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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")

Inside information: Announcement of Placing of Newly Issued Treasury Shares to Raise EUR 6.6 Million and of PDMR Dealings

Company announcement, June 29, 2023 at 9:00 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 6.6 million.
- 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 March 3, 2023 total cash and cash equivalents held by the Company as of December 31, 2022 were ca. EUR 7.0 million.
- In January 2023, the Company successfully raised a total of EUR 12.0 million gross.
- Gross proceeds of the Placing together with other currently confirmed funding, are expected to provide the Company with working capital into Q4 of 2023.
- The Company plans to issue first-half 2023 financial results on August 29, 2023.

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Ltd (First North: FARON, AIM: FARN), a clinical-stage biopharmaceutical company focused on tackling cancers via novel immunotherapies, today announces that it has conducted a placement of 2,601,510 newly issued treasury shares ("**Placing Shares**") to raise EUR 6.6 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 Q4 of 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 2,601,510 shares to Faron itself without consideration ("**Treasury Shares**") and, subject to the registration of the Treasury Shares, further convey all of such Treasury Shares as Placing Shares to the participating investors at the Issue Price of EUR 2.55 per Placing Share. The Issue Price represents a 11.8% discount to the close price on 28 June 2023 on NASDAQ Helsinki First North Growth. The settlement of the Placing (delivery against payment) trades is expected to complete on or around July 3, 2023.

"This fundraise will enable us to accelerate our ambitious *bexmarilimab* development program, with a specific focus on advancing our combination trials in 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 defence against their cancer. *Bexmarilimab* data so far indicates the potential to offer these patients a chance and improve their quality of life."

"We are very pleased with the results of this Placing," said James O'Brien, Chief Financial Officer of Faron. "These funds raised strengthen our balance sheet and will allow us to continue accelerating our *bexmarilimab* development program, which has so far demonstrated strong efficacy and safety data in patients left no other therapeutic options."

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. Some of the proceeds will also be used to support general corporate purposes and other pipeline development, and to strengthen the Company's balance sheet and to continue satisfying the covenants agreed with the Company's financing providers (including the requirement to maintain a minimum cash balance of EUR 6.0 million while maintaining three months cash runway). Additionally, Faron and its lender, IPF Partners, have not negotiated final terms at this time to utilize the second EUR 5.0 million tranche of the agreed loan commitment between the parties.

Bexmarilimab

- Progress BEXMAB hematologic combination trial
- Advance *bexmarilimab* CMC commercial scale production

General corporate

- Strengthening of the Company's balance sheet

DETAILS ON PLACING AND SHARE ISSUE

The Placing is carried out within the authorization granted to the Board by shareholders at the Company's Annual General Meeting held on March 24, 2023 to issue up to a total of 12,500,000 new ordinary shares in the Company as well as to convey up to the same maximum number (12,500,000) of treasury 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, i.e. by the Company first issuing the Treasury Shares to itself without consideration and then immediately conveying all of such Treasury Shares as Placing Shares to the participating investors against their payment of the Issue Price. A total of 2,601,510 Treasury Shares have been issued and registered in the Finnish Trade Register today on June 29, 2023. As a result of the Placing, the number of ordinary shares in the Company will increase by 2,601,510 new shares (representing approximately 4.1 per cent of all the issued shares and votes in the Company immediately prior to the Placing).

In connection with the Placing, the Company has entered into a lock-up undertaking for a period of 90 days with customary and certain other exemptions, including the possibility to issue or convey further shares to qualifying long-only investors and within the existing authorities granted at the Company's annual general meeting held in March 2023 (taking into account the authorities used in connection with the contemplated Share Issue).

All of the 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 July 3, 2023.

Upon conveyance of the Placing Shares to investors, the Placing Shares will rank *pari passu* in all respects with the existing shares of the Company. 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. The aggregate number of ordinary shares in the Company will be 66,161,373, this is also the figure to be used as the denominator for calculations of interests in the Company's voting rights.

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 July 3, 2023 (the "**Admissions**").

RELATED PARTY AND PDMR DEALING

Timo Syrjälä, an existing shareholder in the Company, has subscribed for and been allocated 460,588 Placing Shares in aggregate (subscribed for through Acme Investments SPF Sarl ("**Acme**"), an entity wholly owned by Mr. Syrjälä), for an aggregate subscription value of approximately EUR 1.2 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 13,223,063 shares, representing 19.99 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 First North Rulebook and the Finnish Limited Liability Companies Act. 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 Vesa Karvonen, General Counsel of the Company have subscribed for 21,569, 11,765 and 4,000 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 issued shares and votes		Number of ordinary shares held	% of issued shares and votes
Markku Jalkanen (including spouse Sirpa Jalkanen)	3,291,865	5.18	21,569	3,313,434	5.01
Tuomo Pätsi	-	-	11,765	11,765	0.02
Vesa Karvonen	100,000	0.16	4,000	104,000	0.16

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, Anne Whitaker 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) Tuomo Pätsi c) Vesa Karvonen								
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)	<p style="text-align: center;">Average</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Price(s)</th> <th>Volume(s)</th> </tr> </thead> <tbody> <tr> <td>a) 2.55</td> <td>a) 21,569</td> </tr> <tr> <td>b) 2.55</td> <td>b) 11,765</td> </tr> <tr> <td>c) 2.55</td> <td>c) 4,000</td> </tr> </tbody> </table>	Price(s)	Volume(s)	a) 2.55	a) 21,569	b) 2.55	b) 11,765	c) 2.55	c) 4,000
Price(s)	Volume(s)									
a) 2.55	a) 21,569									
b) 2.55	b) 11,765									
c) 2.55	c) 4,000									
d.	Aggregated information - Aggregated Volume - Price	 37,334 2.55								

e.	Date of the transaction	28 June 2023
f.	Place of the transaction	Nasdaq First North Growth Market

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About *Bexmarilimab*

Bexmarilimab is Faron's wholly owned, investigational immunotherapy with the potential to provide immune stimulation for treatment-resistant cancers through targeting myeloid cell function. A novel anti-Clever-1 humanized antibody, *bexmarilimab* targets Clever-1 positive (Common Lymphatic Endothelial and Vascular Endothelial Receptor 1) tumor-associated macrophages (TAMs) in the tumor microenvironment,

converting highly immunosuppressive M2 macrophages to immune-stimulating M1 macrophages. As an immuno-oncology therapy, *bexmarilimab* has therapeutic potential in combination with other standard treatments including immune checkpoint molecules in both solid tumors and hematologic malignancies.

About Faron Pharmaceuticals Ltd.

Faron Pharmaceuticals Oy (AIM: FARN, First North: FARON), together with its subsidiaries, is a clinical stage biopharmaceutical group focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer. *Bexmarilimab*, a novel anti-Clever-1 humanized antibody, is its investigational immunotherapy 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 and solid cancers in combination with other standard treatments including immune checkpoint molecules. Faron is headquartered in Turku, Finland. Further information is available at 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 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.