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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")

Announcement of the Results of Placing, the Issue Price and registration of Placing Shares with the Trade Register

*Capitalised terms used in this announcement have the meanings given to them in the announcement made on 26 January 2023 regarding the proposed issue of new ordinary shares in the Company to the Company itself without consideration and placing of treasury shares in the Company (the "**Launch Announcement**"), unless the context provides otherwise.*

Company announcement, 27 January 2023 at 7:00 a.m. GMT / 9:00 a.m. EET
Inside information

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, announces today that the Bookbuild, announced on 26 January 2023, is now closed. The Placing comprises of the issuance of 3,692,308 Placing Shares to Faron itself without consideration, which have today been registered in the Finnish Trade Register, and subsequent conveyance of these Placing Shares, to investors at the Issue Price of EUR 3.25 per Placing Share. The Issue Price represents a 13.9% discount to the close price on 26 January 2023 on NASDAQ Helsinki First North Growth and a 75.7% premium to the last share issue completed on 14 October 2022. The payment and settlement (delivery against payment of the Issue Price in full) of the Placing Shares is expected to be completed on or about 31 January 2023. Carnegie Investment Bank AB (publ), Finland Branch ("Carnegie") acted as sole bookrunner and lead manager in the Placing.

The Placing Shares conveyed to investors amount to approximately 6.2% of the issued shares and votes in the Company, immediately prior to the Placing. The Company has raised aggregate gross proceeds of approximately EUR 12.0 million in the Placing. The Placing was supported by new investors and existing shareholders such as local long-only institutional investors and family offices, Mr. Timo Syrjälä and The Leukemia & Lymphoma Society Therapy Acceleration Program®. With these proceeds and the current level of activities the Company has sufficient working capital into Q3 2023.

"We are extremely pleased with the results of this oversubscribed Placing and the support we received from new and existing investors, especially the second investment from LLS (The Leukemia & Lymphoma Society)." said Toni Hänninen, Chief Financial Officer of Faron. "These funds allow us to accelerate our *bexmarilimab* pipeline further, including the acceleration of our BEXMAB study and the initiation of our recently approved BEXCOMBO study in 2023. Additionally, we are further strengthening our presence and building the team in the US as previously communicated."

"We are excited to make an additional investment in Faron and to continue the partnership to leverage our expertise and network to help advance their development of *bexmarilimab*," said Lore Gruenbaum, PhD, Vice President, The Leukemia & Lymphoma Society Therapy Acceleration Program® (LLS TAP). "There is a critical need to develop new

treatment options for blood cancer patients and novel combination therapies, like those being explored by Faron, are particularly promising because they can work synergistically to not only treat the cancer, but also activate a systemic response by the patient's own immune system."

Use of Proceeds and registration of Placing Shares in the Trade Register
The primary reason for conducting the Placing was to accelerate and expand the clinical development of the Company's main drug candidate, *bexmarilimab*. Some of the proceeds will also be used to advance *bexmarilimab* commercial scale production, to support general corporate purposes and other pipeline development, and to strengthen the Company's balance sheet. Raising of at least EUR 8.0 million was also required to secure that the Company meets all its financial and operational covenants by 31 January 2023, as per agreed waivers with IPF Partners.

A total of 3,692,308 Placing Shares have been issued and registered in the Finnish Trade Register today on 27 January 2023. Following the issuance, the aggregate number of ordinary shares in the Company is 63,497,691. As a part of the Placing, the 3,692,308 Placing Shares are further conveyed to investors with payment and settlement (delivery against payment of the Issue Price in full) expected to be completed on or about 31 January 2023. The Placing Shares confer a right to dividends and other shareholder rights from the payment and settlement to investors. One Placing Share entitles the holder to one vote in the general meeting of the Company. Following, and subject to, the completion of the settlement in full, the Company will have no shares in treasury and therefore, the total number of voting rights in Faron will be 63,497,691 (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.

Trading in the Placing Shares is expected to commence on First North and AIM latest on or about 31 January 2023.

Related Party Transaction
Timo Syrjälä, an existing shareholder in the Company, has subscribed for 400,000 Placing Shares in aggregate, for an aggregate subscription value of EUR 1,300,000 at the Issue Price. Following the Placing, Mr. Syrjälä's total holding in the Company's shares, which includes his indirect holding through Acme Investments SPF Sarl ("**Acme**"), an entity wholly owned by Mr. Syrjälä, will be 12,767,825 shares, representing 20.11 % 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 First North Rulebook and the Finnish Limited Liability Companies Act. The Directors of the Company, all of whom are independent of Mr Syrjälä, having consulted with Cairn Financial Advisers LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the participation by Mr. Syrjälä in the Placing to be fair and reasonable insofar as shareholders are concerned.

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

Faron Pharmaceuticals
Yrjö Wichmann
VP, Investor Relations and Funding

yrjo.wichmann@faron.com
Phone: +358 (0) 40 5868 979

Media Contact
Faron Pharmaceuticals
Jennifer Smith-Parker
Head of Communications
Jennifer.Smith-Parker@faron.com

Cairn Financial Advisers LLP, Nominated Adviser
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 venture philanthropy initiative that builds business alliances and collaborations with biotechnology companies 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 https://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.