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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")

**Proposed Issue and Placing of Shares to raise approximately EUR 8 million**

**Company announcement, 13 October 2022 at 17:30 p.m. BST / 19:30 p.m. EEST**

**Inside information**

#### **KEY HIGHLIGHTS**

- A proposed private placement to raise approximately EUR 8 million conducted by way of an accelerated book-building, directed to a limited number of institutional and other investors.
- The Company has substantial anchor demand in place for the Placing.
- Significant majority of the net proceeds of the Placing would be used for the acceleration of the *bexmarilimab* clinical development program and manufacturing.
- As disclosed in the Company's half year report on 25 August 2022 total cash and cash equivalents held by the Company as of 30 June 2022 was ca. EUR 9.9 million.
- Gross proceeds of the Placing, if subscribed, together with other currently confirmed funding, are expected to provide the Company with working capital further 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 a proposed private placement of approximately 4,200,000 treasury shares (the "**Placing Shares**") to raise approximately EUR 8 million before expenses to a limited number of institutional investors (the "**Placing**"). The Company has substantial anchor demand in place for the Placing.

Placing may be conducted in two tranches. Swedbank AB (publ) ("**Swedbank**") is acting as sole bookrunner and financial adviser to the Company for the main tranche of the Placing in cooperation with Kepler Cheuvreux S.A. In addition to the main tranche the Company may convey shares directly to the Chairman of the Board in a separate tranche at the same terms and conditions as the main tranche, without the involvement of Swedbank.

The Placing will be conducted as a private placement by way of an accelerated book-building process in which selected investors may submit bids for the Placing Shares (the "**Bookbuild**"). The subscription price per Placing Share is to be determined on the basis of the bids received in the Bookbuild. The Bookbuild is expected to commence immediately following this announcement and is expected to end by 9:00 a.m. EEST (7:00 a.m. BST) on 14 October 2022 at the latest. The Bookbuild may be discontinued at any time during the book-building process. Following the close of the Bookbuild, the Board of Directors of Faron (the "**Board**") will first make the decision to issue the relevant number of treasury shares to Faron itself without consideration (the "**Treasury Shares**"), taking into consideration the 1,311,800 treasury shares currently held by the Company itself, followed by the decision to further issue and convey

the Placing Shares, including, as applicable, acceptance of the received bids, the number of Placing Shares to be conveyed to investors and the subscription price per Placing Share (the "**Issue Price**"). The Company has received non-binding indications of interest from potential investors to subscribe for the Placing Shares under the Placing during a pre-marketing process.

As soon as practicable after the close of the Bookbuild, an announcement will be made on the final number of the Treasury Shares to be issued first to Faron itself without consideration and then the final number of Placing Shares conveyed in the Placing, the expected registration date of the Treasury Shares and the Issue Price.

Further details on the terms and conditions of the Placing are set out below. The Placing Shares are expected to be admitted to trading on Nasdaq First North Growth Market Finland ("**First North**") and AIM ("**AIM**") in London as set out below.

"The biomarker data we have reported this year on late-stage, heavily pre-treated cancer patients clearly indicate which patients are likely to respond to treatment with *bexmarilimab* resulting in a powerful immune system activation," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "These patients also represent the majority of PD-1 blockade resistant cancer patients and could benefit from *bexmarilimab* treatment in combination settings. This fundraise will enable us to further accelerate our ambitious *bexmarilimab* development plan which now covers both solid tumors and haematological malignancies."

## **REASONS FOR THE PROPOSED PLACING**

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 to obtain advice for pivotal pathway with last line cancer patients
- Complete Part I of the BEXMAB combination trial with AML/MSD patients
- Initiate BEXCOMBO with PD-1 Blockade
- 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 OF THE PROPOSED PLACING AND ISSUE OF EQUITY**

The proposed Placing is being carried out within the authorisation granted to the Board by shareholders at the Company's Extraordinary General Meeting held on 7 July 2022 to issue up to a total of eleven million (11,000,000) new ordinary shares in the Company as well as to convey up to the same maximum number (11,000,000) of treasury shares in the possession of the Company (the "**Authorisation**"). The Authorisation includes 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 will be implemented in two phases, each requiring the use of the Board's share issue authorisation, i.e. by the Company first issuing the Treasury Shares to itself without consideration and then immediately conveying the Treasury Shares together with treasury shares currently held by the Company as Placing Shares to the participating investors against their payment of the Issue Price. As the Company plans to convey up 4,200,000 Placing Shares to investors, it will issue up to 2,888,200 (= 4,200,000 – 1,311,800) new Treasury Shares to itself. The Placing Shares represent approximately 7.4 per cent of all the issued shares and votes in the Company immediately prior to the Placing.

The Placing, with the main tranche being arranged by Swedbank, will be conducted in a private placement by way of the Bookbuild, which is an accelerated book-building process in which selected investors may submit bids for the Placing Shares. The Issue Price is to be determined on the basis of the bids received in the Bookbuild. The Bookbuild is expected to commence immediately following this announcement and is expected to end by 9:00 EEST a.m. (7:00 a.m. BST) on 14 October 2022 at the latest. The Bookbuild may be discontinued at any time during the book-building process. Following the close of the Bookbuild, the Board will make the decision to issue the relevant number of new Treasury Shares to the Company itself and subsequently convey the Placing Shares to the investors in the Placing, including deciding upon, as applicable, the acceptance of the received bids, the number of Placing Shares to be conveyed and the Issue Price. As soon as practicable after the close of the Bookbuild, receipt of binding commitments from investors and the Board having resolved on carrying out the Placing, an announcement will be made on the final outcome of the Bookbuild and, as applicable, the number of Treasury Shares to be issued to the Company itself and further the number of Placing Shares issued to investors, the Issue Price as well as the expected registration date of the Treasury Shares.

In connection with the proposed Placing, the Company has entered into a placing agreement concerning the main tranche with Swedbank (the “**Placing Agreement**”). Pursuant to the terms of the Placing Agreement, Swedbank has agreed to use its reasonable endeavours to procure the subscription of Placing Shares in the main tranche.

The Placing Agreement contains customary warranties and an indemnity from the Company in favour of Swedbank together with provisions which enable Swedbank to terminate the Placing Agreement in certain circumstances before the completion of the Bookbuild, the Board's resolution on carrying out the Placing and the settlement of the Placing Shares to investors, including where there has been a material breach of any of the warranties contained in the Placing Agreement or where there is a material adverse change, e.g., in the business or financial affairs of the Company. The Company has agreed to pay Swedbank certain commissions and fees in connection with the Placing. Pursuant to the terms of the Placing Agreement, Swedbank shall collect payment of the gross Issue Price from the investors in respect of the Placing Shares allocated in the main tranche of the Placing, paying such amounts to the Company on behalf of the investors and organizing the delivery of the Placing Shares to the investors against payment of the Issue Price in full (DVP).

The Placing is conditional upon, *inter alia*:

- the Placing Agreement having become unconditional in all respects;
- binding commitments being received from investors;
- the Board resolving to carry out the Placing at the Issue Price and the Company and Swedbank entering into a separate pricing agreement confirming the Issue Price and the number of the Placing Shares; and
- the Treasury Shares being issued and being registered with the Finnish Trade Register.

In connection with the Placing, Faron has entered into a lock-up undertaking, under which it has, subject to certain exceptions, agreed not to issue or sell any shares in Faron for a period of 90 days after the closing of the Placing.

Subject to all conditions being met, the Treasury Shares are expected to be entered in the Finnish Trade Register approximately on 14 October 2022.

## **ISSUE OF THE PLACING SHARES AND ADMISSION TO TRADING**

The Treasury Shares are expected to be issued in one tranche to the Company itself and subsequently the Placing Shares conveyed to the investors, with the payment and settlement (delivery against payment of the Issue Price in full) expected to be completed on or about 18 October 2022. Applications will be made for the admission of the Treasury Shares to trading on First North and AIM with said admissions expected to become effective and trading to commence on or around 18 October 2022 (the "**Admissions**"). The dates above may be subject to change.

A further announcement will be made to confirm the outcome of the Placing (subject to, *inter alia*, satisfaction of the above conditions) and to confirm the expected timing of issue of the Treasury Shares to the Company itself and subsequent conveyance of Placing Shares to investors, and the Admissions.

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

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#### **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-

Clever-1 humanised antibody, *bexmarilimab* targets Clever-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 Clever-1, activating antigen presentation and promoting interferon gamma secretion by leukocytes. Additional pre-clinical studies have proven that Clever-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 Clever-1 has the capacity to control T cell activation directly, suggesting that the inactivation of Clever-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-Clever-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](http://www.faron.com).

#### **IMPORTANT INFORMATION**

##### **Market Abuse Regulation**

Market soundings, as defined in Regulation (EU) No 596/2014 ("**MAR**"), were taken in respect of the proposed 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.