

**Faron Pharmaceuticals Ltd**

(“Faron” or the “Company”)

**Inside Information: Faron commences a share offering of preliminarily a maximum of 30,714,592 Offer Shares at a subscription price of EUR 1.00 per Offer Share and publishes a prospectus**

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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”). IN ADDITION, MARKET SOUNDINGS (AS DEFINED IN MAR AND UK MAR) WERE TAKEN IN RESPECT OF THE TRANSACTION WITH THE RESULT THAT CERTAIN PERSONS BECAME AWARE OF INSIDE INFORMATION (AS DEFINED IN MAR AND UK MAR), AS PERMITTED BY MAR AND UK MAR. THIS INSIDE INFORMATION IS SET OUT IN THIS ANNOUNCEMENT. THEREFORE, THOSE PERSONS THAT RECEIVED INSIDE INFORMATION IN A MARKET SOUNDING ARE NO LONGER IN POSSESSION OF SUCH INSIDE INFORMATION RELATING TO THE COMPANY AND ITS SECURITIES.

Company announcement, 4 June 2024 at 9:00 (EEST) / 7:00 (BST) / 2:00 AM (EDT)  
Inside information

**Key highlights**

- Faron announces an offering of approximately EUR 30.7 million in total by offering for subscription preliminarily a maximum of 30,714,592 new and/or treasury shares (the “**Offer Shares**”) at a subscription price of EUR 1.00 per Offer Share (the “**Subscription Price**”) (the “**Offering**”).
- The Offering will be conducted as a directed share issue by way of (i) a public offering to private individuals and legal entities in Finland (the “**Public Offering**”) and (ii) an institutional offering to institutional investors in the European Economic Area and, in accordance with applicable laws, internationally (the “**Institutional Offering**”). Moreover, there will be (a) a separate open offer to qualifying holders of depositary interests in the United Kingdom and elsewhere (the “**UK Open Offer**”); and (ii) a separate retail offer to retail investors in the United Kingdom on the “**REX**” platform (the “**REX Retail Offer**”), through which a part of the amount of proceeds sought by the Company in the Offering may be raised.
- The objective of the Offering is to strengthen the Company’s cash position so that the Company would have sufficient funding to reach its key milestones for the year 2024, i.e. a significant commercial partnership agreement and to finance the Company’s product development costs until the

latter half of March 2025, that mainly include the production and research costs in respect of the Company's lead program *bexmarilimab*. If the Company succeeds in completing the Offering of approximately EUR 30.7 million, the Company believes it would have sufficient resources to execute its core business and deliver on its key milestones of the year 2024 under the current business plan and in compliance with the financial covenants of the facilities agreement entered into with IPF FUND II SCA, SICAV-FIAR ("**IPF**") (the "**IPF Facilities Agreement**") until the latter half of March 2025.

- The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds. The Company has obtained:
  - binding subscription commitments in the aggregate amount of approximately EUR 6.2 million (the "**Subscription Commitments**"); and
  - binding subscription guarantee undertakings whereby the subscription guarantors have undertaken to subscribe for any new shares of the Company not subscribed for in the Offering in an aggregate amount of up to EUR 8.8 million, as described below (the "**Subscription Guarantee Undertakings**"). The Subscription Guarantee Undertakings are limited to cover any unsubscribed new shares in the Company up to the minimum gross proceeds of the Offering of EUR 15 million.
- Based on the binding Subscription Commitments and Subscription Guarantee Undertakings received by the Company, the condition of raising at least EUR 15 million in gross proceeds has been fulfilled.
- The subscription period for the Offer Shares will commence on 5 June 2024 at 10:00 a.m. Finnish time and end on 18 June 2024 at 4:00 p.m. Finnish time for the Public Offering and on 19 June 2024 at 9:30 a.m. Finnish time for the Institutional Offering (the "**Subscription Period**").
- The Subscription Price in the Offering has been determined on market terms, based on feedback received from the market in advance and investors' price indications, and it includes a significant discount to the market price of the Company's shares prior to the announcement of the Offering. No subscription rights will be issued in the Offering, and therefore cannot be subject to public trading. The Offering dilutes current shareholders' ownership share in the Company, unless the current shareholders subscribe for the Offer Shares in the Offering.
- The Offering can be completed even if it is not subscribed in full, in which case the Company's funding would not be sufficient to deliver on the Company's key milestones of the year 2024 in accordance with the current business plan and it would have to adjust and reduce its operations and negotiate changes to its terms of payment or negotiate new amendments to its financial covenants and seek additional funding earlier than currently planned.
- Carnegie Investment Bank AB, Finland Branch ("**Carnegie**") and Peel Hunt LLP ("**Peel Hunt**") are acting as lead managers (the "**Lead Managers**") and bookrunners for the Offering. Carnegie is not participating in arranging the UK Open Offer or the REX Retail Offer and Peel Hunt is not participating in arranging the UK Open Offer.
- The Company has prepared a Finnish language prospectus, which will be available on the Company's website at [www.faron.com/osakeanti](http://www.faron.com/osakeanti) and on Nordnet Bank AB's website at [www.nordnet.fi/faron](http://www.nordnet.fi/faron) no later than 4 June 2024. An unofficial English language translation of the prospectus will be available on the Company's website at [www.faron.com/publicoffer](http://www.faron.com/publicoffer) no later than 4 June 2024.

**TURKU, FINLAND** - Faron Pharmaceuticals Ltd (AIM: FARN, First North: FARON), a clinical-stage biopharmaceutical company pursuing a CLEVER-1 receptor targeting approach to reprogramming myeloid cells to activate anti-tumor immunity in hematological and solid tumor microenvironments, today announces that it will

commence a share offering. The aim of the Company is to strengthen its cash position so that the Company would have sufficient funding to reach its key milestones for the year 2024, i.e. to reach a significant commercial partnership agreement and to finance its product development costs until the latter half of March 2025, that mainly include the production and research costs in respect of the Company's lead program *bexmarilimab*.

Based on the authorisations granted at the annual general meetings of the Company on 5 April 2024 and 24 March 2023, the Board of Directors of the Company has resolved on 3 June 2024 on terms for the Offering of approximately EUR 30.7 million in total by offering for subscription preliminarily up to 30,714,592 Offer Shares. The Board of Directors of the Company may, in the event of an oversubscription, increase the number of Offer Shares offered in the Offering by a maximum of 8,000,000 Offer Shares (the "**Upsize Option**"). If the Upsize Option is used in full, the number of Offer Shares offered shall amount up to 38,714,592 shares of the Company in aggregate.

#### The Offering in brief:

- The Company is offering for subscription preliminarily up to 30,714,592 Offer Shares in the Offering comprising the Public Offering and the Institutional Offering.
- The Subscription Price, EUR 1.00 per Offer Share, has been determined on market terms, based on feedback received from the market in advance and investors' price indications, and it includes a significant discount to the market price prior to the announcement of the Offering. The Company's Board of Directors has confirmed the Subscription Price based on negotiations between the Company, the Lead Managers, and several potential investors regarding the investors' prerequisites to participate in the Offering in a manner enabling its completion, and the pricing of the Offering, taking into account the Company's financial situation and the uncertainty regarding the continuation of the Company's operations.
- The Subscription Price corresponds to a discount of approximately 58 per cent compared to the closing price of the Company's current share EUR 2.36, a discount of approximately 61 per cent compared to EUR 2.57, i.e. the 30 days volume-weighted average trading price of the Company's share, and a discount of approximately 49 per cent compared to EUR 1.98, i.e. the 90 days volume-weighted average trading price of the Company's share on the First North marketplace on the trading day immediately preceding the decision on the Offering 31 May 2024.
- In the Public Offering, the Subscription Price shall be paid in euros. In the Institutional Offering, the Subscription Price shall be paid in euros and/or by way of setting off the principal, any accrued interest and any unpaid arrangement fees relating to convertible capital loan instruments issued by the Company to certain investors in March 2024 (the "**Capital Loans**").
- Based on the binding Subscription Commitments and Subscription Guarantee Undertakings received by the Company, the condition of gross proceeds of at least EUR 15 million has been fulfilled.
- In the Public Offering, the minimum subscription is 750 Offer Shares and the maximum subscription is 99,999 Offer Shares. The minimum subscription in the Institutional Offering is 100,000 Offer Shares. Multiple subscriptions by the same investor shall be combined into one single subscription, subject to the aforementioned maximum and minimum subscription amounts.

- In the Public Offering, Offer Shares are offered for subscription to individuals and legal entities in Finland. Investors whose permanent address or domicile is in Finland and who subscribe Offer Shares in Finland may participate in the Public Offering.
- The Company aims to raise through the Offering a total of approximately EUR 30.7 million, of which amount, approximately EUR 3.7 million will be paid by converting the Company's Capital Loans and related arrangement fees and interests into shares in the Company, gross proceeds of approximately EUR 27 million, and net proceeds of approximately EUR 23 million.
- If the Company succeeds in completing the Offering of approximately EUR 30.7 million, the Company believes it would have sufficient resources to execute its core business and deliver on its key milestones for the year 2024 under the current business plan and in compliance with the financial covenants of IPF's Facilities Agreement until the latter half of March 2025.
- The Company will likely complete the Offering even though its targeted amount would not be reached. In such situation, the Company's funding would not be sufficient to deliver on all of the Company's key milestones for the year 2024 in accordance with the current business plan and the Company would have to seek additional funding earlier than currently planned to fulfil its current financing needs and financial covenants included in the IPF Facilities Agreement. The financial scenarios have been described below in more detail (see "Reasons for the Offering and use of proceeds; Scenarios for the outcome of the Offering").
- The structure of the Offering as a directed share issue rather than a rights issue is due to the challenges involved due to the admission of the Company's Shares to trading on AIM and the post-Brexit regulatory environment. The structure and reasons for it have been described in the notice of the Annual General Meeting 2024 when seeking the share issue authorisation for the Board. No subscription rights will be issued in the Offering, and therefore cannot be subject to public trading due to which the current shareholders of the Company cannot receive compensation typical of a rights issue for the sale of subscription rights in the Offering.
- For the Company to be able to strengthen its financial position, secure the continuation of its operations and create preconditions for delivering on its key milestones for the year 2024 described above in accordance with its current business plan, the Board of Directors of the Company considers that there is a weighty financial reason for the Company to deviate from the shareholders' pre-emptive subscription right.
- The Offer Shares issued in the Offering (without the Upsize Option) amount to approximately 42.7 per cent of the shares and votes in the Company prior to the Offering and approximately 29.9 per cent of the shares and votes in the Company following the Offering. The number of outstanding shares in the Company may be increased by a maximum of 41,371,666 shares (i.e. to a total maximum of 113,379,163 shares) when the Upsize Option is exercised in full, the Free Shares (as defined below) are issued as a result of the completion of the Offering as well as assuming that all subscription guarantors would decide to receive their subscription guarantee fee in Shares instead of euros. This would result in approximately 36.5 per cent dilution of the total shareholding of current shareholders.
- The lenders of the Capital Loans have agreed, pursuant to the terms of the Capital Loans, to convert principal, any accrued interest and any unpaid arrangement fees relating to Capital Loans in the total aggregate amount of EUR 3.7 million into Offer Shares in the Offering, corresponding to approximately 3,714,592 Offer Shares and representing approximately 12 per cent of the aggregate number of the Offer Shares (assuming that the Upsize Option is not used).

- The Company has committed to issue investors who participated in the private placement announced on 4 April 2024 new shares primarily through a free issue (“**Free Shares**”), so that the subscription price of the private placement (EUR 1.50 per share) would be equal to the subscription price of a public offer or other share issue that may have been completed with a lower subscription price (or that it will make a corresponding compensation in another way). As the Subscription Price in the Offering is EUR 1.0 per Offer Share, the Company would issue 1,600,153 Free Shares in total.
- The Board of Directors decides on the procedures to be followed in case of under- or oversubscription and may also decide to not complete the Offering (or the UK Offering). The Board of Directors of the Company may, in the event of an oversubscription, increase the number of Offer Shares offered in the Offering by a maximum of 8,000,000 Offer Shares. If the Upsize Option is used in full, the number of Offer Shares offered shall amount up to 38,714,592 shares of the Company in aggregate. In case of oversubscription of the Offering or when the aggregate number of subscriptions for the Offering and the UK Offering exceed EUR 30.7 million, the Board of Directors of the Company may reduce subscriptions. The Board of Directors has the right to reduce large subscriptions relatively more than small subscriptions. In case of oversubscription, the Board of Directors of the Company may prioritise the allocation of Offer Shares to: (i) first to lenders of the Capital Loans; (ii) secondly to subscribing shareholders of the Company who are registered in the shareholder register of the Company maintained by Euroclear Finland Oy as at 6 June 2024, to whom, based on their ownership as at the date mentioned, a pro rata allocation is intended to be provided, and thereafter to (iii) investors who have committed to subscribe. In any event, valid applications by qualifying holders of DIs will be satisfied in full up to their basic open offer entitlements under the UK Open Offer.
- The Company’s Board of Directors will decide, on or about 19 June 2024 (unless the Subscription Period is extended) on the completion of the Offering, on the final number of Offer Shares to be issued (including on the exercise of the Upsize Option) and on the acceptance of subscriptions made in the Offering in full or in part. The Company’s Board of Directors decides on the allocation of the Offer Shares between the Public Offering and the Institutional Offering
- An application will be made for the admission to trading of the Offer Shares on the First North under the current trading code “FARON”, and under the trading code “FARN” on AIM. Trading in the Offer Shares is expected to commence on or about 24 June 2024, unless the Subscription Period (as defined below) is extended and subject to the admission of the Offer Shares to trading on First North and AIM.

### Open Offer and REX Retail Offer in brief

- In the separate share offering in the United Kingdom, the Company may raise up to approximately GBP 6.8 million (equated to EUR 8.0 million based on an exchange rate of 1.1714 on 31 May 2024) through (i) an open offer of up to approximately 5.8 million new shares of the Company (the “**UK Open Offer Shares**”) to qualifying holders of depositary interests (“**DIs**”) representing entitlements to shares in the Company in the United Kingdom and elsewhere on the relevant record date (“**Qualifying DI Holders**”) at a UK subscription price of GBP 0.85 per share (the “**UK Open Offer**”) and (ii) an offer of new shares of the Company to retail investors in the United Kingdom through intermediaries using Peel Hunt LLP’s Retail Capital Markets Platform at a UK subscription price of GBP 0.85 per share (the “**REX Retail Offer**” and together with the UK Open Offer, the “**UK Offering**”). The total consid-

eration under the UK Offering cannot exceed the GBP equivalent of EUR 8 million, and excess allocations under the UK Open Offer and allocations under the REX Retail Offer shall be scaled back accordingly to ensure this. The subscription price for shares in the UK Offering is equivalent to the EUR 1.00 Subscription Price of the Offering based on an exchange rate of 1.1714 on 31 May 2024. The UK Open Offer is governed by separate terms and conditions to be included in a circular published by the Company (the “**UK Open Offer Circular**”) and does not form part of the Offering. The REX Retail Offer is governed by separate terms and conditions to be included in the announcement of the REX Retail Offer and does not form part of the Offering. Further details of the UK Open Offer are set out below under “Details of the UK Open Offer”. Further details of the REX Retail Offer will be set out in a separate announcement.

- The issue price of GBP 0.85 per share (the “**UK Issue Price**”) in the UK Offering corresponds to a discount of approximately 54 per cent compared to the closing price of the Company’s ordinary shares of GBP 1.85, and a discount of approximately 61 per cent compared to GBP 2.18, i.e. the 30 days volume-weighted average trading price of the Company’s ordinary shares, and a discount of approximately 52 per cent compared to GBP 1.78, i.e. the 90 days volume-weighted average trading price of the Company’s Share on AIM on the trading day immediately preceding the resolution on the Offering 31 May 2024.

**Dr. Juho Jalkanen, CEO of Faron, comments:**

“Years of hard work and dedication are finally expected to come to life over the next nine months as we seek to complete Phase II of our BEXMAB trial in patients with relapsed or refractory higher-risk myelodysplastic syndrome (r/r MDS), obtain regulatory feedback regarding measures required to obtain regulatory approval in the U.S. and complete a partnership agreement for the last stages of development and commercialization of *bexmarilimab*. With the unmet need in r/r MDS, current competitive landscape, untapped market opportunity and exceptional Phase I and initial Phase II read-outs we feel we could possibly offer a unique opportunity for value inflection. Join us in transforming the care of r/r MDS patients that have very limited treatment options and extremely poor prognosis.

Many of you may not know, that r/r MDS is as lethal as pancreatic cancer. We can possibly change this, which would be truly remarkable. For me it also gives great pleasure that we can offer this investment opportunity to the general public with the same terms and discounts as we do to institutional investors. Now everyone can take part and share the excitement of the upcoming year.”

**Tuomo Pätsi, Chairman of the Board of Faron, comments:**

“Faron is currently at a very interesting stage. The preliminary results from the Phase II study of our *bexmarilimab* drug candidate have been excellent and confirmed the previous positive Phase I results. Now, our goal is to bring *bexmarilimab* to market as quickly as possible, as patients are waiting for such new treatment options. The planned share issue is therefore crucial so that we would have sufficient funding to finance our product development and to sign a significant commercial partnership agreement by the end of 2024.”

**Background to the Offering and Deviation from the Shareholders’ Pre-emptive subscription right**

The Company announced on 4 March 2024 that it expects to require EUR 35 million in financing to complete the enrolment of patients for the BEXMAB Phase II trial with interim and final readouts and to obtain regulatory feedback from the FDA regarding path to regulatory approval in the U.S. Earlier this year, the Company has raised financing totalling EUR 8 million (including the EUR 3.2 million convertible Capital Loans announced on 4 March 2024, and paid to the Company on 8 March 2024, and the EUR 4.8 million directed share issue, the completion of which was announced on 4 April 2024), to secure continued compliance with the minimum cash covenant agreed in the waiver with IPF. Thereafter, the Company has assessed preconditions for arranging a larger financing round and now the Company aims, based on the investigations of various alternatives, to conclude the Offering.

Due to the admission of the Company's shares to trading on AIM and the number of DIs (representing shares in the Company) held by DI holders in the United Kingdom, arranging a rights issue in a post-Brexit regulatory environment would involve separate regulatory approval processes in Finland and the UK. Arranging a rights issue in the UK would be challenging, time consuming and expensive and not feasible in the Company's current financial situation. On 5 April 2024, the Company's Annual General Meeting granted an authorisation for a directed share issue with broad discretion for the Board of Directors to allow flexibility for the Company to arrange the contemplated offering in a manner involving the Company's shareholders, in a timely manner and at the most beneficial terms available. Hence, the now contemplated financing round is structured as (i) a public offering of shares in Finland with private placements in the EEA and elsewhere (i.e. the Public Offering and the Institutional Offering), and (ii) a separate UK Offering, the aggregate amount of which shall always be less than EUR 8 million. In the Offering, the current shareholders of the Company do not receive subscription rights, but they have the right to participate in the Offering and subscribe for the Offer Shares in accordance with the terms and conditions of the Offering.

The Company has applied for and received a statement from the Market Practice Board of the Finnish Securities Market Association (Decision Recommendation 1/2024) on the compliance of the Offering with good securities market practice. In its decision recommendation, the Market Practice Board has concluded that, in the circumstances described in the application, the planned directed share issue described in the application is in accordance with good securities market practice, provided that the subscription price in the share issue is determined on market terms. The Market Practice Board has in its recommendation also noted that the issuer shall, when disclosing information on the directed share issue, thoroughly and clearly describe information on the directed share issue, the reason for deviating from the shareholders' pre-emptive subscription right and the determination of the subscription price. When disclosing information on the share issue and marketing, the issuer may not create a misleading understanding that the share issue would be based on the shareholders' pre-emptive subscription right.

### **Reasons for the Offering and use of proceeds; Scenarios for the outcome of the Offering**

The objective of the Offering is to strengthen the Company's cash position so that the Company would have sufficient funding to reach its key milestones for the year 2024, i.e. a significant commercial partnership agreement and to finance its product development costs described below until the latter half of March 2025. The product development costs mainly include the production and research costs in respect of the Company's lead program *bexmarilimab*, i.e. costs related to the completion of enrolment of the patients for the BEXMAB Phase II trial, treatment of patients and publication of readouts as well as obtaining regulatory feedback from the FDA regarding measures required to obtain regulatory approval in the U.S. By the end of 2024,

the Company is also aiming to conclude a global partnership agreement to fund Phase III clinical research and to commercialise *bexmarilimab*, and it believes that the better the Company is financed the better its position is to conclude a partnership. If the Company succeeds in completing the Offering of approximately EUR 30.7 million, the Company believes it would have sufficient resources to execute its core business and deliver on its key milestones of the year 2024 under the current business plan and in compliance with the financial covenants of the IPF Facilities Agreement until the latter half of March 2025. The reasons for the UK Offering are the same as described above.

The Company estimates to use approximately two-thirds of the net proceeds of the Offering towards product development costs included in its key milestones for the year 2024, i.e. the continuation of the BEXMAB Phase II trial, including site and patient enrolment expenses and the drug's CMC (Chemistry, Manufacturing, and Controls) related drug product costs, which result from its preparations for Phase III. The Company will also incur costs from an investigator-initiated study to generate data with anti-PD-1 combinations in solid tumors. The balance of the net proceeds will be used for financing costs and repayments of its existing financing agreements (IPF Facilities Agreement, loan agreement with Business Finland and the Company's lease agreements), general and administrative expenses, working capital and general corporate purposes of the Company. The Company intends to use approximately EUR 3 million in total of the net proceeds towards repayments under the financing agreements mentioned above during the period between June 2024 and February 2025.

The Company will likely complete the Offering even though its targeted amount would not be reached. In such situation, the Company's funding would not be sufficient to deliver on all of the Company's key milestones for the year 2024 in accordance with the current business plan and the Company would have to seek additional funding earlier than currently planned to fulfil its current financing needs and financial covenants included in the IPF Facilities Agreement. The following is an estimate of the sufficiency of the gross proceeds to be received from the Offering (including the UK Offering) in different situations. The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds and the Subscription Guarantee Undertakings received by the Company are limited to this minimum amount of the Offering:

- With the EUR 15 million gross proceeds, the Company's funding could be sufficient until it receives regulatory feedback from the FDA regarding measures required to obtain regulatory approval in the U.S. The Company would have some more time to obtain further clinical results from the current patients as well as recruit some additional patients. The Company would target and focus primarily on achieving a licensing or partnership agreement as soon as possible. With the EUR 15 million gross proceeds (approximately EUR 12 million net proceeds) the Company expects that it is able to comply with its current financial covenants until the end of September 2024. If the Company conducts negotiations with the vendors of accounts payable and achieves a favourable outcome, and agrees on changes to the payment schedules, the Company would be able to comply with its current financial covenants until the end of the year 2024.
- If the gross proceeds received from the Offering would be at least EUR 23 million, the Company would pursue the completion of Phase II of the BEXMAB clinical trial and the Company estimates that it would be able to comply with its current financial covenants until the beginning of January 2025. The Company would have the opportunity to devote more time and resources to negotiating and concluding a licensing or partnership agreement before the beginning of January 2025.



- If the gross proceeds received from the Offering would be EUR 27 million, the Company would pursue readiness to proceed to Phase III clinical trial, which would, in the Company's opinion, improve its negotiating position in future partnership negotiations, and the Company estimates that it would be able to comply with its current financial covenants until the latter half of March 2025. The Company could have sufficient clinical results and time to improve its negotiating position significantly in negotiating and concluding a commercial partnership agreement.

If the Company succeeds in raising more funds through the Offering than the aimed total amount of EUR 27 million in gross proceeds, the Company could achieve the above-mentioned objectives and it would have a stronger balance sheet to conduct commercial negotiations. The proceeds received with the potential Upsize Option would be used to strengthen the Company's balance sheet, as well as to preparation for the Phase III clinical trial.

### **Subscription Commitments and Subscription Guarantee Undertakings**

Certain current shareholders of the Company and other investors have, each separately, committed to subscribe for Offer Shares in the Offering for a total of EUR 6.2 million and to pay the Subscription Price for such Offer Shares (the "**Subscription Commitments**"). The Subscription Commitments cover subscription of the Offer Shares for a total value of approximately EUR 6.2 million, which corresponds to approximately 6,238,724 Offer Shares, and represent approximately 20 per cent of the total number of the Offer Shares (assuming the Upsize Option is not used).

The Subscription Commitments are binding, irrevocable and subject only to the fulfilment of the following conditions: (i) the subscription price per new share of the Company in the Offering shall not exceed EUR 1.0, (ii) the Board of Directors of the Company having no later than 30 June 2024 resolved to commence the Offering and (iii) the Company raises gross proceeds totalling at least EUR 15 million in the Offering and the UK Offering (taking into account the binding Subscription Commitments and Subscription Guarantee Undertakings received by the Company).

In addition, certain investors (the "**Subscription Guarantors**") have entered into Subscription Guarantee Undertakings ("**Subscription Guarantee Undertakings**") with the Company, according to which the Subscription Guarantors have undertaken, subject to certain conditions, to subscribe for any new shares of the Company that may not be subscribed for in the Offering for a maximum amount of EUR 8.8 million. The Subscription Guarantees are limited to cover any unsubscribed new shares of the Company only up to the minimum amount of the Offering (EUR 15 million). The Subscription Guarantees do not cover the UK Offering.

The Subscription Guarantee Undertakings are binding, irrevocable and subject only to the fulfilment of the following conditions: (i) the subscription price per new share of the Company in the Offering shall not exceed EUR 1.0, (ii) the Board of Directors of the Company having no later than 30 June 2024 resolved to commence the Offering and (iii) the Company raises gross proceeds totalling at least EUR 15 million in the Offering and the UK Offering (taking into account the binding Subscription Commitments and Subscription Guarantee Undertakings received by the Company).

Based on the binding Subscription Commitments and Subscription Guarantee Undertakings received by the Company, the condition of EUR 15 million in gross proceeds described above has been fulfilled.

### **Placing Agreement**

On 3 June 2024, the Company and the Lead Managers have entered into a placing agreement (the “**Placing Agreement**”), which sets out Carnegie’s and Peel Hunt’s duties as the Lead Managers of the Offering.

The Placing Agreement contains customary terms and conditions, according to which the Lead Managers have the right to terminate the Placing Agreement in certain circumstances and subject to certain conditions. Such circumstances include, but are not limited to, significant adverse changes in the business, financial or other position or operating result of the Company, and certain other changes in, among other things, national or global political or economic conditions. Furthermore, Faron has given customary representations to the Lead Managers in the Placing Agreement regarding, among other things, the business and legal compliance of the Company, the Shares of the Company, and the contents of the Prospectus. In addition, Faron has agreed to indemnify the Lead Managers against certain liabilities in connection with the Offering.

### **Restriction on the Issue or Transfer of Shares (Lock-up)**

The Company has undertaken not to issue new Shares or securities entitling to Shares or rights attached to them without the written consent of the Lead Managers, for a period that falls 90 days from the completion of the Offering, with the exception of the Offer Shares, the Free Shares, the Shares issued to the lenders of the Capital Loans in connection with the conversion of the Capital Loans, the Shares issued under the warrants granted to IPF, and the Shares to be issued in accordance with the terms of the Company’s current incentive schemes, as well as certain other customary exceptions. In the event that the Offering will not be completed in the targeted amount of appr. EUR 30.7 million, the Lead Managers have agreed not to unreasonably withhold their consent regarding issuance of any equity securities or any securities exchangeable for or convertible into or exercisable for equity securities proposed by the Company within the limits of the currently existing share issuance authorisations granted to the Board.

### **Publication of the prospectus**

The Company has prepared a Finnish language prospectus regarding the Offering (the “**Prospectus**”), which the Finnish Financial Supervisory Authority has approved on 3 June 2024. The Prospectus will be available in Finnish on the Company’s website at [www.faron.com/osakeanti](http://www.faron.com/osakeanti) and on Nordnet Bank AB’s website at [www.nordnet.fi/faron](http://www.nordnet.fi/faron) on 4 June 2024, at the latest. An unofficial English-language translation of the Prospectus is expected to be available on the Company’s website at [www.faron.com/publicoffer](http://www.faron.com/publicoffer) on or about 4 June 2024.

### **Important Dates for the Offering**

- The Subscription period for the Offering commences on 5 June 2024 at 10:00 a.m. (Finnish time)
- The allocation preference of the Company’s shareholders is determined in the Offering on 6 June 2024 after 6:00 p.m. (Finnish time)
- The Subscription period for the Public Offering ends on 18 June 2024 at 4:00 p.m. (Finnish time)
- The Subscription period for the Institutional Offering ends on 19 June 2024 at 9:30 a.m. (Finnish time)

- Announcement of the results of the Offering on 20 June 2024 (estimate)
- The Offer Shares are registered in the Finnish Trade Register on 20 June 2024 (estimate)
- The Offer Shares subscribed for in the Offering are recorded in the book-entry accounts of investors on 24 June 2024 (estimate)
- Trading in the Offer Shares commences on First North Growth Market Finland and AIM on 24 June 2024 (estimate)
- The Offer Shares subscribed for in the Institutional Offering are ready for delivery against payment on 24 June 2024 (estimate)

### Details of the UK Open Offer

The Company is proposing to raise up to approximately GBP 4.9 million before expenses by the issue of up to 5,765,368 UK Open Offer Shares under the UK Open Offer at the UK Issue Price of GBP 0.85 per share, payable in full on acceptance. Any entitlements to UK Open Offer Shares not subscribed for by Qualifying DI Holders will be available to Qualifying DI Holders under an excess application facility (the “**Excess Application Facility**”) that allows Qualifying DI Holders to apply for UK Open Offer Shares in excess of their entitlement to UK Open Offer Shares pro rata to their holding of Existing DIs (as defined below) (“**UK Open Offer Entitlement**”).

Qualifying DI Holders should note that the UK Open Offer is not a rights issue and therefore the UK Open Offer Shares which Qualifying DI Holders do not apply for will not be sold in the market for the benefit of Qualifying DI Holders who do not apply for UK Open Offer Shares.

Qualifying DI Holders may apply for UK Open Offer Shares under the UK Open Offer at the UK Issue Price pro rata to their holdings of existing DIs on the record date of the UK Open Offer (the “**Existing DIs**”) on the basis of:

### 3 UK Open Offer Shares for every 7 Existing DIs held

Entitlements of Qualifying DI Holders will be rounded down to the nearest whole number of UK Open Offer Shares. Fractional entitlements which would otherwise arise will not be issued to Qualifying DI Holders but will be aggregated and made available under the Excess Application Facility. Not all holders of DI will be Qualifying DI Holders. Shareholders who are located in, or are citizens of, or have a registered office in, the United States, Australia, Canada, Japan, New Zealand, the Republic of South Africa or any jurisdiction the extension or availability of the UK Open Offer would breach any applicable laws or regulations will not qualify to participate in the UK Open Offer.

Subject to availability, the Excess Application Facility enables Qualifying DI Holders to apply for UK Open Offer Shares in addition to their UK Open Offer Entitlement (“**Excess Shares**”) up to the maximum number of UK Open Offer Shares available less their UK Open Offer Entitlement.

Valid applications by Qualifying DI Holders will be satisfied in full up to their UK Open Offer Entitlements. Applicants can apply for less or more than their entitlements under the UK Open Offer, but the Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied, as this will depend, in part, on the extent to which other Qualifying DI Holders apply for less than or more

than their own UK Open Offer Entitlements. The Company may satisfy valid applications for Excess Shares in whole or in part but reserves the right not to satisfy any application above any UK Open Offer Entitlement. The Board may scale back applications made in excess of UK Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

Application has been made for the UK Open Offer Entitlements and the entitlement to apply for UK Open Offer Shares pursuant to the Excess Application Facility (“**Excess CREST UK Open Offer Entitlements**”) to be admitted to CREST. It is expected that such UK Open Offer Entitlements and Excess CREST UK Open Offer Entitlements will be credited to CREST on 5 June 2024. The UK Open Offer Entitlements and Excess CREST UK Open Offer Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 18 June 2024. Applications through the CREST system may only be made by the Qualifying DI Holders originally entitled or by a person entitled by virtue of bona fide market claims. The UK Open Offer Shares must be paid in full on application. The latest time and date for receipt of CREST applications by Qualifying DI Holders and payment in respect of the UK Open Offer is 11.00 a.m. on 18 June 2024.

Qualifying DI Holders will receive a credit of UK Open Offer Entitlements and Excess CREST UK Open Offer Entitlements to their CREST stock account.

The UK Open Offer Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank pari passu in all respects with the existing shares of the Company and the Offer Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the UK Open Offer Shares to trading on AIM and to Nasdaq Helsinki Ltd for the UK Open Offer Shares to be admitted to trading on First North. It is expected that admission of the UK Open Offer Shares to trading on AIM will occur, and that dealings in the UK Open Offer Shares subscribed for pursuant to the UK Open Offer on AIM will commence, at 8.00 a.m. on 24 June 2024, at which time it is also expected that the UK Open Offer Shares will be enabled for settlement in CREST.

Qualifying DI Holders should refer to the UK Open Offer Circular for more information on, and full details of, the UK Open Offer and the terms and conditions on which it is being made.

### **Important Dates for the UK Open Offer**

Record Date for the UK Open Offer	Close of business on 3 June 2024
Announcement of the UK Open Offer	4 June 2024
Ex-entitlement Date of the UK Open Offer	8:00 a.m. on 4 June 2024
UK Open Offer Entitlements credited to CREST stock accounts of Qualifying DI Holders	8:00 a.m. on 5 June 2024

Latest time and date for acceptance of the UK Open Offer by Qualifying DI holders through CREST	11:00 a.m. on 18 June 2024
Announcement of the result of the UK Open Offer	20 June 2024
Admission of the UK Open Offer Shares to trading on First North and commencement of dealings	8:00 a.m. on 24 June 2024
Admission of the UK Open Offer Shares to trading on AIM and commencement of dealings	8:00 a.m. on 24 June 2024
Expected date for CREST accounts to be credited in respect of UK Open Offer Shares in uncertificated form	24 June 2024

#### Notes

- (1) Each of the times and dates set out in the above timetable and mentioned in this document is subject to change by the Company, in which event details of the new times and dates will be notified to the London Stock Exchange and the Company will make an appropriate announcement via a Regulatory Information Service.
- (2) References to times in this document are to London time unless otherwise stated.

#### Publication of the UK Open Offer Circular

The terms and conditions of the UK Open Offer will be set out in the UK Open Offer Circular to be sent to Qualifying DI Holders in the United Kingdom and elsewhere. It is expected that the UK Open Offer Circular will be dispatched on or around 4 June 2024, and will also be available at this time on the Company's website at [www.faron.com/investors](http://www.faron.com/investors).

#### Webinars

Faron will be hosting two virtual webinars for investors and analysts on 6 June 2024. The webinar beginning at 5:30 p.m. (EEST) / 2:30 p.m. (GMT) / 10:30 a.m. (EDT) will be held in Finnish and the webinar beginning at 7:00 p.m. (EEST) / 4:00 p.m. (GMT) / 12 noon (EDT) will be held in English. Dr. Juho Jalkanen, CEO of Faron, and Yrjö Wichmann, Interim CFO of Faron, will be presenting at the webinars.

Questions may be presented during the webinar. To register for the webinar, please visit [https://faron.videosync.fi/yritysesittely\\_2024](https://faron.videosync.fi/yritysesittely_2024). Contact the IR team for more information at [investor.relations@faron.com](mailto:investor.relations@faron.com).

Carnegie Investment Bank AB, Finland Branch and Peel Hunt LLP are acting as the Lead Managers of the Offering and as the subscription places in the Institutional Offering. Carnegie is not participating in arranging the UK Open Offer or the REX Retail Offer and Peel Hunt is not participating in arranging the UK Open Offer. In addition, Nordnet Bank AB acts as the subscription place in the Public Offering and as a subscription place in the Institutional Offering for its own customers.

#### Related party and PDMR filing

Christine Roth, a director of the Company, has committed to subscribe for 46,075 Offer Shares. Her interests in the issued shares and votes of the Company are set out below:

Director	Before the Offering		Number of Offer Shares committed to subscribe for	Following the Offering	
	Number of ordinary shares held	% of issued shares and voting rights		Number of ordinary shares held	% of issued shares and votes
Christine Roth	0	0	46,075	46,075	0.04

The participation of Christine Roth (“**Director Participation**”) in the Offering constitutes a related party transaction for the purposes of the AIM Rules, the First North Rulebook and the Finnish Limited Liability Companies Act. The independent directors for the purpose of the Director Participation, being all other members of the Board, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the Director Participation in the Offering 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		
<b>1 Details of the person discharging managerial responsibilities/person closely associated</b>		
<b>a.</b>	<b>Name</b>	Christine Roth
<b>2 Reason for notification</b>		
<b>a.</b>	<b>Position/Status</b>	Member of the Board
<b>b.</b>	<b>Initial notification/ Amendment</b>	Initial Notification
<b>3 Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor</b>		
<b>a.</b>	<b>Name</b>	Faron Pharmaceuticals Oy
<b>b.</b>	<b>LEI</b>	7437009H31TO1DC0EB42
<b>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</b>		

<b>a.</b>	<b>Description of the financial instrument, type of instrument</b>  <b>Identification Code</b>	<b>Share</b>  <b>ISIN: FI4000153309</b>				
<b>b.</b>	<b>Nature of the transaction</b>	<b>Subscription of shares</b>				
<b>c.</b>	<b>Price(s) and volume(s)</b>	<p style="text-align: center;"><b>Average</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th><b>Price(s)</b></th> <th><b>Volume(s)</b></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.00</td> <td style="text-align: center;">46,075</td> </tr> </tbody> </table>	<b>Price(s)</b>	<b>Volume(s)</b>	1.00	46,075
<b>Price(s)</b>	<b>Volume(s)</b>					
1.00	46,075					
<b>d.</b>	<b>Aggregated information</b>  - <b>Aggregated Volume</b>  - <b>Price</b>	46,075  1.00				
<b>e.</b>	<b>Date of the transaction</b>	<b>20 June 2024</b>				
<b>f.</b>	<b>Place of the transaction</b>	<b>Outside of trading venue</b>				

The terms of the Offering are available at <http://www.faron.com/investors/publicoffer>  
For the purposes of MAR and UK MAR, the person responsible for arranging for the release of this announcement on behalf of Faron is Juho Jalkanen, Chief Executive Officer.

#### **Faron Pharmaceuticals Ltd**

#### **For more information please contact:**

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**About BEXMAB**

The BEXMAB study is an open-label Phase I/II 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 reprogramming 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](http://www.faron.com).

**Important notice**

This announcement is not an offer of securities for sale into the United States. The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or transferred, directly or indirectly, in or into or from the United States except pursuant to an



exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There is no intention to register the Offer Shares in the United States or to make a public offering in the United States. Any sale of the Offer Shares in the United States will be made solely to a limited number of “qualified institutional buyers” or accredited investors, each as defined in Rule 144A in reliance on an exemption from the registration requirements of the Securities Act.

The distribution of this release may be restricted by law and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such relevant legal restrictions. The information contained herein is not for publication or distribution, directly or indirectly, in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such aforementioned jurisdiction. This release is not directed to, and is not intended for distribution to or use by, any person or entity that is a citizen, resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would violate law or regulation or which would require any registration or licensing within such jurisdiction.

In any EEA Member State, other than Finland, this release is only addressed to and is only directed at “qualified investors” in that Member State within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”).

In the United Kingdom, this release is only being distributed to and is only directed at “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”) who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**UK Relevant Persons**”). Any securities mentioned herein are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, in the United Kingdom, UK Relevant Persons. Any person who is not a UK Relevant Person should not act or rely on this release or any of its contents. The UK Open Offer is only available to persons in the United Kingdom falling within Article 43 of the Order.

This release does not constitute a prospectus as defined in either the Prospectus Regulation or the UK Prospectus Regulation and, as such, it does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation or invitation of any offer to buy, acquire or subscribe for, any securities or an inducement to enter into investment activity in relation to any securities.

No part of this release, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. The information contained in this release has not been independently verified. No representation, warranty or undertaking, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. The Company or any of its respective affiliates, advisors or representatives or any other person, shall have no liability whatsoever (in negligence or otherwise) for any loss, however arising from any use of this release or its contents or otherwise arising in connection with this

release. Each person must rely on their own examination and analysis of the Company, its subsidiaries, its securities and the transactions, including the merits and risks involved.

The Lead Managers are acting exclusively for the Company and no one else in connection with the Offering. They will not regard any other person as their respective client in relation to the Offering. The Lead Managers will not be responsible to anyone other than the Company for providing the duties afforded to their respective clients, nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

### **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 Company's current expectations and assumptions regarding the completion and use of proceeds from the Offering, 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 Company's current beliefs and assumptions and are based on information currently available to the Company.

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 Company 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. 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.