *bexmarilimab* program. We expect topline efficacy readouts from our Phase II trial in the first half of the year, which will be crucial in determining our next steps. The Board is optimistic about potentially initiating preparations for Phase III development in the second half of 2025, a significant milestone that would bring us ever closer to bringing this innovative therapy to patients who desperately need new treatment options.

I would like to extend my gratitude to our dedicated team, our invaluable shareholders, the physicians and patients, and all other stakeholders who have made our continued progress possible. We look forward to 2025 with optimism.

Mr. Tuomo Pätsi
Chairman

Financial Review

Despite continuing challenging market conditions in 2024, the Company significantly strengthened its cash position through a combination of a convertible note issuance, private placements directed to institutional and other investors, a public offering to Finnish retail investors and an open offering to UK retail and institutional investors to raise a total of EUR 35.5 million (gross). As a result of these fundraising efforts, the net cash increased from financing activities of EUR 25.8 million compared to EUR 24.0 million in 2023.

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.

RESEARCH AND DEVELOPMENT EXPENSES

R&D costs were EUR 11.7 million in 2024 compared to 19.5 million in 2023, a decrease of EUR 7.8 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 3.3 million in 2024 compared to EUR 4.0 million in 2023. Compensation and benefits were EUR 1.4 million in 2024 and EUR 3.2 million in 2023 and included stock compensation expense of EUR 0.02 million and EUR 0.7 million in 2024 and 2023, respectively.

GENERAL AND ADMINISTRATION COSTS

G&A expenses were EUR 6.9 million in 2024 compared to EUR 9.0 million in 2023, and decrease of EUR 2.1 million. The decrease was mainly due to the recognition of the incremental fair value of amending the terms of 2015 option plan of EUR 1.1 million. Compensation and benefits were EUR 3.3 million in 2024 and EUR 5.7 million in 2023 and included stock compensation expense of EUR 0.7 million and EUR 1.7 million in 2024 and 2023, respectively.

TAXATION

The Company's tax credit for the fiscal year 2024 can be recorded only after the Finnish tax authorities have approved the tax report and confirmed the amount of tax-deductible expenses. The total amount of cumulative tax losses carried forward approved by tax authorities on 31 December 2024 was EUR 57.7 million (2023: EUR 51.6 million). The Company can utilize these losses against potential taxable profits generated during the years 2025 to 2034. In addition, the Company has EUR 117.2 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 2024 was EUR 25.9 million compared to EUR 30.9 million in 2023, which represents a loss of EUR 0.29 per share and EUR 0.48 per share in 2024 and 2023, respectively.

CASH FLOWS

Net cash flow 2024 and 2023 was essentially flat. Cash used for operating activities in 2024 was EUR 23.0 million compared to 2023 of EUR 23.8 million. Net cash inflow from financing activities in 2024 was EUR 25.8 million compared to 2023 of EUR 24.0 million.

FUNDRAISING

On 19 February 2024 the Company announced that it was in breach of several undertakings agreed in the secured debt agreement dated 28 February 2022, between IPF Fund II SCA, SICAV-FIAR ("IPF") as Lender and Faron Pharmaceuticals Ltd as Borrower and subsequent waiver letters provided by IPF, and was therefore in several events of default. Faron's bank accounts are pledged to IPF and IPF notified Faron's banks of the blocking of the pledged accounts due to the above-mentioned breaches. After successful funding arrangements, the bank accounts were released in the beginning of March 2024.

On 4 March 2024 the Company raised a total of EUR 3.2 million through convertible loan instruments subscribed by a limited number of the Company's existing shareholders. The Convertible loans and related interest and fees were converted into shares in the June offering.

On 4 April 2024 the Company conducted a private placement directed to a limited number of institutional and other investors to raise EUR 4.8 million which, together with the EUR 3.2 million convertible loan announced on 4 March 2024, secured the required short-term bridge financing totaling EUR 8 million.

On 4 June 2024 Faron announced an offering of approximately EUR 30.7 million in total by offering for subscription preliminarily a maximum of 30,714,592 new and/or treasury shares at a subscription price of EUR 1.00 per Offer Share. The Offering was conducted as a directed share issue by way of

i. a public offering to private individuals and legal entities in Finland,
ii. an institutional offering to institutional investors in the European Economic Area.
iii. a separate open offer to qualifying holders of depositary interests in the United Kingdom and elsewhere and
iv. a separate retail offer to retail investors in the United Kingdom on the "REX" platform.

The results of the offering were announced on 20 June 2024, and it attracted significant interest from both existing shareholders and new investors and was oversubscribed. The Company raised a total of approximately EUR 30.7 million, of which approximately EUR 3.7 million was paid by converting the convertible loan and related arrangement fees and interests into shares in the Company. As a result of the share offering, with the gross proceeds of approximately EUR 27 million the Company believes it will have sufficient resources to execute its core business and deliver on its key milestones of the year 2024 under the current business plan and in compliance with the financial covenants of the IPF Fund. The Board of Directors of the Company decided to issue of a total of 30,709,056 newly issued treasury shares and new shares in the Company. As set out in the terms and conditions of the Offering, existing shareholders and DI (depositary interest) holders were given an allocation preference. Carnegie Investment Bank AB, Finland Branch ("Carnegie") and Peel Hunt LLP ("Peel Hunt") acted as lead managers (the "Lead Managers") and bookrunners for the Offering. On 20 June 2024 the Company entered into 90-day lock-up agreement with Lead Managers.

As a post-period event, Faron conducted in early February 2025 a private placement directed to a limited number of institutional and other investors raising EUR 12.0 million.

FINANCIAL POSITION

As of 31 December 2024, total cash and cash equivalents held were EUR 9.5 million compared to 2023 of 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 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 25.9 million during the year ended 31 December 2024. It had a negative equity of EUR 9.8 million including an accumulated deficit of EUR 197.4 million. As at 31 December 2024, Faron had cash and cash equivalents of EUR 9.5 million. As a post-period event, Faron conducted in early February 2025 a private placement directed to a limited number of institutional and other investors to raise EUR 12.0 million, which significantly strengthened its financial position.

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. Directors estimate that the cash held by Faron at 31 December 2024 together with the EUR 12.0 million funds raised post-period will be sufficient to support the current level of activities into the third quarter of 2025. Despite this the Directors are continuing to explore sources of additional financing and they believe they have a reasonable expectation that they will be able to secure additional cash inflows that are sufficient for Faron to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis. Because the additional finance is not committed at the date of issuance of these financial statements, these circumstances represent a material uncertainty that may cast significant doubt on Faron's ability to continue as going concern. Should Faron be unable to obtain additional 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, to provide for further liabilities that might arise.

HEADCOUNT
Faron's headcount at the end of year was 25 (2023: 34).

SHARES AND SHARE CAPITAL

During the period 1 January to 31 December 2024, the Company, using the share authorities granted at the Extraordinary General Meeting held on 22 September 2023 issued a total of 3,200,298 new ordinary shares at an issuance price of EUR 1.5 per share to investors. During the same period, the Company, using the share authorities granted at the Annual General Meeting held on 5 April 2024, issued a total of 30,709,056 shares at an issuance price of EUR 1.0 per share 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 2024 the total number of voting rights was 104,624,864.

Consolidated Income Statement, IFRS

EUR '000	**Unaudited 7-12/2024 6 months**	**Unaudited 7-12/2023 6 months**	**1-12/2024 12 months**	**1-12/2023 12 months**
Other operating income	0	0	0	0
Research and development expenses	(5,082)	(11,024)	(11,744)	(19,542)
General and administrative expenses	(2,301)	(4,732)	(6,929)	(9,026)
Operating loss	**(7,383)**	**(15,756)**	**(18,673)**	**(28,568)**
Financial income	(858)	233	434	233
Financial expense	(3,325)	(1,691)	(7,676)	(2,609)
Loss before tax	**(11,566)**	**(17,214)**	**(25,915)**	**(30,944)**
Tax expense	41	0	(5)	0
Loss for the period	**(11,525)**	**(17,214)**	**(25,920)**	**(30,944)**
Other comprehensive gain/loss	(2)	2	9	2
Total comprehensive loss for the period	**(11,527)**	**(17,212)**	**(25,911)**	**(30,942)**
Loss per ordinary share				

Loss per ordinary share				
Basic and diluted loss per share, EUR	(0.11)	(0.26)	(0.29)	(0.48)

Consolidated Balance Sheet, IFRS

EUR '000	31 December 2024	31 December 2023
Assets		
Non-current assets		
Machinery and equipment	1	6
Right-of-use-assets	296	198
Intangible assets	1,112	1,088
Prepayments and other receivables	46	60
Total non-current assets	**1,456**	**1,352**
Current assets		
Prepayments and other receivables	1,563	1,992
Cash and cash equivalents	9,503	6,875
Total current assets	**11,065**	**8,868**
Total assets	**12,521**	**10,220**
Equity and liabilities		
Capital and reserves attributable to the equity holders of Faron		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	184,955	154,352
Accumulated deficit	(197,421)	(172,208)
Translation difference	13	4
Total equity	**(9,762)**	**(15,160)**
Provisions		
Other provisions	0	0
Total provisions	**0**	**0**
Non-current liabilities		
Borrowings	8,088	9,423
Lease liabilities	186	50
Other liabilities	3,839	895
Total non-current liabilities	**12,113**	**10,369**
Current liabilities		
Borrowings	3,722	3,475
Lease liabilities	117	163
Trade payables	4,876	8,971
Accruals and other current liabilities	1,456	2,403
Total current liabilities	**10,171**	**15,012**
Total liabilities	**22,283**	**25,380**
Total equity and liabilities	**12,521**	**10,220**

Consolidated Statement of Changes in Equity, IFRS

EUR '000	Share capital	Reserve for invested unrestrict-	Trans-lation difference	Accumu-lated deficit	Total equity

		ed equity			
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)
Comprehensive loss for the year 2024	0	0	9	(25,920)	(25,911)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	0	30,609	0	0	30,609
Share-based compensation	0	0	0	694	694
Legal reserve Retained earnings		(5)	0	11	6
	0	30,603	9	(25,215)	(5,398)
Balance as at 31 December 2024	2,691	184,955	13	(197,421)	(9,762)

Consolidated Cash Flow Statement, IFRS

EUR '000	**Unaudited 7-12.2024 6 months**	**Unaudited 7-12.2023 6 months**	**1-12.2024 12 months**	**1-12.2023 12 months**
Cash flow from operating activities				
Loss before tax	(11,566)	(17,214)	(25,915)	(30,944)
Adjustments for:				
Received grant	0	(33)	0	(33)
Depreciation and amortization	156	172	314	346
Change in provision	0	0	0	(158)
Financial items	4,183	1,458	7,242	2,376
Share-based compensation	325	1,964	694	2,450
Adjusted loss from operations before changes in working capital	(6,901)	(13,653)	(17,665)	(25,963)
Change in net working capital:				
Prepayments and other receivables	2,570	(728)	444	300
Trade payables	(9,652)	3,002	(4,095)	2,994
Other liabilities	354	223	(846)	(50)
Cash used in operations	(14,337)	(11,156)	(22,263)	(22,719)
Income tax paid	109	0	(41)	0
Interest received	361	243	361	243
Interest paid	(411)	(548)	(1,028)	(1,330)
Net cash used in operating activities	**(14,278)**	**(11,461)**	**(22,971)**	**(23,806)**

Cash flow from investing activities

Payments for intangible assets	(102)	(56)	(225)	(123)
Payments for equipment	(1)	0	(1)	0
Net cash used in investing activities	**(103)**	**(56)**	**(226)**	**(123)**
Cash flow from financing activities				
Proceeds from issue of shares	0	13,954	31,850	26,031
Share issue transaction cost	(4,453)	(542)	(4,951)	(1,190)
Proceeds from borrowings	0	0	3,200	64
Repayment of borrowings	(1,943)	(861)	(3,371)	(861)
Transaction and structuring fees of borrowings	0	(400)	(750)	(400)
Proceed from grants	0	99	0	481
Payment of lease liabilities	(78)	(58)	(162)	(142)
Net cash from financing activities	**(6,475)**	**12,192**	**25,816**	**23,983**
Net increase (+) / decrease (-) in cash and cash equivalents	**(20,476)**	**560**	**2,627**	**(114)**
Effect of exchange rate changes on cash and cash equivalents	(173)	(116)	(197)	(168)
Cash and cash equivalents at 1 January / 1 July	29,979	6,315	6,876	6,315
Cash and cash equivalents at 31 December	**9,503**	**6,876**	**9,503**	**6,876**

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