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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 ("MAR") AND ARTICLE 7 OF MAR AS IT FORMS PART OF DOMESTIC LAW IN THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("UK MAR").

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

Inside Information:
Announcement of Placing of Newly Issued Treasury Shares to Raise EUR 4.8 Million and of
PDMR Dealings

Company announcement, 4 April 2024 at 7:00 a.m. BST/ 9:00 a.m. EEST
Inside information

Key highlights

- The Company has conducted a private placement directed to a limited number of institutional and other investors to raise EUR 4.8 million to secure the required and previously communicated short-term bridge financing totalling EUR 8 million (incl. the EUR 3.2 million convertible loan announced on 4 March 2024).
- Upon receipt of these proceeds, the Company continues to satisfy the required covenant levels and expects to have sufficient working capital into June 2024.
- The Placing was supported by both new and existing shareholders such as European Innovation Council (EIC Fund) and other Finnish and international investors.
- To complete the enrolment of the phase 2 of the BEXMAB study with interim and final readouts and to obtain regulatory feedback from the FDA between now and Q1/2025, the Company expects to need an additional EUR 27 million in total (accounting for the raised EUR 8 million in early March and this Placing).
- The Company continues active endeavours and preparations to secure longer term funding. The Company's Board of Directors has proposed to the Annual General Meeting scheduled to be held on 5 April 2024 an authorization for a larger share issuance contemplated to be launched as a public offering (with planned allocation preferences to existing shareholders and bridge finance lenders) as soon as practicable once the required preparations and approvals are in place. The targeted size of the contemplated share issue is planned to be set accordingly, to meet cash runway needs for 2024.

TURKU, FINLAND / BOSTON, MA Faron Pharmaceuticals Ltd (First North: FARON, AIM: FARI, a clinical stage biopharmaceutical company pioneering macrophage reprogramming for effective anticancer immunotherapies, today announces that it has conducted a placement of 3,200,298 newly issued treasury shares ("**Placing Shares**") to raise EUR 4.8 million before expenses to a limited number of institutional investors and other investors ("**Placing**"). Upon receipt of these proceeds, the Company continues to satisfy the required covenant levels and expects to have sufficient working capital into June 2024. Carnegie Investment Bank AB (publ), Finland Branch is acting as sole bookrunner and lead manager in the Placing.

The Placing was carried out as a private placement by way of a firm placement of Placing Shares to a limited number of institutional and other investors. To implement the Placing, the Board of Directors of Faron (the "**Board**") has decided to issue 3,200,298 shares to Faron itself without consideration ("**Treasury Shares**") and, subject to the registration of the Treasury Shares, further convey such Treasury Shares as Placing Shares to the participating investors. The subscription price per Placing Share of EUR 1.50 (the "**Issue Price**") represents a 11.2 % discount to the close price on 3 April 2024 on Nasdaq Helsinki First North ("**First North**"). The settlement of the Placing (delivery against payment) trades is expected to complete on or around 9 April 2024. The Placing was supported by both new and existing shareholders such as European Innovation Council (EIC Fund) and other Finnish and international investors.

"This fundraise will enable us to meet our immediate financing needs and continue our ambitious bexmarilimab development program, with a focus on delivering next milestones," said Dr. Markku Jalkanen, Chief Executive Officer of the Company.

"These funds are part of the larger financing plan to secure cash runway into beginning of 2025 and to complete Phase II study and receive FDA's guidance for the pivotal study part. We would like to thank all our investors for their support in developing this novel immunotherapy, especially for myeloid leukemia with very few treatment options".

As was announced by the Company on 4 March 2024 following its receipt of the EUR 3.2 million binding commitments for convertible loans to secure the Company's immediate short-term financing needs until the end of March 2024 and allowing the Company to make critical payments to third parties under agreed waiver ("**Waiver**") with IPF Fund II SCA, SICAV-FIAR ("**IPF**"), the Company has continued active endeavours to secure its short and longer-term financing needs. The now announced Placing covers the required and previously communicated short-term bridge financing totalling at least EUR 8 million (incl. the EUR 3.2 million convertible loan announced on March 4, 2024) to secure continued compliance with the cash covenants agreed in the Waiver. As part of the Waiver, the minimum cash covenant remains at the lowered level of EUR 4.5 million until 30 April 2024 and thereafter it returns to the previously agreed level (being the higher of the Company's cash runway for the past three (3) calendar months and the Company's expected cash runway for the following three (3) calendar months). The Company continues active endeavours and preparations to secure longer term funding.

As previously announced, the Board has proposed to the Annual General Meeting scheduled to be held on 5 April 2024 an authorization for a larger share issuance contemplated to be launched as a public offering (with planned allocation

preferences to existing shareholders and bridge finance lenders including conversion of loans) (the "**Public Offering**") as soon as practicable once the required preparations and approvals are in place. The receipt of long-term financing is necessary to secure funding for 2024 and especially the uninterrupted continuation of the Company's BEXMAB study to full read out of the Phase II study and FDA feedback on registrational study design during 2024. The targeted size of the contemplated Public Offering is planned to be set accordingly, to meet these cash runway needs for 2024. The Company is also evaluating and continuously negotiating several business development alternatives that may result in non-dilutive funding.

USE OF PROCEEDS

Faron has completed an overall cost reduction plan that eliminated over 20% of operating expenses including a 25% reduction in employee-related expenditure. Cash burn for the first half of 2024 is estimated at EUR 2.5 million per month declining to approximately EUR 2.0 million per month in the second half of the year.

Key activities

- Continuation of BEXMAB Phase 2 Study.
- Obtaining FDA advice on registrational Study design.
- Maintaining GMP status for manufactured *bexmarilimab* and preparing it for registrational Trial.
- Short term funding needs to satisfy the IPF covenant and bridge operations into June 2024 before a long-term financing is in place.
- Short term IPF related financing costs.

DETAILS OF THE PLACING AND SHARE ISSUES

The Placing is carried out within the authorization granted to the Board by shareholders at the Company's Annual General Meeting held on 24 March 2023 to issue up to 12,500,000 new shares in aggregate in the Company, as well as the conveyance of up to the same maximum number (twelve million five hundred thousand (12,500,000)) of treasury shares in the possession of the Company, including the right to deviate from the shareholders' pre-emptive subscription right. The Company has decided to first issue the Treasury Shares to itself without consideration and then immediately convey such Treasury Shares as Placing Shares to the participating investors against their payment of the Issue Price (delivery against payment of the Issue Price in full).

A total of 3,200,298 Treasury Shares (representing approximately 4.7 per cent of all the issued shares and votes in the Company immediately prior to the Placing) have been issued and registered in the Finnish Trade Register today on 4 April 2024. Following the issuance, the aggregate number of ordinary shares in the Company is 72,007,497. As a part of the Placing, the 3,200,298 Placing Shares are further conveyed to investors with payment and settlement (delivery against payment of the Issue Price in full) expected to be completed on or about 9 April 2024. The Placing Shares confer a right to dividends and other shareholder rights from the payment and settlement to investors. One Placing Share entitles the holder to one vote in the general meeting of the Company (save for the Annual General Meeting scheduled to be held on 5 April 2024, the record date of which was 22 March 2024). Following, and subject to, the completion of the settlement in full, the Company will have no shares in treasury and therefore, the total number of voting rights in Faron will be 72,007,497 (the "**New Number of Shares and Votes**"). This figure may be used by shareholders as the denominator for the calculations by which they will determine whether they are required to notify an interest in, or a change to their interest in, the New Number of Shares and Votes of the Company.

Furthermore, to align the Issue Price to the possibly lower subscription price per share to be applied in the potential Public Offering or (in the absence of the Public Offering) other equity round completed before 10 June 2024 (the "**Other Equity Round**"), subject to the Annual General Meeting scheduled to be held on 5 April 2024 making the required resolutions and granting the authorisation, and the Company completing such Public Offering or Other Equity Round, the Company would, in connection with (or following) the Public Offering or the Other Equity Round grant the subscribers in the Placing either new shares in the Company free of charge or other instruments to achieve the same net effect from both the Company's and the said subscribers' perspective. Such additional shares or other instruments would be granted as soon as practicable after the completion of the Public Offering or the Other Equity Round, estimated on or about 15 June 2024.

In assessing the Placing and its terms and concluding that there are weighty financial and value creation reasons for the Company to deviate from the shareholders' pre-emptive subscription right, the Board has carefully assessed the timing, structure, size, price, participants and other terms of the Placing from the Company's and all of its shareholders' perspective, also in light of e.g. available alternatives, consultation and market feedback received, as well as the information, circumstances, timing, needs and planned action to secure the required short and long term financing previously and consistently announced and updated by the Company.

As previously announced by the Company on 28 March 2024 and 18 November 2022, respectively, the Company has issued to IPF special rights which entitle them to subscribe for new ordinary shares in the Company ("**Warrants**"). Pursuant to the terms and conditions of the Warrants, the subscription price per share on the exercise of a) a total of 319,944 Warrants shall be the lower of either EUR 1.85 (equivalent to issue price of the placing announced by the Company on 14 October 2022) or the subscription price per share in any subsequent share offering undertaken by the Company and b) a total of 613,496 Warrants shall be the lower of either EUR 1.63 (equivalent to the terms of a waiver received from IPF) or the subscription price per share in any subsequent share offering undertaken by the Company. As the Issue Price is EUR 1.50, the subscription price per share of the aforementioned aggregate amount of 933,440 Warrants shall be adjusted to EUR 1.50. The Company has also resolved to issue an additional 53,570 Warrants to IPF (with the same subscription price per share of EUR 1.50).

Further, pursuant to the terms of the warrant holder agreement entered into between the Company and IPF as announced on 28 March 2024, the number of warrants to be issued to IPF (currently 613,496 Warrants) may be further increased upon (and subject to) agreed adjustment events so that the total number of new shares in the Company (issued as a result of the exercise of the increased number of warrants) multiplied by the (adjusted) subscription price per share in any subsequent share offering undertaken by the Company is equal to EUR 1,000,000 (minus any amounts already paid). The Company will separately publish an announcement on the issuance of the additional warrants.

ADMISSION

The Company will make applications for the admission of the Placing Shares to trading on First North and AIM with said admissions expected to become effective and trading to commence on or around 9 April 2024 (the "**Admissions**").

RELATED PARTY AND PDMR DEALING

Timo Syrjälä, an existing shareholder in the Company, has subscribed for and been allocated 133,333 Placing Shares in aggregate (subscribed for by himself and through Acme Investments SPF Sarl ("**Acme**"), an entity wholly owned by Mr. Syrjälä), for an aggregate subscription value of approximately EUR 0.2 million at the Issue Price. Following the completion of the Placing, Mr. Syrjälä's total holding in the Company's shares, which includes his indirect holding through Acme, will be 13,432,335 shares, representing 18.65 per cent of the issued shares and votes of the Company following the Placing. Mr. Syrjälä is a "Substantial Shareholder" in the Company for the purposes of the AIM Rules for Companies (the "**AIM Rules**"). His subscription for Placing Shares pursuant to the Placing is a related party transaction for the purposes of the AIM Rules. The Directors of the Company, all of whom are independent of Mr. Syrjälä, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the participation by Mr. Syrjälä in the Placing to be fair and reasonable insofar as shareholders are concerned.

In addition, Markku Jalkanen and Tuomo Pätsi, directors of the Company, as well as Scientific Advisor Sirpa Jalkanen have subscribed for 33,333, 13,333 and 33,333 shares respectively. Their beneficial interests in the issued shares and votes of the Company are set out below:

	Before the Placing			Following the Placing	
Director	Number of ordinary shares held	% of issued shares and votes	Number of Placing Shares subscribed for	Number of ordinary shares held	% of issued shares and votes
Markku Jalkanen	2,175,266	3.16	33,333	2,208,599	3.07
Sirpa Jalkanen	1,138,168	1.65	33,333	1,171,501	1.63
Tuomo Pätsi	11,765	0.02	13,333	25,0980	0.03

The participation of Markku Jalkanen and Tuomo Pätsi ("**Directors' Participation**") in the Placing constitute related party transactions for the purposes of the AIM Rules. The independent directors for the purpose of the Directors' Participation, being Dr Frank Armstrong, John Poulos, Christine Roth, Marie-Louise Fjällskog and Erik Ostrowski, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the Directors' Participation in the Placing to be fair and reasonable insofar as shareholders are concerned.

Notification of a Transaction pursuant to Article 19(1) of Regulation (EU) No. 596/2014						
1 Details of the person discharging managerial responsibilities/person closely associated						
a.	Name	a) Markku Jalkanen b) Sirpa Jalkanen c) Tuomo Pätsi				
2 Reason for notification						
a.	Position/Status	Directors				
b.	Initial notification/ Amendment	Initial Notification				
3 Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor						
a.	Name	Faron Pharmaceuticals Oy				
b.	LEI	7437009H31TO1DC0EB42				
4 Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted						
a.	Description of the financial instrument, type of instrument Identification Code	Ordinary shares ISIN: FI4000153309				
b.	Nature of the transaction	Purchase of ordinary shares				
c.	Price(s) and volume(s)	<div>Average</div> <table border="1"> <tr> <th>Price(s)</th> <th>Volume(s)</th> </tr> <tr> <td>a) 1.50 b) 1.50 c) 1.50</td> <td>a) 33,333 b) 33,333 c) 13,333</td> </tr> </table>	Price(s)	Volume(s)	a) 1.50 b) 1.50 c) 1.50	a) 33,333 b) 33,333 c) 13,333
Price(s)	Volume(s)					
a) 1.50 b) 1.50 c) 1.50	a) 33,333 b) 33,333 c) 13,333					
d.	Aggregated					

	Additional information - Aggregated Volume - Price	79,999 1.50
e.	Date of the transaction	3 April 2024
f.	Place of the transaction	Nasdaq First North Growth Market

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About BEXMAB

The BEXMAB study is an open-label Phase 1/2 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 Bexmarilimab

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

About Faron Pharmaceuticals Ltd.

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

Caution regarding 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 Directors' current expectations and assumptions regarding the completion and use of proceeds from the Placing, 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 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 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.

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