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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 approx. EUR 11.0 million by way of an accelerated book-building

Company announcement, 26 January 2023 at 4:30 p.m. GMT / 6:30 p.m. EET
Inside information

KEY HIGHLIGHTS

- A proposed private placement of newly issued treasury shares ("**Placing Shares**") to raise approximately EUR 11.0 million, to be conducted by way of an accelerated book-building, directed to a limited number of institutional and other investors.
- The Leukemia & Lymphoma Society Therapy Acceleration Program® ("**LLS TAP**") and Mr Timo Syrjälä have provided non-binding indications for a substantial amount of the placing, subject to the minimum total amount of EUR 8.0 million being raised and certain other customary conditions.
- The placing is conditional upon raising a minimum of EUR 8.0 million. Subject to the Company raising the minimum amount, the Company will have sufficient funding for its working capital needs into May 2023 and be able to meet its financial and operational covenants by 31 January 2023, as per agreed waivers with IPF Partners. The total cash and cash equivalents held by the Company as of 31 December 2022 was ca. EUR 7.0 million.
- Significant majority of the net proceeds of the placing would be used for the acceleration of the *bexmarilimab* clinical development program and manufacturing.
- Carnegie Investment Bank AB (publ), Finland Branch ("**Carnegie**") is acting as sole bookrunner and lead manager in the placing.

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 to raise approximately EUR 11.0 million before expenses to a limited number of institutional investors and other investors ("**Placing**"). Carnegie is acting as sole bookrunner and lead manager in the Placing.

The Placing will be conducted in 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 in EUR. The Bookbuild is expected to commence immediately following this announcement and is expected to end by 9:00 a.m. EET on 27 January 2023 at the latest. The Bookbuild may be discontinued or extended 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, followed by the decision to then convey such 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**"), subject to the registration of the Placing Shares in the Finnish Trade Register. 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. In addition, the Company has obtained non-binding indications for a substantial amount of the Placing from LLS TAP and Mr. Timo Syrjä, both subject to certain customary conditions.

As soon as practicable after the close of the Bookbuild, and following receipt of binding commitments from investors, an announcement will be made on the final number of the Placing Shares to be issued first to Faron itself without consideration and then to be conveyed to investors in the Placing, the expected registration date of the Placing 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.

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

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 proceeds of the Placing are to be used to advance the development of the Company's pipeline of drug candidates and to strengthen the financial position of the Company. Raising at least EUR 8.0 million is required to secure that the Company meets all its financial and operational covenants by 31 January 2023, as per agreed waivers with IPF Partners.

- Bexmarilimab Development (approximately 87%)
 - Complete Part I of the BEXMAB combination trial with AML/MSD patients with an anticipation to accelerate the most promising indication
 - Initiate BEXCOMBO with PD-1 blockade that was recently approved by FIMEA
 - Conclude MATINS trial for FDA Meeting to obtain advice for pivotal pathway with last line cancer patients
 - Advance *bexmarilimab* commercial scale production
- US Buildup (approximately 5%)
 - Build medical and regulatory capabilities in the US
 - Build IR and US IPO readiness functions
- Pipeline – other (approximately 8%)
 - Traumakine and Haematokine development
- Strengthening of financial position
 - Maintaining sufficient cash position to meet any additional requirements from changes in operational activities, especially clinical trials expansion

In addition to the above, Faron is in negotiations with its lender, IPF Partners ("**IPF**") on the utilization of the second EUR 5.0 million tranche of the agreed loan commitment. Advanced discussions are expected to start immediately upon the closing of the Placing with the current aim to draw the second tranche during H1 2023. The

second tranche would be conditional on, among other things, Faron receiving FDA approval on the continuation of the MATINS trial, which is currently expected in late March – April 2023, and minimum overall funding requirement.

Under the terms of the facilities arrangement with IPF, the Company is required to maintain a minimum cash balance of EUR 6.0 million while maintaining three months cash runway.

DETAILS OF THE PROPOSED PLACING AND ISSUE OF EQUITY

- Faron intends to raise approximately EUR 11.0 million by offering Placing Shares to a limited number of institutional and other investors in the Placing. The Company has an authorization to offer a maximum of 6,458,270 Placing Shares in the Company.
- The Company has received non-binding indications for a substantial amount of the Placing from LLS and Mr. Timo Syrjälä, both subject to certain customary conditions.
- The placing is conditional upon raising a minimum of EUR 8.0 million. With the minimum amount, the Placing Shares issued would correspond to at least approximately 3.4% of all the shares and voting rights in the Company immediately prior to the Placing.
- Subject to the Company raising the minimum amount of EUR 8.0 million, the Company will have sufficient funding for its working capital needs until May 2023. The minimum amount is required to secure that the Company meets all its financial and operational covenants by 31 January 2023, as per agreed waivers with IPF.
- IPF has agreed to waive certain covenants under the terms of the facilities agreement until completion of the Placing, subject to the Company raising a minimum of EUR 8.0 million by 31 January 2023, amongst other conditions. Under the terms of the facilities arrangement with IPF, the Company is required to maintain a minimum cash balance of EUR 6.0 million while maintaining three months cash runway.
- The Placing Shares will be offered by way of an accelerated book building placement to institutional investors outside of the U.S. in accordance with Regulation S of the U.S Securities Act and in a private placement in the U.S. to a limited number of qualified institutional buyers, or QIBS, pursuant to an exemption from registration under the U.S. Securities Act.
- The Company intends to enter into a lock-up undertaking for a period of 90 days with customary and certain other exemptions, including the possibility to issue further shares, with the prior written consent of Carnegie, who has agreed to provide such consent as long as any such further issue is at least at the prevailing market price, is made to qualifying long-only investors (in the reasonable opinion of Carnegie) and is within the existing authorities granted at the Company's Extraordinary General Meeting held on 7 July 2022 (taking into account the authorities used in connection with the contemplated Placing). The Company's existing authorities, without factoring in the authorities used in connection with the proposed Placing, equate to the conveyance of up to 6,458,270 shares in total.
- Carnegie acts as sole bookrunner and lead manager.

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 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, in a directed share issue and in deviation from the shareholders' pre-emptive rights. A total of 3,229,930 new ordinary shares have been issued and conveyed by the Company and up to 600,000 new shares are reserved for share issuances based on the exercise of warrants pursuant to the funding arrangement entered into by Faron with IPF Partners, as disclosed on 28 February 2022. In addition, a further 1,311,800 treasury shares have been conveyed by the Company within the outstanding authority. Therefore pursuant to the outstanding authority,

the Company may issue and further convey up to a maximum of 6,458,270 ordinary shares, which represents approximately 10.8 per cent of all the issued shares and votes in the Company immediately prior to the Placing.

The Placing, arranged by Carnegie, 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 EET a.m. on 27 January 2023 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 Placing 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 the Placing Shares to be issued to the Company itself and then conveyed to investors, the Issue Price as well as the expected registration date of the Placing Shares.

In connection with the proposed Placing, the Company has entered into a placing agreement with Carnegie (the "**Placing Agreement**"). Pursuant to the terms of the Placing Agreement, the sole bookrunner has agreed to use its reasonable endeavours to procure the subscription of Placing Shares. In addition, the Company has obtained non-binding indications from the LLS TAP and Mr. Timo Syrjälä, both subject to certain customary conditions.

The Placing Agreement contain customary warranties and an indemnity from the Company in favour of the sole bookrunner. The Placing Agreement also contain provisions which enable the sole bookrunner to terminate its 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 the sole bookrunner certain commissions and fees in connection with the Placing. Pursuant to the terms of the Placing Agreement, the sole bookrunner shall collect payment of the gross Issue Price from the investors in respect of the Placing Shares allocated in 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 corresponding to gross proceeds of at least the minimum amount of EUR 8 million being received from investors;
- the Board resolving to carry out the Placing at the Issue Price and the Company and sole bookrunner entering into a separate pricing agreement confirming the Issue Price and the number of the Placing Shares; and
- the Placing Shares being issued and being registered with the Finnish Trade Register.

In connection with the Placing, Faron has entered into a lock-up undertaking for a period of 90 days with customary and certain other exemptions, including the possibility to issue further shares, with the prior written consent of Carnegie, who has agreed to provide such consent as long as any such further issue is at least at the prevailing market price, is made to qualifying long-only investors (in the reasonable opinion Carnegie) and is within the existing authorities granted at the Company's Extraordinary General Meeting held on 7 July 2022 (taking into account the authorities used in connection with the contemplated Placing). The Company's existing authorities, without factoring in the authorities used in connection with the proposed Placing, equate to the conveyance of up to 6,458,270 shares in total.

Subject to all conditions being met, the Placing Shares are expected to be entered in the Finnish Trade Register approximately on 27 January 2023.

ISSUE OF THE PLACING SHARES AND ADMISSION TO TRADING

The Placing Shares are expected to be issued in one tranche to the Company itself as treasury shares and subsequently conveyed to the investors, and applications will be made for the admission of the Placing Shares to trading on First North and AIM with said admissions expected to become effective and trading to commence on or around 31 January 2023 (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 Placing Shares to the Company itself and subsequent issuance 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.

For more information please contact:

Investor Contact

Faron Pharmaceuticals

Julia Balanova

VP, Investor Relations

julia.balanova@faron.com

investor.relations@faron.com

Phone: +1 (917) 306-6096

Media Contact

Faron Pharmaceuticals

Jennifer Smith-Parker

Head of Communications

Jennifer.Smith-Parker@faron.com

Cairn Financial Advisers LLP, Nomad

Sandy Jamieson, Jo Turner

Phone: +44 (0) 207 213 0880

Sisu Partners Oy, Certified Adviser on Nasdaq First North

Juha Karttunen

Phone: +358 (0)40 555 4727

Jukka Järvelä

Phone: +358 (0)50 553 8990

Consilium Strategic Communications

Mary-Jane Elliott, David Daley, Lindsey Neville

faron@consilium-comms.com

Phone: +44 (0)20 3709 5700

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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.

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

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

IMPORTANT INFORMATION

Market Abuse Regulation

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