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

Faron Reports Half-Year Financial Results, 1 January – 30 June 2024

Company Announcement, 27 August 2024

Summary Highlights

- Initial preliminary phase II data read-out from the BEXMAB trial confirmed earlier positive phase I findings in myelodysplastic syndrome (MDS) patients that have failed with hypomethylating agent (HMA), reinforcing *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).
- The Company reported that there was a total of 14 HMA-failed MDS patients who had been treated in both the phase I and II arms of the BEXMAB trial with a combination of *bexmarilimab* and azacitidine, with an overall response rate (ORR) of 79% (11/14). For The BEXMAB Phase I MDS patients with prior HMA failure with adequate follow-up available the estimated median overall survival (mOS) was 13.4 months compared to the 5-6 months that would typically be expected under standard of care historically.
- Dr. Juho Jalkanen was appointed as Faron's new Chief Executive Officer, Mr. Tuomo Pätsi was elected as the Chair of the Board.
- Faron founders and *bexmarilimab* developers, Dr. Markku Jalkanen and Dr. Sirpa Jalkanen, were selected as finalists for the European Inventor Award 2024.
- Cash position was strengthened through a convertible loan issuance and two share placements successfully raising a total of EUR 35.5 million (gross).
- Hybrid briefing and Q&A to be held tomorrow on 28 August 2024, at 8:00 am (EST) / 1:00 pm (BST) / 3:00 pm (EEST).

Post period events

- The U.S. Food and Drug Administration (FDA) granted *bexmarilimab* Fast Track Designation (FTD) for the treatment of relapsed or refractory myelodysplastic syndrome (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 study in frontline HR MDS, without requiring a separate phase III 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.
- Dr. Petri Bono was appointed Chief Medical Officer and Mr. Yrjö Wichmann was appointed as permanent Chief Financial Officer.

TURKU, FINLAND - 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 1 January to 30 June 2024 (the "period").

"After a tough start we have ended the first half of 2024 in a very strong position," said Dr. Juho Jalkanen, Chief Executive Officer of Faron. "We've continued to make significant progress in the clinical development of *bexmarilimab*, our wholly owned immunotherapy asset, in hematological malignancies, building on the highly encouraging data and regulatory feedback reinforcing our belief in the potential of *bexmarilimab* to address a very important clinical need. Our meeting with the FDA to discuss the registrational clinical development plan for *bexmarilimab* was highly favorable, with a proposal that significantly reduces development costs and timelines to bring *bexmarilimab* therapy to all HR MDS patients in an accelerated fashion."

"Despite some financial challenges earlier in the year, we have significantly strengthened our balance sheet and are now in a strong position. Everything is progressing as planned and our focus is to ensure that we are armed with adequate resources to be able to meet our objectives of completing Phase II of the BEXMAB trial and optimizing the outcome of partnering with Phase II data. There remains an urgent unmet medical need for new treatment options for MDS patients, and we are committed to rapidly advancing *bexmarilimab* through clinical development, to bring it to patients as soon as possible."

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.*

- The BEXMAB phase I results have already indicated a high ORR of 87.5% (7/8) amongst HMA-failed MDS patients treated with a combination of *bexmarilimab* and azacitidine, and the study progressed into Phase II in this population.
- There was a total of 14 HMA-failed MDS patients treated in both phase I and II with this novel combination by May 2024.
- The ORR in this otherwise untreatable population was 79% (11/14). The current true remission rate was 64% (9/14).
- For The BEXMAB phase I MDS patients with prior HMA failure with adequate follow-up available the estimated mOS was 13.4 months compared to the 5-6 months that would typically be expected under standard of care historically.
- Further analysis of the patient profiles of the BEXMAB trial showed that patients had experienced disease progression following previous treatment with azacitidine monotherapy or combinations of up to four therapies that included azacitidine or decitabine with magrolimab, venetoclax and sabatolimab.

Corporate Highlights

- The cash position has been 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.
- 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.
- Mr. Yrjö Wichmann was appointed as the Company's interim Chief Financial Officer (CFO, Int.) 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 financial executive with over 20 years' experience in financing and investment banking. In August 2024, Mr. Wichmann was appointed as the Company's permanent Chief Financial Officer.
- 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.*

Financial highlights

- 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.

Post period events

- The FDA granted *bexmarilimab* a Fast Track Designation (FTD) for the treatment of relapsed or refractory myelodysplastic syndrome (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 study 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.
- 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.
- Mr. Yrjö Wichmann was appointed as the Company's Chief Financial Officer (CFO), having served as Faron's interim CFO since April 2024.

Half-Year Financial Results

- Cash balances of EUR 30.0 million on June 30, 2024 (2023: EUR 6.3 million).
- Operating loss of EUR 11.3 million for the six months ended June 30, 2024 (2023: EUR 12.8 million).
- Net assets of EUR 1.4 million on June 30, 2024 (2023: EUR -9.5 million).
- The cash position has been strengthened with a convertible loan issuance and two share placements successfully raising a total of EUR 35.5 million (gross)
- On June 30, 2024, the Company had outstanding borrowings of EUR 8.9 million under a loan facility with IPF 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 30 June 2024, and 27 August 2024, the Company was in compliance with all covenants while holding cash balances of EUR 30.0 million. The cash held by the Group together with known receivables will be sufficient to support the current level of activities until the end of Q1 2025.

Consolidated key figures, IFRS

EUR'000	**Unaudited 1-6/2024 6 months**	**Unaudited 1-6/2023 6 months**	**Audited 1-12/2023 12 months**
Revenue	0	0	0
Other operating income	0	0	0

Research and Development expenses	(6 662)	(8 518)	(19 542)
General and Administrative expenses	(4 628)	(4 294)	(9 026)
Loss for the period	(14 395)	(13 730)	(30 944)

	Unaudited 1-6/2024 6 months	**Unaudited 1-6/2023 6 months**	**Audited 1-12/2023 12 months**
Loss per share, EUR	(0.20)	(0.22)	(0.48)
Number of shares at end of period	104 624 864	66 161 373	68 786 699
Average number of shares	70 452 291	62 985 028	65 055 036

EUR'000	**Unaudited 30 Jun 2024**	**Unaudited 30 Jun 2023**	**Audited 31 Dec 2023**
Cash and cash equivalents	29 979	6 315	6 875
Equity	1 379	(9 483)	(15 160)
Balance sheet total	35 460	12 836	10 220

Conference call information
A hybrid briefing and Q&A session for investors, analysts and media will be hosted by Dr. Juho Jalkanen, Chief Executive Officer, and Yrjö Wichmann, Chief Financial Officer, tomorrow 28 August 2024, at 8:00 am (EST) / 1:00 pm (BST) / 3:00 pm (EEST).

Webcast registration link: https://faron.videosync.fi/q2-2024

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) state, upregulating interferon production and priming the immune system to attack tumors and sensitizing cancer cells to standard of care.

About BEXMAB

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

About Faron Pharmaceuticals Ltd.

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

Forward-Looking Statements

Certain statements in this announcement are, or may be deemed to be, forward-looking statements. Forward-looking statements are identified by their use of terms and phrases such as ''believe'', ''could'', "should", "expect", ''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 Company's current expectations and assumptions regarding the completion and use of proceeds from the Offering, 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 Company's current beliefs and assumptions and are based on information currently available to the Company.

A number of factors could cause actual results to differ materially from the results and expectations dis-cussed 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 licence its programmes, 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 Company believes 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

Following a challenging spring, Faron has ended the first half of 2024 in a very strong position, both financially and from a clinical development perspective. We've continued to see extremely encouraging data from our ongoing BEXMAB trial and now, with adequate resources secured, we can fully commit and concentrate on our most important task of progressing *bexmarilimab* through phase II trials in order to bring this important treatment to market, and to patients, as quickly as possible.

Bexmarilimab

Driving the clinical development of *bexmarilimab* continues to be Faron's top priority. We reached a significant milestone in January this year when we dosed the first patient in phase II of the BEXMAB trial which is evaluating the safety and efficacy of *bexmarilimab*, in combination with SoC in patients with HMA r/r MDS, an aggressive myeloid leukemia with very few treatment options. We have continued to make good progress in the trial and in May this year, we announced initial positive phase II data, confirming our earlier positive phase I findings.

The BEXMAB phase I results had already indicated a high overall response rate (ORR) of 87.5% (7/8) amongst HMA-failed MDS patients treated with a combination of *bexmarilimab* + azacitidine. In May there were a total of 14 HMA-failed MDS patients treated in both phase 1 & 2 with this novel combination. The treatment has been well tolerated, without any dose-limiting toxicity. The ORR in this otherwise untreatable population is 79% (11/14). The current true remission rate is 64% (9/14). Similar size patient cohorts treated with existing alternatives have reported 0-20% ORR, without deep and durable remissions. For phase I patients with adequate follow-up available the estimated median overall survival (mOS) in May to be 13.4 months, which is still subject to change.

R/r MDS represents a significant therapeutic challenge and, based on the data gathered to date, we believe that *bexmarilimab* has the potential to fill a very important clinical gap and save and improve the lives of HMA-failed MDS patients.

Post period, we were particularly pleased to announce the outcome of our formal Type D Scientific Advice Meeting with the FDA regarding the registrational study plan for *bexmarilimab* in r/r HR MDS. Given the previously reported promising trial results, Faron had proposed to move into a randomized registrational phase III study for the treatment of r/r MDS using *bexmarilimab* + azacitidine against the investigator's choice of a HMA. Instead, given the encouraging efficacy already seen in both frontline and r/r HR MDS and the well-established safety profile of *bexmarilimab*, the FDA proposed that after the ongoing phase II BEXMAB study in r/r MDS, Faron should move directly into a registrational blinded randomized frontline HR MDS study investigating *bexmarilimab* + azacitidine against placebo + azacitidine.

Subject to continued positive results, the FDA's feedback means that a separate phase III in r/r MDS would not be required and Faron's ongoing BEXMAB phase II study could be the registrational trial for patients with r/r MDS.

This highly positive feedback exceeded our expectations, and we are now adjusting our development plan accordingly. The FDA's proposal significantly reduces development costs and timelines to bring *bexmarilimab* therapy to all HR MDS patients, and underlines the high unmet need in HR MDS, a condition for which new treatment options are urgently needed.

We have made a number of changes to our leadership team and Board during the period, including the appointment of a new CEO and Chairman, and post-period CMO and CFO, building and strengthening the existing strong track record of the team, bringing leading expertise to support the Company's continued progress. We would like to extend our deep gratitude to Dr. Markku Jalkanen, who retired as CEO earlier this year. Under his leadership, Faron has grown significantly, and we would like to acknowledge his efforts and commitment in progressing *bexmarilimab* through the clinic.

Financial review

Statement of comprehensive income

The operating loss for the six months ended 30 June 2024, was EUR 11.3 million (six months ended 30 June 2023: loss of EUR 12.8 million). No revenue was generated during the period or prior period. Research and development expenses decreased by EUR 1.8 million to EUR 6.7 million (2023: EUR 8.5 million). General and administrative expenses increased by EUR 0.3 million to EUR 4.6 million (2023: EUR 4.3 million).

The loss for the period was EUR 14.4 million (2023: loss of EUR 13.7 million) and the basic and diluted loss per share was EUR 0.20 (2023: loss per share of EUR 0.22).

Statement of financial position and cash flows
As of 30 June 2024, net assets amounted to EUR 1.4 million (30 June 2023: EUR -9.5 million). The net cash flow for the first six months in 2024 was EUR 23.1 million (2023: EUR –0.7 million). As of 30 June 2024, total cash and cash equivalents held were EUR 30.0 million (2023: EUR 6.3 million).

Corporate
Faron's Annual General Meeting (AGM) was held on 5 April 2024 in Turku. 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 five. Tuomo Pätsi, Markku Jalkanen, John Poulos, Marie-Louise Fjällskog and Christine Roth were re-elected to the Board for a term that ends at the end of the next AGM. The AGM also resolved to establish a Shareholders' Nomination Board for the Company and its Charter as proposed by the Board was adopted. Authorization to the Board to decide on the issuance of twenty million shares, options or other special rights entitling to shares and conveyance of up to the same maximum number of treasury shares in the possession of the Company was granted to the Board. This authorization remains valid until 30 June 2025. In addition, the AGM authorized the Board to resolve on issuances of shares in connection with a larger share issuance, which authorization contains the right to issue new shares or dispose of the Company's own shares in the possession of the Company in the amount on thirty million. This authorization was utilized in June when the Company organized a public offer of its shares.

Summary & outlook
During the remainder of 2024, our focus continues to be the progression of *bexmarilimab* through clinical development. We are looking forward to reporting further data from the ongoing phase II part of the BEXMAB trial in H2. We are also adjusting our clinical development plan for *bexmarilimab* following feedback from the FDA, and we will announce further details on that in due course. We are also actively continuing discussions with potential partners to take *bexmarilimab* into phase III and approval.

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. Juho Jalkanen
Chief Executive Officer

Mr. Tuomo Pätsi
Chairman

Consolidated Income Statement, IFRS

EUR'000	**Unaudited 1-6/2024 6 months**	**Unaudited 1-6/2023 6 months**	**Audited 1-12/2023 12 months**
Revenue	0	0	0
Other operating income	0	0	0
Research and development expenses	(6 662)	(8 518)	(19 542)
General and administrative expenses	(4 628)	(4 294)	(9 026)
Operating loss	**(11 290)**	**(12 812)**	**(28 568)**
Financial income	1 292	0	233
Financial expense	(4 350)	(918)	(2 609)
Loss before tax	**(14 349)**	**(13 730)**	**(30 944)**
Tax expense	-46	(0)	0
Loss for the period	**(14 395)**	**(13 730)**	**(30 944)**
Translation difference	11	0	2
Comprehensive loss for the period attributable to the equity holders of the Parent company	**(14 384)**	**(13 730)**	**(30 942)**
Loss per ordinary share			
Basic and diluted loss per share, EUR	*(0.20)*	*(0.22)*	*(0.48)*

Consolidated Balance Sheet, IFRS

EUR'000	Unaudited 30 Jun 2024	Unaudited 30 Jun 2023	Audited 31 Dec 2023
Assets			
Non-current assets			
Machinery and equipment	3	10	6
Right-of-use-assets	344	272	198
Intangible assets	1 086	1 127	1 088
Prepayments and other receivables	60	60	60
Total non-current assets	**1 494**	**1 469**	**1 352**
Current assets			
Prepayments and other receivables	3 987	5 052	1 992
Cash and cash equivalents	29 979	6 315	6 875
Total current assets	**33 966**	**11 367**	**8 868**
Total assets	**35 460**	**12 836**	**10 220**

EUR'000	Unaudited 30 Jun 2024	Unaudited 30 Jun 2023	Audited 31 Dec 2023
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	184 866	144 778	154 352
Accumulated deficit	(186 181)	(156 955)	(172 208)
Translation difference	3	2	4
Total equity	**1 379**	**(9 483)**	**(15 160)**
Provisions			
Other provisions	0	0	0
Total provisions	**0**	**0**	**0**
Non-current liabilities			
Borrowings	8 706	10 892	9 423
Lease liabilities	239	163	50
Other liabilities	1 643	702	895
Total non-current liabilities	**10 588**	**11 757**	**10 369**
Current liabilities			
Borrowings	3 672	2 304	3 475
Lease liabilities	105	119	163
Trade payables	17 473	6 002	8 971
Accruals and other current liabilities	2 243	2 137	2 403
Total current liabilities	**23 493**	**10 562**	**15 012**
Total liabilities	**34 081**	**22 319**	**25 380**
Total equity and liabilities	**35 460**	**12 836**	**10 220**

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 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 Parent company					
Issue of ordinary shares	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)**
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 (Audited)	**2 691**	**154 352**	**4**	**(172 208)**	**(15 160)**
Comprehensive loss for the last six months 2024	0	0	11	(14 395)	(14 384)
Transactions with equity holders of the Company					
Issue of ordinary shares, net of transaction costs	0	30 514	0	0	30 514
Share-based compensation	0	0	0	369	369
	0	30 514	11	(14 026)	16 499
Balance as at 30 June 2024 (Unaudited)	**2 691**	**184 866**	**15**	**(186 234)**	**1 338**

Consolidated Cash Flow Statement, IFRS

€'000	Unaudited 1-6/2024 6 months	Unaudited 1-6/2023 6 months	Audited 1-12/2023 12 months
Cash flow from operating activities			
Loss before tax	(14 349)	(13 730)	(30 944)
Adjustments for:			
Received grants	0	(0)	(33)
Depreciation and amortization	158	174	346
Change in provision	0	(158)	(158)
Financial items	3059	918	2376
Tax expense	0	0	0
Share-based compensation	369	489	2450
Adjusted loss from operations before changes in working capital	(10 764)	(12 308)	(25 963)
Change in net working capital:			
Prepayments and other receivables (increase -)	(2 127)	1 028	300
Trade payables (increase +)	5 557	(8)	2 994
Other liabilities (increase +)	(593)	(272)	(50)
Cash used in operations	(7 926)	(11 561)	(22 719)
Income taxes paid	(150)	0	0
Transaction costs related to loans and borrowings	0	0	(0)
Interest received	0	0	243
Interest paid	(617)	(782)	(1 330)
Net cash used in operating activities	**(8 693)**	**(12 343)**	**(23 806)**
Cash flow from investing activities			
Payments for intangible assets	(123)	(68)	(123)
Payments for tangible assets	0	0	(0)
Net cash used in investing activities	**(123)**	**(68)**	**(123)**
Cash flow from financing activities			
Proceeds on issue of shares	35 500	12 077	26 031
Share issue transaction cost	(498)	(648)	(1 190)
Proceeds from borrowings	3 200	64	64
Repayment of borrowings	(5 314)	0	(861)
Transaction and structuring fees of borrowings	(750)	0	(400)
Proceeds from grants	(28)	382	481
Payment of lease liabilities	(337)	(84)	(142)
Net cash from financing activities	**31 773**	**11 791**	**23 983**
Net increase (+) / decrease (-) in cash and cash equivalents	23 103	(675)	(114)
Effect of exchange rate changes	(145)	(55)	(168)
Cash and cash equivalents at 1 January	6 876	6 990	6 990
Cash and cash equivalents at the end of period	**29 979**	**6 315**	**6 876**

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 2.21 of the Financial Statement of 2023 Annual Report.

The unaudited interim financial report incorporates the parent company, Faron Pharmaceuticals Ltd, and all subsidiaries (the "Group").

All amounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest euro thousand.

2.2. Going concern

The Group has forecasted its estimated cash requirements over the next twelve months. To make these forecasts the Group has made 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 2024.

The Group has taken several actions to secure further financing. 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 2024 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 30 June 2024, the Company had outstanding borrowings of EUR 8.9 million under a loan facility with IPF Partners which is subject to financial covenants. The financial covenants are minimum cash covenant and gross gearing covenant. The cash covenant obliges the to maintain a minimum cash balance of EUR 6.0 million while maintaining three months cash burn rate, historically or on forward looking basis. In May 2024 the Company agreed in advance with IPF a deviation to the required level of the minimum cash covenant until the end of October 2024. The gross gearing covenant (which may not exceed 25 per cent at any time) is calculated as the ratio of borrowings to market capitalisation and when determining the "borrowings", the aggregate principal amount of the financial indebtedness of the group will be taken into account save for any financial indebtedness owed by a member of the group to another member of the group or R&D loans to Business Finland. The level of the minimum cash covenant is linked to the level of the gross gearing covenant so that it is either the three-month or six-month cash burn. At 30 June

2024 the Company was in compliance with all covenants while holding cash balances of EUR 30.3 million. The cash held by the Group together with known receivables will be sufficient to support the current level of activities until the end of Q1 2025.

3. Subsequent events

In its meeting on 26 August 2024, the Board of Directors of the Company approved the publishing of this interim financial report.