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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").

THIS ANNOUNCEMENT IS ONLY DIRECTED AT PERSONS IN THE UNITED KINGDOM THAT ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION 2017/1129/EU AS INCORPORATED INTO UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 THAT ARE ALSO (I) INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") AND/OR (II) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (E) OF THE ORDER (EACH SUCH PERSON BEING REFERRED TO AS A "RELEVANT PERSON"). ACCORDINGLY, THIS ANNOUNCEMENT AND ITS CONTENTS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. PERSONS INTO WHOSE POSSESSION THIS ANNOUNCEMENT COMES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

Faron Pharmaceuticals Ltd

("Faron" or the "Company")

Results of Placing and Issue Price

Capitalised terms used in this announcement have the meanings given to them in the announcement made on 30 September 2021 regarding the proposed issue and placing of new ordinary shares in the Company (the "Launch Announcement"), unless the context provides otherwise.

Company announcement, 1 October 2021 at 7:00 a.m. BST / 9:00 a.m. EEST

Inside information

TURKU, FINLAND / BOSTON, MA – Faron Pharmaceuticals Ltd (First North: FARON, AIM: FARN), the clinical stage biopharmaceutical company, announces today that the Bookbuild, announced on 30 September 2021, is now closed. The Placing comprises the issue of 2,763,158 Placing Shares at an Issue Price of EUR 3.80 per

Placing Share, which represents a 9.4 % discount to the volume weighted average price on 30 September 2021 on NASDAQ Helsinki First North Growth.

The Placing Shares to be issued amount to approximately 5.5 % of the issued shares and votes in the Company, immediately prior to the Placing. The Company raised aggregate gross proceeds of EUR 10.5 million in the Placing. The Placing was supported by existing shareholders as well as new investors. The European Investment Council (EIC) Fund, which had given a pre-commitment, was among the largest investors. With these proceeds and the current level of activities the Company has sufficient working capital until Q3 2022.

"We are extremely pleased with the results of this Placing and the interest we received from investors, including a second significant investment from the European Investment Council Fund," said Toni Hänninen, Chief Financial Officer of Faron. "These funds raised strengthen our balance sheet and will allow us to continue accelerating our bexmarilimab and Traumakine development programs."

"We are extremely pleased to continue supporting Faron with this second share subscription in Faron Pharmaceuticals," commented José Fernando Figueiredo, member of the EIC Fund Investment Committee. "This follow-on investment witnesses the EIC Fund commitment in accelerating the clinical development of the treatments for medical conditions."

Use of Proceeds

The primary reason for conducting the Placing was to accelerate and expand the clinical development of the Company's main drug candidates, *bexmarilimab* and Traumakine® (intravenous *interferon beta-1a*). Some proceeds will also be used for the manufacturing processes of both drug candidates, and to strengthen the Company's balance sheet.

The Placing Shares will confer a right to dividends and other shareholder rights from their registration with the trade register kept by the Finnish Patent and Registration Office (the "**Trade Register**") which is expected to be on or about 1 October 2021 (the "**Registration**"). Following the Registration, the Placing Shares will

subsequently be entered in the book-entry system maintained by Euroclear Finland Oy and registered in the book-entry accounts of each investor. Trading in the Placing Shares is expected to commence on NASDAQ First North Growth and the AIM market of the London Stock Exchange latest on or about 5 October 2021.

Following issue and Registration of the Placing Shares, the number of shares in the Company will be 53,221,032 ordinary shares with voting rights attached. The Company has no shares in treasury; therefore, the total number of voting rights in Faron will be 53,221,032 (the "**New Number of Shares and Votes**"). This figure may be used by shareholders as the denominator for the calculations by which they will determine whether they are required to notify an interest in, or a change to their interest in, the New Number of Shares and Votes of the Company.

Related party transaction

Timo Syrjälä, an existing shareholder in the Company, has subscribed for 1,312,000 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 EUR 5.0 million at the Issue Price. Following the Placing, Mr Syrjälä's total holding in the Company's shares, which includes his indirect holding through Acme, will be 8,873,402 shares, representing 16.7 % of the New Number of Shares and Votes. Mr Syrjälä is a "Substantial Shareholder" in the Company for the purposes of the AIM Rules for Companies (the "**AIM Rules**"). His subscription for Placing Shares pursuant to the Placing is a related party transaction for the purposes of the AIM Rules. The Directors of the Company, all of whom are independent of Mr Syrjälä, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the participation by Mr Syrjälä in the Placing to be fair and reasonable insofar as shareholders are concerned.

The information contained within this notice constitutes inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014.

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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 untreatable solid tumors, 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 in global trials as a potential treatment for hospitalized patients with COVID-19 and with the 59th Medical Wing of the US Air Force and the US Department of Defense for the prevention of multiple organ dysfunction syndrome (MODS) after ischemia-reperfusion injury caused by a major trauma. Faron is based in Turku, Finland. Further information is available at www.faron.com.

About the European Innovation Council Fund

Established in June 2020, the European Innovation Council Fund (EIC Fund) is a breakthrough initiative of the European Commission to make direct equity and quasi-equity investments (between €500.000 and €15 million) in European high impact and deep tech start-ups and scale ups. With a long-term perspective, the EIC Fund invests in companies from any sector, across all EU member states as well as in associated countries.

The EIC Fund aims to fill a critical financing gap and its main purpose is to support companies in the development and commercialization of disruptive technologies. This is achieved by crowding-in market players, and further sharing risk by building a large network of capital providers and strategic partners suitable for co-investments and follow-on funding.

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.