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

Faron Pharmaceuticals Ltd

("Faron" or the "Company")

Announcement of Placing of Newly Issued Treasury Shares to Raise EUR 5 Million and of PDMR Dealings

Company announcement, 28 June 2022 at 9:00 a.m. EEST/ 7:00 a.m. BST

Inside information

KEY HIGHLIGHTS

- The Company has conducted a private placement directed to a limited number of institutional and other investors to raise EUR 5 million.
- The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP) participated in the Placing.
- Significant majority of the net proceeds of the Placing will be used for the acceleration of the *bexmarilimab* clinical development program and manufacturing.
- As disclosed in the Company's full year report on 25 March 2022, total cash and cash equivalents held by the Company as of 31 December 2021 were ca. EUR 6.9 million.
- Gross proceeds of the Placing together with other currently confirmed funding, are expected to provide the Company with working capital into Q1 2023.

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Ltd (First North: FARON, AIM: FARN), a clinical stage biopharmaceutical company focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer and inflammation, today announces that it has conducted a placement of 2,006,621 newly issued treasury shares ("**Placing Shares**") to raise EUR 5 million before expenses to a limited number of institutional investors and other investors ("**Placing**"). Upon receipt of these proceeds, the Company expects to have sufficient working capital into Q1 2023.

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 3,318,421 shares to Faron itself without consideration ("**Treasury Shares**") and, subject to the registration of the Treasury Shares, further convey 2,006,621 of such Treasury Shares as Placing Shares to the participating investors. The remaining 1,311,800 Treasury Shares not conveyed to investors, will remain in the Company's possession. The subscription price per Placing Share corresponds to the volume weighted average price of the Company's shares on Nasdaq Helsinki First North Growth Market Finland on 27 June 2022, EUR 2.4882 (the "**Issue Price**") and the settlement of the Placing (delivery against payment) trades are expected to complete on or around 30 June 2022 and 5 July 2022, respectively. One of the investors participating in the Placing is **The Leukemia & Lymphoma Society Therapy Acceleration Program® ("LLS TAP")**.

"This fundraise will enable us to accelerate our ambitious bexmarilimab development program, with a specific focus on advancing our combination trials in both solid tumors and hematologic malignancies," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "Far too many patients are not benefiting from recently approved treatments because their immune system simply doesn't recognize and mount a defense against their cancer. By converting highly immunosuppressive M2 macrophages to immune stimulating M1 macrophages, bexmarilimab is capable of igniting an immune response in these patients, which we think will be amplified when used as part of a combination regimen."

"We are extremely pleased with the results of this Placing, including an investment from The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP), a funding initiative to accelerate innovative blood cancer therapeutics and change the standard of care in leukemia, lymphoma, and multiple myeloma," said Toni Hänninen, Chief Financial Officer of Faron. "These funds raised strengthen our balance sheet and will allow us to continue accelerating our bexmarilimab development program, which includes our monotherapy MATINS trial and combination studies in hematologic malignancies and solid tumors."

"We are excited to invest in and partner with Faron and look forward to leveraging our organization and network to help advance their development of bexmarilimab," said Lore Gruenbaum, PhD, Vice President, The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP). "There is a critical need to develop new treatment options for blood cancer patients and novel combination therapies, like those being explored by Faron, are particularly promising because they can work synergistically to not only treat the cancer, but also activate a systemic response by the patient's own immune system."

USE OF PROCEEDS

The development of bexmarilimab has advanced significantly over the past 12 – 18 months and the furthering of its development provides an opportunity to build additional value for shareholders. The primary reason for conducting the Placing is to accelerate and expand the clinical development of this drug candidate.

Bexmarilimab

- Conclude MATINS trial for FDA EOP Meeting
- Progress BEXMAB hematologic combination trial
- Initiate BEXCOMBO solid tumor combination trial
- Advance Bex CMC commercial scale production

General corporate

- Development of Faron's operational unit in the US
- Strengthening of the Company's balance sheet

DETAILS ON 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 23 April 2021 to issue up to a total of 10,000,000 ordinary shares in the Company, including the right to issue new shares or dispose of the shares in the possession of the Company, in a directed share issue and in deviation from the shareholders' pre-emptive rights. The Placing is implemented in two phases, each requiring the use of the Board's share issue authorization, i.e. by the Company first issuing the Treasury Shares to itself without consideration and then immediately conveying up to 2,006,621 of such Treasury Shares as Placing Shares to the participating investors against their payment of the Issue Price. As a result of the Placing, the number of ordinary shares in the Company will increase by 3,318,421 new shares (representing approximately 6 per cent of all the issued shares and votes in the Company immediately prior to the Placing), which are expected to be registered in the Finnish

Trade Register on or around 28 June 2022. Following the issuance, the aggregate number of ordinary shares in the Company will be 56,575,453. A further announcement will be made to confirm the registration.

A total of 2,006,621 of these Treasury Shares are further conveyed as Placing Shares to the investors participating in the Placing, with the payment and settlement (delivery against payment of the Issue Price in full) expected to be completed on or about 30 June 2022 and 5 July 2022, respectively. Following, and subject to, the completion of the settlement in full, the Company will hold a total of 1,311,800 Treasury Shares. The number of shares in issue (excluding Treasury Shares), and the figure to be used as the denominator for calculations of interests in the Company's voting rights, will be 55,263,653.

Upon registration with the Finnish Trade Register and the further conveyance of the Placing Shares to investors, the Placing Shares will rank pari passu in all respects with the existing shares of the Company.

ADMISSION

The Company will make applications for the admission of the Placing Shares (and the remaining Treasury Shares) to trading on First North and AIM with said admissions expected to become effective and trading to commence on or around 29 June 2022 (the "**Admissions**").

RELATED PARTY AND PDMR DEALING

Timo Syrjälä, an existing shareholder in the Company, has subscribed for and been allocated 1,355,999 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 3.4 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 10,548,498 shares, representing 19.09 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 together with his spouse Sirpa Jalkanen, Anne Whitaker and Erik Ostrowski, directors of the Company, as well as Toni Hänninen, CFO of the Company, have subscribed for 40,188, 4,018, 2,009 and 4,018 shares respectively. Their beneficial interests in the issued shares and votes of the Company are set out below:

Director	Before the Placing		Number of Placing Shares subscribed for	Following the Placing	
	Number of ordinary shares held	% of total voting rights		Number of ordinary shares held	% of total voting rights
Markku Jalkanen (including spouse Sirpa Jalkanen)	3,251,677	6.11	40,188	3,291,865	5.96
Anne Whitaker	-	-	4,018	4,018	0.01
Erik Ostrowski	-	-	2,009	2,009	0.00
Toni Hänninen	94,697	0.18	4,018	98,715	0.18

The participation of Markku Jalkanen, Anne Whitaker and Erik Ostrowski (“**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, Dr Gregory Brown, John Poulos and Leopoldo Zambelletti, 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	<ul style="list-style-type: none"> a) Markku Jalkanen b) Anne Whitaker c) Erik Ostrowski d) Toni Hänninen e) Sirpa Jalkanen
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)	Average

		Price(s)	Volume(s)
		a) 2.4882 b) 2.4882 c) 2.4882 d) 2.4882 e) 2.4882	a) 28,132 b) 4,018 c) 2,009 d) 4,018 e) 12,056
d.	Aggregated information - Aggregated Volume - Price		50,233 2.4882
e.	Date of the transaction	27 June 2022	
f.	Place of the transaction	Nasdaq First North Growth Market	

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IN ADDITION, IN THE UNITED KINGDOM, THIS ANNOUNCEMENT IS ONLY DIRECTED AT PERSONS IN THE UNITED KINGDOM THAT ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION AS INCORPORATED INTO UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 THAT ARE ALSO (I) INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") AND/OR (II) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (E) OF THE ORDER (EACH SUCH PERSON, TOGETHER WITH QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS REGULATION, BEING REFERRED TO AS A "RELEVANT PERSON").

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“QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

About Bexmarilimab

Bexmarilimab is Faron's wholly-owned, investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid cell function. A novel anti-Cleaver-1 humanised antibody, bexmarilimab targets Cleaver-1 positive (Common Lymphatic Endothelial and Vascular Endothelial Receptor 1) tumour associated macrophages (TAMs) in the tumour microenvironment, converting these highly immunosuppressive M2 macrophages to immune stimulating M1 macrophages. In mouse models, bexmarilimab has successfully blocked or silenced Cleaver-1, activating antigen presentation and promoting interferon gamma secretion by leukocytes. Additional pre-clinical studies have proven that Cleaver-1, encoded by the Stabilin-1 or STAB-1 gene, is a major source of T cell exhaustion and involved in cancer growth and spread. Observations from clinical studies to date indicate that Cleaver-1 has the capacity to control T cell activation directly, suggesting that the inactivation of Cleaver-1 as an immune suppressive molecule could be more broadly applicable and more important than previously thought. As an immuno-oncology therapy, bexmarilimab has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules in both solid tumors and hematologic malignancies. Beyond immuno-oncology, it offers potential in infectious diseases, vaccine development and more.

About Faron Pharmaceuticals Ltd.

Faron (AIM: FARN, First North: FARON) is a clinical stage biopharmaceutical company developing novel treatments for medical conditions with significant unmet needs caused by dysfunction of our immune system. The Company currently has a pipeline based on the receptors involved in regulation of immune response in oncology, organ damage and bone marrow regeneration. Bexmarilimab, a novel anti-Cleaver-1 humanized antibody, is its investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid function. Currently in Phase I/II clinical development as a potential therapy for patients with solid tumors and hematologic malignancies, bexmarilimab has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. Traumakine is an investigational intravenous (IV) interferon beta-1a therapy for the treatment of acute respiratory distress syndrome (ARDS) and other ischemic or hyperinflammatory conditions. Traumakine is currently being evaluated by the 59th Medical Wing of the US Air Force and the US Department of Defense for the prevention of multiple organ dysfunction syndrome (MODS) after ischemia-reperfusion injury caused by a major trauma. Faron is based in Turku, Finland. Further information is available at www.faron.com.

About The Leukemia & Lymphoma Society and Therapy Acceleration Program® (TAP)

The Leukemia & Lymphoma Society® (LLS) is a global leader in the fight against cancer. The LLS mission is to cure leukemia, lymphoma, Hodgkin's disease and myeloma, and improve the quality of life of patients and their families. LLS TAP is a strategic initiative that builds business alliances and collaborations with biotechnology companies and academic researchers to identify potential breakthrough therapies with the ability to change the standard of care. LLS TAP funds late-stage preclinical studies, and proof of concept or registrational clinical trials to help advance therapeutics along the drug development and approval pathway. LLS TAP accepts funding applications on a rolling basis from companies with innovative science that has a high potential to improve patient lives. To learn more, visit www.LLS.org/therapy-acceleration-program. Follow LLS on [Facebook](#), [Twitter](#), and [Instagram](#).

IMPORTANT INFORMATION

Market Abuse Regulation

Market soundings, as defined in Regulation (EU) No 596/2014 ("MAR"), were taken in respect of the Placing with the result that certain persons became aware of inside information, as permitted by MAR. That inside information in

relation to the Placing is set out in this announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information in such market sounding are no longer in possession of inside information relating to the Company and its securities.

This announcement contains inside information for the purposes of Article 7 of MAR and Article 7 of UK MAR.

MiFID II

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of: (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties (each as defined in MiFID II); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer.

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 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.