Faron Pharmaceuticals Ltd | Company announcement | December 11, 2025 at 10:30:00 EET

TURKU, FINLAND â€“ Faron Pharmaceuticals Ltd. (AIM: FARN, First North: FARON, â€œFaronâ€ or the â€œCompanyâ€), a clinical-stage biopharmaceutical company developing novel immunotherapies, announced on 3 April 2025 that the Company has entered into a subscription agreement (the â€œSubscription Agreementâ€) with an entity managed by Heights Capital Management, Inc. (â€œHCMâ€) regarding the issuance and subscription of amortising senior unsecured convertible bonds with an aggregated principal amount of EUR15 million (the â€œFirst Tranche Bondsâ€) with an option to issue, subject to certain conditions, two additional tranches of convertible bonds (the â€œSecond Tranche Bondsâ€ and â€œThird Tranche Bondsâ€, respectively) with an aggregated principal amount of EUR10 million each, convertible into new and/or existing shares in the Company (the â€œSharesâ€) (the â€œArrangementâ€).

The Company announced on 24 November 2025 that it intends to issue the Second Tranche Bonds and had requested subscription by HCM of the Second Tranche Bonds.

Pursuant to the Subscription Agreement, the Board of Directors of Faron (the â€œ**Board**â€) has resolved upon the issuance of EUR10 million of Second Tranche Bonds, due 2 December 2028, to HCM, convertible into new and/or existing Shares in the Company.

The proceeds from the Second Tranche Bonds will be used for general corporate purposes, extending the Companyâ€™s cash runway into Q2 2026, assuming that amortisations and interest payments on the Second Tranche Bonds, as well as the First Tranche Bonds, are made in Shares. The proceeds from the issuance of the Second Tranche Bonds will strengthen the Companyâ€™s financial position and give the Company financial flexibility to run its operations while conducting the needed business activities ahead of the registrational study in HR MDS. In addition, the proceeds from the Second Tranche Bonds will enable the Company to continue evaluating further business transactions, such as licensing agreements, with a stronger financial position.

The Board has conducted an overall assessment of the issuance of the Second Tranche Bonds, considering its key terms and commercial merits, the reputable standing of HCM as well as other explored financing alternatives potentially available to the Company, and concluded that the directed issuance of the Second Tranche Bonds, including the Special Rights (as defined below) to be attached to the bonds, to HCM is in the best interest of the Company and all of its shareholders, and that there is a weighty financial reason for the Company to issue the Special Rights to HCM.

The Convertible Bonds

The Second Tranche Bonds consist of 100 bonds with a principal value of EUR100,000 each. The Second Tranche Bonds will be issued at 92.5 per cent of their principal amount and carry an interest rate of 7.5 per cent per annum, payable every two months in arrears.

A holder of the Second Tranche Bonds shall be able to convert the outstanding principal amount of a Second Tranche Bond or any instalment amount at any time during the term of the Second Tranche Bonds. The initial conversion price (the â€œ**Conversion Price**â€, as further defined in terms and conditions of the Second Tranche Bonds, (the â€œ**Second Tranche Conditions**â€)) has been set at EUR 2.42256, which equals a 20 per cent premium to the reference share price of EUR 2.0188 pursuant to the Second Tranche Conditions, being the EUR price per Share that is the lowest of the six Volume Weighted Average Prices of a Share listed on Nasdaq First North Growth Market Finland on each of the six consecutive dealing days ending on (and including) 9 December 2025, being the date on which the Second Tranche Bonds are issued (the â€œ**Issue Date**â€). The Conversion Price is subject to adjustments in the event of certain corporate actions as well as customary anti-dilution adjustments and certain price reset mechanisms pursuant to the Second Tranche Conditions. As the Second Tranche Bonds are issued on substantially the same terms as the First Tranche Bonds, corresponding adjustments and price reset mechanisms are applied also to the First Tranche Bonds.

The Second Tranche Bonds will amortise in 18 equal instalments every two months during the term of the Second Tranche Bonds (each an â€œ**Amortisation Payment Date**â€). Faron will have the option to elect, in its sole discretion, to make amortisation and/or interest payments either in cash or by converting the relevant amounts due into Shares (the â€œ**Share Settlement Option**â€). In case the Company exercises its Share Settlement Option to amortise the principal amount of the Second Tranche Bonds, the subscription price for the Shares will be the lower of (a) the Conversion Price in effect at the time, and (b) 90 per cent of the lowest of (i) the VWAP of a Share on the relevant payment date, and (ii) the lowest of the VWAPs of a Share on each of the five consecutive dealing days ending on (and including) the dealing day immediately preceding the relevant payment date.

The Board has, in light of the frequent amortisations and need to secure continuous adherence with the Market Abuse Regulation obligating the Company to make payments in Shares in certain situations, resolved to make amortisations and interest payments by exercising its Share Settlement Option, unless it separately decides to make payments in cash. Pursuant to the Second Tranche Conditions, the exercise of the Share Settlement Option is subject to certain liquidity conditions and HCMâ€™s (including its affiliates) or any other bondholderâ€™s ownership in the Company not exceeding 9.99 per cent of the Shares at any time.

The Company will publish an announcement each time the number of outstanding Shares in the Company increases following the issuance of Shares pursuant to the Second Tranche Bonds.

In addition to the scheduled amortisation payments, HCM (or any future holders of the majority of the Second Tranche Bonds) may, at any time between scheduled amortisations, exercise their right to bring forward up to two (2) additional amortisation payments (an â€œ**Accelerated Amortisation**â€) to be paid in advance on a date specified in a notice sent to the Company, with a limit of no more than nine (9) Accelerated Amortisations in the first year of the term of the Second Tranche Bonds. Additionally, HCM (or any future holders of the majority of the Second Tranche Bonds) will also have the right to defer any upcoming amortisation payment to be paid on a later Amortisation Payment Date specified in the notice sent to the Company.

The exercise of the bondholdersâ€™ right to convert the Second Tranche Bonds into Shares as well as the exercise of the Companyâ€™s Share Settlement Option will be effected by the bondholders exercising special rights entitling into Shares, as referred to in Chapter 10 of the Finnish Companies Act (â€œ**Special Rights**â€), issued in connection with the issuance of the Second Tranche Bonds. The Special Rights will be attached to the Second Tranche Bonds, and the subscription price for the Shares to be subscribed for pursuant to the Special Rights (in accordance with the Second Tranche Conditions) will be paid by setting off the Companyâ€™s debt to pay relevant amounts due under the Second Tranche Bonds.

The Second Tranche Conditions include certain covenants and undertakings by the Company, including a negative pledge provision and restrictions to the incurrence of additional indebtedness as well as on the conduct of business by the Company such that it may only carry on matters in the ordinary course of business and not enter into certain transactions such as mergers, demergers or reorganisations, or disposal of assets, except in relation to any partnering or licensing arrangements related to development of its business, or on terms approved by the majority bondholders.

Special Rights attached to the Second Tranche Bonds

In connection with the issuance of the Second Tranche Bonds, the Board has resolved, based on the authorisation granted by the General Meeting held on 21 March 2025, to issue 9,234,100 Special Rights. The Special Rights are issued in deviation from the shareholdersâ€™ pre-emptive rights (directed issue) without consideration to HCM as the initial subscriber of the Second Tranche Bonds. The Special Rights are attached to the Second Tranche Bonds and cannot be separated from them. Should HCM use its right to transfer Second Tranche Bonds, the Special Rights attached to the relevant bonds that have not been exercised at the time of the transfer would be simultaneously transferred to the new bondholder.

A total of 92,341 Special Rights will be attached to each Second Tranche Bond with a principal value of EUR 100,000. Each Special Right entitles to one (1) new or existing Share of the Company. Should all Second Tranche Bonds be converted into Shares at the initial Conversion Price EUR 2.42256 (assuming no amortisation and/or interest payments have been made), the number of new Shares to be issued by the Company pursuant to the Special Rights would be 4,127,864 Shares, corresponding to approximately 3.5 per cent of the current total amount of Shares in the Company. If the Conversion Price is adjusted, as set out in the Second Tranche Conditions, the Company may be obligated to issue further Special Rights in which case the Board will resolve upon said issuance in accordance with the relevant provisions in the Finnish Companies Act.

The Special Rights may only be exercised, and Shares may only be issued pursuant to such exercised Special Rights, in accordance with the Second Tranche Conditions.

Additionally, in order to prepare especially for any advanced amortisation situations, the Companyâ€™s Board may separately resolve to issue treasury shares to Faron itself without consideration. Such issuance, if resolved, would be separately announced.

Reset of the Conversion Price of the First Tranche Bonds
In accordance with the First Tranche Bond conditions, the conversion price of the First Tranche Bonds will be reset to be the same as the Conversion Price for the Second Tranche Bonds. The adjusted conversion price for the First Tranche Bonds will be EUR 2.42256.

For more information, please contact:

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About BEXMAB
The BEXMAB study is an open-label Phase I/II clinical trial investigatingÂ *bexmarilimab*Â 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 ofÂ *bexmarilimab*Â 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.

AboutÂ *bexmarilimab*

*Bexmarilimab*Â is Faronâ€™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.Â *Bexmarilimab*Â 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,Â *bexmarilimab*Â 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 Companyâ€™s lead asset isÂ bexmarilimab, a novel anti-Clever-1 humanized antibody, with the potential to remove immunosuppression of cancers through reprogramming myeloid cell function.Â BexmarilimabÂ 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 atÂ 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 â€believeâ€, â€couldâ€, â€œshouldâ€, â€œexpectâ€, â€œhopeâ€, â€œseekâ€, â€envisageâ€, â€estimateâ€, â€intendâ€, â€mayâ€, â€planâ€, â€potentiallyâ€, â€willâ€ 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 Boardâ€™s current expectations and assumptions regarding the Companyâ€™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 Boardâ€™s current beliefs and assumptions and are based on information currently available to the Board.

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 Board 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.