OFFERING CIRCULAR **3 June 2024**

FARON

Faron Pharmaceuticals Ltd

Offering of preliminarily a maximum of 30,714,592 Offer Shares

Subscription Price EUR 1.00 per Offer Share

This Offering Circular (the "**Offering Circular**") has been prepared in connection with the contemplated offering of shares in Faron Pharmaceuticals Ltd, a limited liability company incorporated in Finland (together with its subsidiaries collectively, "**Faron**" or the "**Company**"). The Company aims to complete an offering of approximately EUR 30.7 million in total by offering for subscription up to 30,714,592 new and/or treasury shares in the Company (the "**Offer Shares**") (the "**Offering**"). Simultaneously with the Offering, the Company will arrange a separate offering in the United Kingdom (as described below), through which a part of the amount of proceeds sought by the Company in the Offering may be raised. In addition, approximately EUR 3.7 million of the proceeds sought in the Offering will be paid by converting the Company's Capital Loans (as defined below) and related arrangement fees and interests into Shares (as defined below). The number of shares in the Company may as a result of the Offering increase from the 72,007,497 existing shares (the "**Existing Shares**" and together with the Offer Shares, the "**Shares**") to up to 102,722,089 Shares, in which case the Offer Shares would correspond to approximately 29.9 per cent of all Shares following the completion of the Offering and 42.7 per cent of the Existing 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 in aggregate. The Company's Shares are subject to public trading on the Nasdaq First North Growth Market Finland ("**First North**") maintained by Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**"), and are admitted to trading as depositary interests representing entitlements to Shares ("**DIs**") on AIM ("**AIM**"), the market of that name operated by London Stock Exchange plc (the "**LSE**"). See "*Shares and Share Capital*".

The Offering comprises (i) a public offering of Offer Shares to private individuals and legal entities in Finland (the "**Public Offering**") and (ii) an institutional offering of Offer Shares to institutional investors in the European Economic Area (the "**EEA**") and, in accordance with applicable laws, internationally, including (a) in the United States, through a private placement to persons reasonably believed by the Lead Managers to be qualified institutional buyers ("**QIBs**") or accredited investors as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to exemptions from the registration requirements of the U.S. Securities Act and (b) in the United Kingdom, to "qualified investors" as defined in Regulation (EU) 2017/1129 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 also (A) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (B) high net worth entities, and other persons to whom the Offering may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (the "**Institutional Offering**"). 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. The subscription price of each Offer Share is EUR 1.00 (the "**Subscription Price**"). 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, accrued interest and unpaid arrangement fees relating to convertible capital loan instruments issued by the Company to certain investors in March 2024 (the "**Capital Loans**"). The Company's Board of Directors will determine the allocation of the Offer Shares between the Public Offering and the Institutional Offering.

The Company has received subscription commitments from certain investors totaling approximately EUR 6.2 million and subscription guarantees totaling up to EUR 8.8 million, i.e. a total of EUR 15 million (as described in more detail below). The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds.

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**"). No subscriptions received after the end of the Subscription Period will be approved. Instructions for making the subscriptions and purchases as well as detailed terms and conditions of the Offering are presented in this Offering Circular under "*Terms and Conditions of the Offering*".

An investment in the Offer Shares involves risks. Prospective investors should read this entire Offering Circular and, in particular, "*Risk Factors*" when considering an investment in the Company and note that the Subscription Price includes a material discount to the market price of the Shares, no transferable subscription right will be granted in the Offering and the ownership of current shareholders will be diluted if they do not subscribe for the Offer Shares.

Separately from the Offering, 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, being the latest business day prior to the date of this Offering Circular) through (i) an open offer of up to approximately 5.8 million new Shares to holders of DIs ("**DI Holders**") in the UK and elsewhere on the relevant record date at a UK subscription price of GBP 0.85 per Share (the "**UK Open Offer**") and (ii) an offer of new Shares to retail investors in the UK 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 consideration under the UK Offering cannot exceed the GBP equivalent of EUR 8 million and excess subscriptions for the UK Open Offer and the REX Retail Offer shall be scaled back accordingly to ensure this. The issue 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, being the latest business day prior to the date of this Offering Circular. The UK Open Offer is governed by separate terms and conditions to be included in a circular published by the Company and does not form part of the Offering. The REX Retail Offer is governed by seprate terms and conditions to be included in the announcement of the REX Retail Offer and does not form part of the Offering. See "*Terms and Conditions of the Offering*".

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state of the United States, and are being offered and sold (i) in the United States only to QIBs and accredited investors in reliance on and in compliance with Rule 144A or other applicable exemptions from the registration requirements under the U.S. Securities Act and (ii) outside the United States in offshore transactions to persons who are not, and who are not acting for the account or benefit of, U.S. Persons (as defined in Regulation S) in reliance on, and in compliance, with Regulation S. Prospective investors are hereby notified that any seller of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The distribution of this Offering Circular and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Accordingly, neither this Offering Circular nor any advertisement or any other Offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons in possession of this Offering Circular are required by the Company and the Lead Managers (as defined below) to inform themselves about and to observe any such restrictions. Any failure to comply with these regulations may constitute a violation of the securities laws of any such jurisdiction. See "*Selling and Transfer Restrictions*".

Carnegie PEEL HUNT

IMPORTANT INFORMATION

In connection with the Offering, the Company has prepared a Finnish language prospectus (the "**Finnish Prospectus**") in accordance with the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**"), Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/979 of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301, as amended, and Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (Annexes 3 and 12) supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, as amended.

The Finnish Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. The Finnish Prospectus also contains a summary in the format required by Article 7 of the Prospectus Regulation. The Finnish Prospectus has been approved by the Finnish Financial Supervisory Authority (the "**FIN-FSA**"), as competent authority under the Prospectus Regulation. The FIN-FSA approves the Finnish Prospectus only to the extent that it meets the standards of completeness, comprehensibility and consistency as imposed by the Prospectus Regulation. Such approval shall not be considered as an endorsement of the issuer or the quality of the securities that are the subject of the Finnish Prospectus and investors shall make their own assessment as to the suitability of investing in the securities. The record number of the FIN-FSA's approval decision concerning the Finnish Prospectus is FIVA/2024/707. This Offering Circular is an English language translation of the original Finnish Prospectus. This Offering Circular contains the same information as the Finnish Prospectus, with the exception of certain information directed at investors outside of Finland. The English language Offering Circular has not been approved by the FIN-FSA. In the event of any discrepancies between the original Finnish Prospectus and the English language Offering Circular, the Finnish Prospectus shall prevail. **This Offering Circular is valid until the offering of the Offer Shares has ended, however not exceeding 12 months from the approval of the Offering Circular. The obligation to supplement the Offering Circular under the Prospectus Regulation will end when the Offering Circular expires.**

In this Offering Circular, any reference to "**Faron**", the "**Company**" or the "**Group**" means Faron Pharmaceuticals Ltd and its subsidiaries collectively, except where it is clear from the context that the term means Faron Pharmaceuticals Ltd as the parent company, or a specific subsidiary or a particular business only. References made and matters relating to the shares and share capital of the Company shall refer to the shares and share capital of Faron Pharmaceuticals Ltd. The Company has appointed Carnegie Investment Bank AB, Finland Branch ("**Carnegie**") and Peel Hunt LLP to act as the lead managers for the Offering (the "**Lead Managers**") and Nordnet Bank AB ("**Nordnet**") as the subscription place.

No person has been authorised to give any information or to make any representation regarding the Offering other than those contained in this Offering Circular. If such information or representations are given or made, it must be noted that they have not been authorised by the Company or the Lead Managers. No representation or warranty, express or implied, is made by the Lead Managers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular should be relied upon as a promise or representation by the Lead Managers in this respect, regardless of whether it concerns the past or the future. The Lead Managers assume no responsibility for the accuracy, completeness or verification of the information and, accordingly, disclaims to the fullest extent permitted by applicable law any and all liability, whether arising in tort, contract or otherwise, which it might otherwise be found to have in respect of this Offering Circular or any such representation. Any information given or representations made in connection with the Offering that are inconsistent with those contained in this Offering Circular are invalid.

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 (whether or not a recipient of this Offering Circular) as its client in relation to the Offering. The Lead Managers will not be responsible to anyone other than the Company for giving advice in relation to the Offering or any transaction or arrangement referred to in this Offering Circular. In connection with the Offering, the Lead Managers and any of their affiliates, acting as an investor for its own account, may purchase Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account any Offer Shares or related investments and may offer or sell Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Offering Circular to shares being offered should be read as including any offering or placement of the Offer Shares to the Lead Managers or any of their affiliates acting in such capacity. The Lead Managers do not intend to disclose the extent of such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Lead Managers or their affiliates may enter into financing arrangements with investors in connection with which the Lead Managers, or their affiliates, may from time to time acquire, hold or dispose of shares.

Prospective investors are instructed to rely only on the information contained in this Offering Circular. Prospective investors are not instructed to rely on the Lead Managers or their affiliates, or any other third party, in connection with any investigation in respect of the accuracy of any information contained in this Offering Circular or in making an investment decision. No person has been authorised to give any other information or to make any representation concerning the Offering and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Lead Managers. When making an investment decision, prospective investors are instructed to rely on their own examinations of the Company and the terms and conditions of the Offering, including the benefits and risks involved therein. None of the Company, the Lead Managers or their respective affiliates or respective representatives, are making any representation to any recipient of the offer, subscriber or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares under the laws applicable to them. Investors are instructed to consult their own advisers, as they consider it necessary, before subscribing for or purchasing the Offer Shares. Investors are instructed to make their own independent assessments of the legal, tax, business, financial and other consequences and risks of a subscription or purchase concerning the Offer Shares.

The information in this Offering Circular is accurate as at the date of this Offering Circular. Neither the submission of this Offering Circular nor any offering, sale or delivery based thereon shall, under any circumstances, mean that the information contained in this Offering Circular would be in all respects correct in the future or that no changes would have taken place in respect of the Company's business which may result in or have resulted in a material adverse effect on the Company's business operations, operating result or financial standing as of the date of this Offering Circular. The Company does, however, have the obligation to correct and supplement the Offering Circular as required in the Prospectus Regulation.

In a number of countries, in particular in the United States, the United Kingdom, Australia, Canada, Japan, Hong Kong Special Administrative Region of the People's Republic of China, New Zealand, South Africa and Singapore, the distribution of this Offering Circular and the offer of the Offer Shares, is subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). This Offering Circular does not constitute an offer to subscribe for the Offer Shares in a jurisdiction to an individual in respect of which an offer would be unlawful. No action has been or will be taken by the Company or the Lead Managers to permit a public offering or the possession or distribution of this Offering Circular (or any other offering or publicity materials or application forms relating to the Offering) in any jurisdiction where such possession or distribution may otherwise lead to a breach of any law or regulatory requirement. Neither the Company nor the Lead Managers shall be held legally liable in the event that persons who have obtained this Offering Circular violate these restrictions, regardless of whether the persons in question are prospective subscribers or purchasers of the Offer Shares.

TABLE OF CONTENTS

SUMMARY

Introduction

*This summary should be considered as an introduction to this offering circular (the "**Offering Circular**"). Any decision by an investor to invest in the shares of Faron Pharmaceuticals Ltd (the "**Shares**") ("**Faron**" or the "**Company**") should be based on consideration of this Offering Circular as a whole. An investor could lose all or part of the invested capital. Where a claim relating to the information contained in this Offering Circular is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating this Offering Circular before the legal proceedings are initiated. Civil liability is applied only to those persons who have delivered the summary including any translation thereof, but only if the summary is misleading, inaccurate, or inconsistent when read together with the other parts of this Offering Circular or where it does not provide, when read together with the other parts of this Offering Circular, key information in order to aid investors when considering whether to invest in the Shares.*

The identity and contact details of the issuer are:

Company	Faron Pharmaceuticals Ltd
Business ID	2068285-4
Legal entity identifier ("**LEI**")	7437009H31TO1DC0EB42
Domicile	Turku, Finland
Registered Office	Joukahaisenkatu 6, FI-20520 Turku

The Company has one class of shares, and each share carries one vote at the Company's General Meeting of Shareholders. As at the date of this Offering Circular the ISIN code of the shares is FI4000153309.

The Finnish Financial Supervisory Authority (the "**FIN-FSA**") has, in its capacity as competent authority under the Prospectus Regulation, approved the Finnish Prospectus on 3 June 2024. The record number of the FIN-FSA's approval of the Finnish Prospectus is FIVA/2024/707. The FIN-FSA's address is P.O. Box 103, FI 00101 Helsinki, Finland, its telephone number is +358 9 183 51 and its email address is kirjaamo@finanssivalvonta.fi.

Key Information on the Issuer

Who is the Issuer of the Securities?

The issuer's legal name is Faron Pharmaceuticals Oy in Finnish and Faron Pharmaceuticals Ltd in English. Faron is a Finnish limited liability company subject to the laws of Finland and domiciled in Turku, Finland, and its LEI code is 7437009H31TO1DC0EB42.

Principal Activities

Faron Pharmaceuticals Ltd is a clinical stage biopharmaceutical company focused on developing treatment of cancers via novel immunotherapies by pursuing to reprogram myeloid cells to create a more comprehensive immune activation against cancer than what is achieved with current treatments. The Company's depositary interests representing entitlements to Shares ("**DIs**") have been admitted to trading on AIM ("**AIM**"), the market of that name operated by London Stock Exchange plc, since 17 November 2015 and the Company's Shares have been admitted to trading on Nasdaq First North Growth Market Finland ("**First North**"), maintained by Nasdaq Helsinki Ltd, since 3 December 2019. The Company is headquartered in Turku, Finland, and has an office in Boston, Massachusetts in the United States.

The Company's main drug development program focuses on *bexmarilimab*, a novel anti-Clever-1 humanised antibody which is being investigated for the treatment of multiple cancers, with the potential to remove immunosuppression of cancers through reprogramming myeloid cell function. *Bexmarilimab* is being investigated in Phase I/II clinical trials (MATINS and BEXMAB) as a potential stand-alone therapy for patients with solid tumors and in combination with other standard treatments for patients with hematological cancers. The Company's main focus is to first develop *bexmarilimab* for the treatment of relapsed or refractory higher-risk myelodysplastic syndrome, a deadly form of blood cancer, for which the only standard of care is a form of chemotherapy named hypomethylating agents with limited efficacy. The Company is currently running a Phase II clinical trial in this patient population. Success in this trial would enable the Company to obtain resources to broaden the development of *bexmarilimab* to various cancers allowing a broad market potential. The Company is also progressing plans to investigate *bexmarilimab* in combination with anti-PD-1 therapy in selected advanced solid tumors. In terms of other pipeline assets, Traumakine is an investigational intravenous interferon beta-1a therapy planned to be used for the prevention of complications that arise from cytokine release syndrome, or hyperinflammatory conditions. The Company commenced trials in ARDS indication with Traumakine already in 2009.

The pharmaceutical market is global by its nature, but as the Company does not yet have approved drug products it has not yet entered any specific geographic markets. The Company's strategy is to maximise the potential of its pipeline of drug candidates and to progress the drug development programs. The Company collaborates with its strategic partners in research, manufacturing and drug development with a view to bringing new pharmaceutical products to market in a timely and cost-effective manner and has further formed an advisory team of scientists specialised in diseases arising from immunological receptors. The Company has established a cooperation network with leading laboratories and clinics around Europe and the United States, and major research collaboration is exercised with the University of Turku in Finland.[1]

[1] BEXMAB: https://clinicaltrials.gov/study/NCT05428969?term=bexmab&rank=1 and MATINS: https://clinicaltrials.gov/study/NCT03733990?term=matins&rank=.

The Company monitors and evaluates potential commercial opportunities for its drug candidates and its technologies and will consider how to maximise value for the Company's shareholders. These potential commercial opportunities may include both partial or full licensing of its products providing additional resources for pipeline expansion and making the Company less dependent on equity financing. Possible licensing may include holding rights in key strategic territories for as long as it is feasible or, in certain circumstances, up to the marketing authorisation stage. However, it is possible that the Company will license the commercial rights to a leading pharmaceutical company in the field being able to commercialise the drug candidate successfully. In the near future, the Company intends to discuss the next steps for *bexmarilimab* development with the United States Food and Drug Administration (the "**FDA**"), such as feedback on design of a pivotal trial (Phase III in drug development), and the Company is also aiming to advance partnership negotiations in respect of *bexmarilimab*. The Company aims to have dialogue with the FDA to refine the 2025 plans related to drug development during the second half of 2024. The Company will announce the progress of the process as the situation develops.

Major Shareholders

The following table presents the ten largest shareholders of the Company as at 30 April 2024 based on the shareholders' register maintained by Euroclear Finland Oy ("**Euroclear Finland**") and information otherwise obtained by the Company.

Shareholder	**Number of Shares**	**Per cent of shares and votes**
Timo Syrjälä[1), 2)]	13,432,335	18.65%
Tom-Erik Lind[2)]	3,644,078	5.06%
A&B (HK) Company Limited	3,408,409	4.73%
Markku Jalkanen[2), 3)]	3,380,100	4.69%
The European Investment Council Fund, EIC[2)]	3,113,770	4.32%
Marko Salmi	2,645,079	3.67%
Varma Mutual Pension Insurance Company	2,575,482	3.58%
Fjärde AP Fonden	2,501,769	3.47%
Hargreaves Landsdown	1,619,110	2.25%
OP Finland Fund	1,322,797	1.84%
Ten largest, total	**37,642,929**	**52.28%**
Nominee-registered shareholders[4)]	**13,550,019**	**18.81%**
Total Shares in the Company	**72,007,497**	**100.0%**

[1)] Timo Syrjälä's total holding in the Company's shares, which includes indirect holding through Acme Investments SPF S.à.r.l., an entity which is wholly owned by Timo Syrjälä. In accordance with the rules of AIM, Timo Syrjälä is considered a significant shareholder due to his shareholding, and transactions with a related party should be disclosed in accordance with the AIM Rules for Companies.

[2)] The shareholder participated in the Company's private placement announced on 4 April 2024 for which the shareholder has the right to receive shares primarily through a free issue as compensation for the difference between the subscription price of EUR 1.50 of the directed share issue and the subscription price of the Offering ("**Free Shares**").

[4)] Held by Markku Jalkanen and his spouse.

[4)] Excluding those nominee-registered shareholders who are disclosed among the ten largest shareholders

To the extent known to the Company, the Company is not, directly or indirectly, owned or controlled by any one party.

Key Management and Auditor

The following table presents the members of the Board of Directors of Faron as at the date of this Offering Circular:

	Title	**Nationality**	**Year of Birth**
Tuomo Pätsi	Chair of the Board of Directors	Finland, Switzerland	1964
Markku Jalkanen	Member of the Board of Directors	Finland	1954
John Poulos	Member of the Board of Directors	United States	1954
Marie-Louise Fjällskog	Member of the Board of Directors	United States	1964
Christine Roth	Member of the Board of Directors	United States	1963

The following table presents the members of the Management Team of Faron as at the date of this Offering Circular:

	Title	**Nationality**	**Year of Birth**
Juho Jalkanen	Chief Executive Officer	Finland	1978
Yrjö Wichmann	Interim Chief Financial Officer	Finland	1958
Birge Berns [1)]	Interim Chief Medical Officer	Germany, United Kingdom	1960
Maija Hollmén [2)]	Chief Scientific Officer	Finland	1979
Vesa Karvonen	General Counsel	Finland	1972

[1)] Birge Berns is working as a consultant part-time.

[2)] Maija Hollmén is working part-time.

Auditing firm PricewaterhouseCoopers Oy, Authorised Public Accountants, acts as the statutory auditor of Faron and Authorised Public Accountant Panu Vänskä as the auditor with principal responsibility.

What Is the Key Financial Information Regarding the Issuer?

Faron's selected financial information below has been derived from the Company's audited consolidated financial statements as at and for the financial years ended 31 December 2023 and 31 December 2022 prepared in accordance with the IFRS Accounting Standards of the International Accounting Standards Board (IASB) as adopted by the European Union ("**IFRS Accounting Standards**").

The following table presents certain key figures of Faron for the periods indicated:

In EUR thousand, unless otherwise indicated	1 January to 31 December 2023	2022
	(audited)	
Statement of Comprehensive Income		
Revenue	-	-
Operating loss	(28,568)	(27,426)
Loss for the period	(30,944)	(28,730)
Basic and diluted loss per share, EUR	(0.48)	(0.52)
Balance sheet		
Total assets	10,220	11,271
Total equity	(15,160)	(11,476)
Statement of Cash Flows		
Net cash used in operating activities	(23,806)	(22,993)
Net cash used in investing activities	(123)	(385)
Net cash from financing activities	23,983	23,478

The Company's auditor has in the Auditor's Report of the Company's financial statements as at and for the year ended 31 December 2023 drawn attention to material uncertainty related to going concern as follows: "We draw attention to note 2.2 Going concern in the financial statements. Because the additional finance was not committed at the date of issuance of the financial statements, this fact together with other matters stated in the notes, indicated that a material uncertainty existed that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. Our auditor's opinion had not been modified in respect of this matter."

The Company's auditor has in the Auditor's Report of the Company's financial statements as at and for the year ended 31 December 2022 drawn attention to material uncertainty related to going concern as follows: "We draw attention to the notes in the financial statements, item 2.2 "Going concern". As stated in the notes, additional funding had not been confirmed by approval of the financial statements. This fact together with other matters stated in the notes, indicated that a material uncertainty existed that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion had not been modified in respect of this matter."

What Are the Key Risks that Are Specific to the Issuer?

- As at the date of this Offering Circular, Faron's working capital is estimated to be sufficient until 27 June 2024 and the Company is highly dependent on equity financing, R&D grants and loans and debt financing, it has due accounts payables, and it may not be able to raise additional funding on favourable terms or at all, risking disruptions in the operations of the Company or a general insolvency and bankruptcy.
- Difficulties in complying with financial covenants included in the Company's loan arrangements or other loan conditions or accessing additional financing may have an adverse effect on the Company's business, financial position, future prospects and the value of the Shares.
- The Company has incurred, and is expected to incur, losses for the foreseeable future and does not have any approved products or revenue from collaboration or licensing agreements.
- Faron's two most important drug candidates are in clinical development and their development may not be successful or may be delayed, and the Company may not be able to develop approved or marketable products in planned timeline or at all.
- The manufacturing of the Company's drug candidates could become impossible and there can be no assurance that the drug candidates can be manufactured in sufficient quantities, quality and standards, in compliance with regulatory requirements, and at an acceptable cost and within an appropriate timeframe, which could have a material adverse effect on the Company's clinical development and ability to complete required trials.
- The pharmaceutical industry is highly competitive with many larger actors than Faron, and subject to rapid technological change. Competitor products could render the Company's drug candidates less competitive or obsolete.
- There can be no certainty that the Company will be able to monetise the value of its intellectual property rights or knowhow through licensing or other commercial partnership.
- The Company's success is highly dependent on the expertise and experience of the Company's Board of Directors, the key management, personnel, and key collaborators.
- The Company operates in a highly regulated environment and there can be no certainty that the Company or its collaborators will be able to comply with all applicable regulations and reporting requirements applicable to drug development or its business otherwise, and obtain necessary drug development related regulatory approvals, which could result in inability to successfully commercialise the drug candidates or in a possible breach of or change in the regulations applicable to the Company having an adverse effect on the Company.
- There is no certainty that the scope of any patent protection will be sufficient, that any of the Company's patents will be held valid if challenged, or that third parties will not claim, attempt to copy, obtain, or use proprietary rights held by the Company.

- The Company is dependent on third party vendors for manufacturing its drug candidates, running its clinical trials and analysis of its clinical data, and the loss of, or inability to attract, such vendors in the future as well as possible disputes or legal proceedings with contractual partners would adversely affect the Company's operations.

Key Information on the Securities

What Are the Main Features of the Securities?

The Shares are registered in the Finnish book-entry system maintained by Euroclear Finland under the ISIN code FI4000153309 and are admitted to trading on AIM and on First North. The trading code of the shares in the Company is "FARON" on First North and "FARN" on AIM. The shares in the Company have no nominal value, they are denominated in euro and all Shares issued have been paid in full and issued in accordance with Finnish laws.

At the date of this Offering Circular, Faron has one series of shares. All Shares carry one vote and have equal voting rights at General Meetings of Shareholders, and all Shares provide equal rights to dividends. The rights attached to the Shares include, among others, pre-emptive rights to subscribe for new shares in the Company, the right to participate and exercise voting power at the general meetings of shareholders of the Company, the right to dividend and distribution of other unrestricted equity, and the right to demand redemption at a fair price from a shareholder that holds shares representing more than 90 per cent of all the shares and votes in the Company, as well as other rights generally available under the Finnish Limited Liability Companies Act (624/2006, as amended, the "**Finnish Companies Act**"). There are no voting or transferability restrictions related to the Company's Shares. Faron offers preliminary a maximum of up to 30,714,592 new and/or treasury Shares (the "**Offer Shares**") for subscription (the "**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 (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 in aggregate. As a result of the Offering, the number of outstanding shares in the Company may rise to a maximum of 110,722,089 Shares, assuming that the Offer Shares are fully subscribed and the Upsize Option is used in full.

To the extent that the Offer Shares are new shares and not treasury shares further conveyed, they will confer a right to dividends and other shareholder rights from their registration in the Trade Register maintained by the Finnish Patent and Registration Office (the "**Finnish Trade Register**") and their delivery on the investor's book-entry account on or about 24 June 2024 (unless the Subscription Period (as defined below) is extended). Such Offer Shares will from their registration and delivery on the book-entry account confer the same rights as the existing Shares (the "**Existing Shares**"). To the extent that the Offer Shares are treasury shares that are further conveyed, they will confer a right to dividends and other shareholder rights from their delivery on the investor's book-entry account on or about 24 June 2024 (unless the Subscription Period (as defined below) is extended). Such Offer Shares will from their delivery on the book-entry account confer the same rights as the Existing Shares. As the Company's operations have been generating losses and are expected to do so in the near future, the Company has not confirmed and/or publicly disclosed a dividend policy. If the business of the Company would generate enough profits so that it would have distributable equity, the Board of Directors would evaluate the Company's ability to pay dividends taking into account the future capital needs of the Company. There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the General Meeting of Shareholders of the Company and will depend upon, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time. The Company is not allowed to pay dividends or make any other distributions to its shareholders pursuant to the terms of the facilities agreement entered into with IPF Fund II SCA, SICAV-FIAR ("**IPF**") on 28 February 2022 (as amended, the "**Facilities Agreement**"), until the loans thereunder have been repaid in full. The loans are due to be repaid in accordance with the terms of the Facilities Agreement on 30 June 2027 at the latest.

Where Will the Securities Be Traded?

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.

What Are the Key Risks that Are Specific to the Securities?

- 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. Agreeing on changes to terms of payment or financial covenants and accessing possible additional funding is uncertain. The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds and the guarantees received by the Company are limited to this minimum amount of the Offering.
- The subscription price of the Offer Shares in the Offering includes a significant discount to the market price of the 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 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, and the Offering dilutes current shareholders' ownership share in the Company, unless the current shareholders subscribe for the Offer Shares in the Offering.

- Future issuances of Shares and share subscriptions of options and warrants may dilute current shareholders' ownership share in the Company and lower the Share price of the Company.
- It may be difficult to realise an investment on First North or on AIM. The market price of the Shares may fluctuate widely in response to different factors and investors may lose all or part of their investment.

Key Information on the Offer of Securities to the Public

Under which Conditions and Timetable can I Invest in this Security?

General

The Company aims to complete an offering of approximately EUR 30.7 million in total by offering for subscription preliminarily up to 30,714,592 Offer Shares. Simultaneously with the Offering, the Company will arrange a separate offering in the United Kingdom (as described below), through which a part of the amount of proceeds sought by the Company in the Offering may be raised. In that case, the proceeds raised through the UK Offering (as defined below) may reduce the proceeds to be raised through the Offering accordingly. In addition, approximately EUR 3.7 million of the proceeds sought in the Offering will be paid by converting the Company's convertible capital loans issued by the Company to certain investors in March 2024 (the "**Capital Loans**") and related arrangement fees and interest into Shares. The Offering comprises (i) a public offering of Offer Shares to private individuals and legal entities in Finland (the "**Public Offering**") and (ii) an institutional offering of Offer Shares to institutional investors in the European Economic Area (the "**EEA**") and, in accordance with applicable laws, internationally, including (a) in the United States, through a private placement to persons reasonably believed by the Lead Managers (as defined below) to be qualified institutional buyers ("**QIBs**") or accredited investors as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to exemptions from the registration requirements of the U.S. Securities Act and (b) in the United Kingdom, to "qualified investors" as defined in Regulation (EU) 2017/1129 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 also (A) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (B) high net worth entities, and other persons to whom the Offering may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in the United Kingdom being "**UK Relevant Persons**") (the "**Institutional Offering**").

Separately from the Offering, 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, being the latest business day prior to the date of this Offering Circular) through (i) an open offer of up to approximately 5.8 million new Shares to holders of DIs ("**DI Holders**") in the UK and elsewhere on the relevant record date at a UK subscription price of GBP 0.85 per Share (the "**UK Open Offer**") and (ii) an offer of new Shares to retail investors in the UK 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 consideration under the UK Offering cannot exceed the GBP equivalent of EUR 8 million and excess allocations under the UK Open Offer and excess subscriptions for the UK Open Offer and the REX Retail Offer shall be scaled back accordingly to ensure this. The issue price for Shares issued 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, being the latest business day prior to the date of this Offering Circular. The UK Open Offer is governed by separate terms and conditions to be included in a circular published by the Company 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. The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds[2].

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. Entities making a subscription must have a valid LEI code. The subscriber must have a book-entry account with a Finnish account operator or an account operator operating in Finland and must provide details of his book-entry account upon subscription. Should the investor want to make a subscription to an equity savings account, it can only be made to an equity savings account provided by Nordnet Bank AB ("**Nordnet**") through their online service.

The Institutional Offering is available to institutional investors (i) in Finland, (ii) elsewhere in the EEA and (iii) in accordance with applicable laws, internationally, including (a) in the United States on a private placement basis to a limited number of persons reasonably believed by Carnegie Investment Bank AB, Finland Branch and Peel Hunt LLP (the "**Lead Managers**") to be QIBs or accredited investors as defined in Rule 144A under the U.S. Securities Act, pursuant to exemptions from the registration requirements of the U.S. Securities Act and (b) in the United Kingdom, to UK Relevant Persons. Entities making a subscription must have a valid LEI code. The subscriber must have a book-entry account and must provide the information in his book-entry account upon subscription. The Lead Managers and Nordnet may, where needed, upon receiving an investor's subscription or prior to approval of the subscription, require from the investor evidence of the investor's capability of paying the Offer Shares subscribed for or require an amount equivalent to the investor's subscription to be prepaid prior to

[2] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

such time. In such case, the amount to be paid will be the Subscription Price (as defined below) multiplied by the number of Offer Shares subscribed.

The Company's Board of Directors will decide, on or about 19 June 2024 (unless the Subscription Period (as defined below) 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.

Subscription Period and Price

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**"). No subscriptions received after the end of the Subscription Period will be approved. The Board of Directors of the Company has the right to extend the Subscription Period of the Offering. The subscription periods of the Institutional Offering and the Public Offering may be extended or not extended independently of each other. If the subscription period of the Institutional Offering or the Public Offering is extended, the timing of the acceptance of subscriptions given in the Offering, the due date for payment of the Offer Shares subscribed for in the Institutional Offering, the entry of the Offer Shares in the Finnish Trade Register and the admission of the Offer Shares to trading shall be changed accordingly. A company announcement release regarding the extension of the Subscription Period shall be published no later than the aforementioned estimated end date of the Subscription Period.

The subscription price of each Offer Share is EUR 1.00 (the "**Subscription Price**"). 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 arrangement fees relating to the Capital Loans.

Withdrawal of Subscriptions in Certain Circumstances

Subscriptions are binding and may not be withdrawn other than as set forth below. Where the Finnish language prospectus relating to the Offering (the "**Finnish Prospectus**") is supplemented pursuant to the Prospectus Regulation due to material new information, material error or material inaccuracy, which may affect the assessment of the Offer Shares ("**Grounds for Supplement**"), investors who have subscribed for Offer Shares before the supplement of the Finnish Prospectus is published shall have the right to withdraw their subscriptions during a withdrawal period. Such withdrawal period shall last for at least two (2) working days from the publication of the supplement. The withdrawal right is further conditional on that the Grounds for Supplement were noted prior to the end of the Subscription Period or the delivery on the book-entry account of the subscriber of the Offer Shares which are subject to the withdrawal (whichever occurs earlier). The Company will announce withdrawal instructions by way of a company announcement. Such company announcement shall also announce investors' right to withdraw subscriptions, the period within which subscriptions may be withdrawn and more detailed instructions on withdrawal. Any withdrawal of a subscription shall relate to the entire subscription of the investor. The withdrawal must be made in writing at the account operator, asset manager or nominee custodian in which the subscription order was given. After the end of the withdrawal period, the right of withdrawal will lapse. Where a subscription is withdrawn, the Subscription Price paid will be refunded to the subscriber within approximately five (5) business days from withdrawal. No interest will be paid on the refunded amounts.

Trading in the Shares

An application will be made for the admission to trading of the Offer Shares on the First North and AIM. Trading in the Offer Shares is expected to commence on or about 24 June 2024, unless the Subscription Period is extended and subject to the admission of the Offer Shares to trading on First North and AIM.

Applicable Law and Dispute Resolution

Any disputes arising in connection with the Offering will be settled by a court of competent jurisdiction in Finland. In the event of any discrepancies between the original Finnish Prospectus and the English language Offering Circular, the Finnish Prospectus shall prevail.

Fees and Expenses

Faron expects to pay approximately EUR 4.0 million in fees and expenses in connection with the Offering, assuming that the Company completes the Offering in the amount of EUR 30.7 million [3]. This amount of fees and expenses includes a total fee of EUR 1.1 million payable to the subscription guarantors for the subscription guarantee undertakings. Before the Company's Board of Directors has resolved upon the completion of the Offering, each subscription guarantor may decide whether they will accept the fee in full or in part in euros or in new Shares in the Company at the Subscription Price. No fees or other expenses will be charged to investors for committing to subscribe or subscribing for Offer Shares. Account operators charge fees in accordance with their fee schedules for the maintenance of book-entry accounts and custody of shares. No transfer tax is levied on the subscription of Offer Shares.

Dilution

The maximum number of Offer Shares to be offered in the Offering (including the Upsize Option) corresponds to approximately 35.0 per cent of all Shares following the completion of the Offering. As a result of the Offering, the number of outstanding shares in the Company may rise to a maximum of 110,722,089 Shares, assuming that the Offer Shares are fully

[3] Part of the fees and expenses paid by the Company in connection with the Offering may relate to the separate UK Offering arranged at the same time as the Offering.

subscribed and the Upsize Option is used in full. This would result in approximately 35.0 per cent dilution of the total shareholding of current shareholders, assuming that none of the current shareholders (excluding the shareholders who gave the subscription commitment or the subscription guarantee undertaking) subscribe for the Offer Shares. The number of outstanding shares in the Company may increase by 41,371,666 Shares (i.e. to a maximum total of 113,379,163 Shares), taking into account the Free Shares to be issued as a result of the completion of the Offering and assuming that all subscription guarantors would decide to receive their subscription guarantee fees in Shares instead of euros. This would result in approximately 36.5 per cent dilution of the total shareholding of current shareholders, assuming that none of the current shareholders (excluding the shareholders who gave the subscription commitment or the subscription guarantee undertaking) subscribe for the Offer Shares.

Why Is This Offering Circular Being Produced?

Reasons for the Offering and Use of Proceeds

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 deal 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.[4] The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds. The subscription guarantees received by the Company are limited to the minimum amount of the Offering and it may be completed even if it is not subscribed in full, in which case the Company's financing would not be sufficient to deliver on the above-mentioned objectives and the Company would have to adjust and reduce its operations or seek additional financing earlier than planned.

The reasons for the UK Offering are the same as described above.

The Company aims to raise through the Offering 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, gross proceeds of approximately EUR 27 million, and net proceeds of approximately EUR 23 million. 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 preparation 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.

Conflicts of Interest

To the knowledge of the Company, except for their legal and/or beneficial interest in the shares of the Company and the issuance of Free Shares to certain members of the Board of Directors (Markku Jalkanen and Tuomo Pätsi) as a result of the Offering, the members of the Board of Directors, the CEO or the members of the Management Team do not have any conflicts of interests between their duties towards the Company and their private interests and/or their other duties.

The fees of the Lead Managers are partly linked to the proceeds raised in the Offering and the UK Offering. The Lead Managers and/or their related parties have provided and may in the future provide advisory, consulting and/or banking services to Faron as a part of their normal business activities for which they have received, or will receive, customary fees and reimbursement of expenses.

[4] Part of the proceedings sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

RISK FACTORS

Shareholders considering investing in the Shares should carefully review the information contained in this Offering Circular and in particular the risk factors described below. The following description of risk factors is based on the information known and assessed on the date of this Offering Circular and, therefore, is not necessarily exhaustive. Some of these factors are potential events that may or may not materialise. Should one or more of the risk factors materialise, this could have a material adverse effect on the Company's business, financial position, and results of operations. The Company may also face other risks that are not known or deemed material on the date of this Offering Circular, but which could also have a material adverse effect on the Company's business, financial position, results of operations or future prospects as well as the value of the Shares. Should one or more of these risks materialise or the likelihood of materialisation increases, investors who have invested in the Shares could lose their investment in part or in full.

The risk factors presented herein have been divided into nine categories based on their nature. These categories are:

- *Financial Risks;*
- *Risks Relating to Research and Development;*
- *Risks Relating to Markets for Pipeline Products;*
- *Risks Relating to Dependence on Key Persons;*
- *Risks Relating to the Regulatory Environment;*
- *Risks Relating to Intellectual Property;*
- *Other Risks Relating to the Operations and the Management of the Company;*
- *Risks Relating to the Shares and the Securities Markets; and*
- *Risks Relating to the Offering.*

Within each category, the risk factor estimated to be the most material on the basis of an overall assessment of the criteria set out in the Prospectus Regulation is presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialisation. The order of the categories does not represent any evaluation of the materiality of the risk factors within that category when compared to risk factors in another category.

Financial Risks

As at the date of this Offering Circular, Faron's working capital is estimated to be sufficient until 27 June 2024 and the Company is highly dependent on equity financing, R&D grants and loans and debt financing, it has due accounts payables, and it may not be able to raise additional funding on favourable terms or at all, risking disruptions in the operations of the Company or a general insolvency and bankruptcy.

The Company's financial situation in terms of the amount of available cash has weakened during the year 2024, because the Company has not been able to raise adequate funds it needs for its business and compliance with its financial covenants, and it has had to resort to numerous temporary measures in order to continue its operations. As at the date of this Offering Circular, Faron estimates that its current working capital is sufficient until 27 June 2024 (see "*Capitalisation and Indebtedness – Working Capital Statement*"). This means, that the Company must prior to this succeed in obtaining additional financing through the Offering or otherwise, to be able to secure the continuity of its operations. 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 FUND II SCA, SICAV-FIAR ("**IPF**") Facilities Agreement (as defined and described in section "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*") until the latter half of March 2025. Even if the Company succeeds in completing the Offering in the aimed amount, the working capital available to the Company will not be sufficient to cover its needs for the next 12 months after the date of this Offering Circular. To ensure adequate working capital to execute its current business plan after the latter half of March 2025, the Company has to acquire the needed amount of additional financing through equity or debt financing and, if necessary, adjust its operations significantly through cost savings and development programs. In addition, if the Offering is completed in a smaller amount than aimed, the Company would have to adjust and reduce its operations and seek for additional financing earlier than currently planned to meet its financing needs and to comply with the financial covenants of the IPF Facilities Agreement. Various scenarios concerning

the sufficiency of the Company's assets are described in section "*Background and reasons for the Offering and use of proceeds*").[5]

The lack of commercialisation, collaboration and licensing agreements and the significant resources needed for funding of the Company's current and future drug development requires the Company to gain access to funding from different sources of financing, in capital markets or elsewhere. There is no certainty that such funding will be available on favourable terms, if at all. If the Company is unable to raise funding, it will have insufficient financing for its product development, including future clinical development, for its operations and for taking care of its current liabilities, including trade payables, towards Company's vendors. The Group's total accounts payable amounted on 30 April 2024 to approximately EUR 11.8 million in total, of which EUR 9.7 million was either included in the payment plans agreed with vendors that had not yet been invoiced from the Company or was not due. The amount of due accounts payable was EUR 2.1 million. Due to insufficient funding, the Company has also had to and could in the future have to delay or cancel the ordering of certain necessary services in order to manage its cash position and to negotiate amendments to the conditions and repayment schedules of contracts and financing arrangements, such as the IPF Facilities Agreement, in force. The vendors may also start to require advance payments, cease providing services or make demands or claims relating to contract compliance, in case payments are not made in time. If the Company is not able to comply with the conditions or commitments of its contracts or loan arrangements or to negotiate the amendments needed to them, this could have an adverse effect on the Company's ability to conduct its business or it could cause additional expenses. This could result in delays, amendments or elimination of the Company's development programmes or commercialisation, as well as the consideration of other strategic alternatives.

Repayment of the Company's R&D loans and loans under the Facilities Agreement has already commenced and the Company must ensure continuous compliance with the repayment schedule and other loan terms, and especially the financial covenants under the IPF Facilities Agreement, to be able to ensure uninterrupted continuation of its business. Without adequate funding to finance its existing operations, liabilities and accounts payable, the Company could face general insolvency and be forced to file for bankruptcy to terminate its operations. Even if the Company was not to face general insolvency, be forced to file for bankruptcy or to terminate its operations, the Company being unable to raise adequate funding could have a material adverse effect on the Company's business, financial position, results of operations and/or future prospects.

Difficulties in complying with financial covenants or other loan conditions included in the Company's loan arrangements or accessing additional financing may have an adverse effect on the Company's business, financial position, future prospects and the value of the Shares.

The Facilities Agreement entered into between the Company and IPF contains financial covenants (minimum cash and gross gearing) and other undertakings that the Company should comply with at all times and the Company's intellectual property rights, business mortgage notes and bank accounts have been pledged to IPF as security for the obligations under the Facilities Agreement. Non-compliance with the terms of the Facilities Agreement may lead to an event of default under the Facilities Agreement entitling IPF to demand immediate prepayment of any outstanding loans, block the use of the bank accounts of the Company that have been pledged as collateral for the obligations under the Facilities Agreement and to take any other enforcement action agreed in the Facilities Agreement, such as realisation of the pledged intellectual property rights and collecting its receivable out of their sale proceeds. Loss of patents or other intellectual property rights critical for the Company's business as a result of realisation could complicate or prevent the conducting of the Company's business. There can be no assurance that the Company will be able to comply with the provisions of the loan arrangements in the future, including complying with the financial covenants of the IPF Facilities Agreement, which are often revisited in the short term, to make the required interest and loan capital repayments in time in accordance with the due dates under the Facilities Agreement, or to meet its other debts service obligations under the Facilities Agreement. Failure to comply with the Company's financing terms could have a material adverse effect on the Company's business, financial position, results of operations and future prospects as well as on the ability to obtain additional financing, which in turn could result in general insolvency and bankruptcy of the Company.

The Company continuously needs funds for its business and product development, and a decrease in the Company's cash resources below the required level of the minimum cash covenant at any given time will lead to the breach of the covenant. The company's gross gearing covenant is tied to the Company's share price, the changes of which are not under the Company's control, as they may be related to changes in the general macroeconomic environment, the Company's operating environment or, for example, its competitive situation, and the development of these factors cannot be predicted with certainty. The Company announced on 19 February 2024 that it had breached several financial covenants and other commitments agreed in the IPF Facilities Agreement (see "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"). The Company has previously negotiated with IPF on changes and waivers to the Facilities Agreement several times, when the Company has not been able or has anticipated that it will not be able to comply with the required covenant levels and other commitments, including during spring 2024, as described in section "*Summary of Information Disclosed*". The Company has also already agreed in advance with IPF a

[5] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

deviation to the required level of the minimum cash covenant until the end of October 2024. Changes made to the financial covenants or other terms of the Facilities Agreement may lead to an obligation to make various additional payments to IPF, grant more warrants to IPF or comply with other additional conditions under the Facilities Agreement. Failure to comply with the Waiver agreed with IPF (as described and defined in section "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"), financial covenants and other contractual obligations also exposes the Company to other sanctions in accordance with the Facilities Agreement, such as freezing of bank accounts, realisation of collateral and maturing of loans.

If the Company needs additional financing as the amount of funds received in the Offerings would be lower than expected or costs originated from business would increase or otherwise, and after the latter half of March 2025 at the latest, there is no certainty that the additional financing will be available from the equity or debt financing markets on terms favourable to the Company, or at all, as many factors such as financial market conditions, the general availability of financing and the Company's credit rating may affect the availability of financing. The Company's inability to raise additional funding may result in lack of funds, which in turn may lead to breach of the minimum cash covenant. Inability to raise the additional financing needed or negotiate the needed amendments in the conditions of the Facilities Agreement or other financing arrangements could have a material adverse effect on the Company's business, financial position, results of operations and future prospects, which in turn could lead to general insolvency and bankruptcy of the Company.

The Company has incurred, and it expects to incur, losses for the foreseeable future and does not have any approved products or revenue from collaboration or licensing agreements.

The Company has incurred significant operating losses since its inception and does not currently have any revenue from approved products or revenue from collaboration or licensing agreements. The Company expects to incur losses for the foreseeable future, and there is no certainty that the business will generate a profit. The historical losses have arisen mainly from the costs incurred in R&D, clinical trials and general administrative costs. The Company aims to manage the spend on clinical trials and general administrative costs. Costs of clinical trials depend on the locations where the clinical trials take place as well as the number of patients enrolled to each clinical trial. The Company may not be successful in developing products which will generate revenue in future. Even if the Company would be able to achieve profitability for its business in the future, there is no certainty that the profitability can be maintained. Failure to develop commercially viable products in the future could result in the Company losing access to additional funding, resulting in a general insolvency and bankruptcy of the Company.

The Company may be affected by adverse macroeconomic changes.

A broader economic downturn or recession can lead to reduced investor confidence, decreased availability of funding, and reduced consumer spending on healthcare products. This can make it harder for the Company to secure necessary financing and to attract investors which could seriously damage the Company's financial position as the Company is currently dependent on recurring external capital injections. The equity capital market is often influenced by general investor sentiment and market trends. Changes in sentiment can lead to fluctuations in stock prices and reduced interest from investors, making it challenging for the Company to raise equity capital.

In addition to the equity capital markets, credit markets typically tighten during periods of economic uncertainty, making it more difficult for companies to access debt financing. This can limit the Company's ability to raise funds through loans or bonds, affecting its liquidity and growth prospects. Changes in interest rates can impact the cost of debt for the Company. If interest rates rise, as they have done in recent years, it could increase the Company's interest expenses on existing debt and make it more expensive to secure new debt, putting additional strain on the Company's financial resources. Inflation increases the Company's operating costs, including R&D expenses, salaries, and other overhead costs. Unfavourable macroeconomic developments could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Risks Relating to Research and Development

Faron's two most important drug candidates are in clinical development and their development may not be successful or may be delayed, and the Company may not be able to develop approved or marketable products in planned timeline or at all.

The Company's main drug product candidates, *bexmarilimab* and Traumakine®, are in clinical development and may therefore be subject to clinical failure. The third pipeline product candidate of the Company, Haematokine®, is still in the pre-clinical phase. As such, the safety and efficacy of the Company's products have not yet been fully established and may not result in commercially viable products, whether over a period of many years or at all. Furthermore, there is a risk that safety issues may arise when the testing of the products moves forward. Conversion of cutting-edge scientific research into new clinical drug development programmes where there is a limited amount of guidance and previous examples, involves a high degree of uncertainty. This uncertainty could result in situations where the Company needs to make rapid alterations to its development projects without full visibility of all the consequences, which may result in additional costs.

Bexmarilimab is currently being studied in a Phase I/II open-label trial, named BEXMAB. The earlier first clinical trial with *bexmarilimab*, named MATINS, on solid tumours ended in 2023 and showed that the drug candidate is safe and well tolerated in addition to which promising efficacy results were obtained. Whilst the Company believes that the results from these trials are encouraging, there is a risk that the early results seen cannot be replicated in the current or future clinical trials and that insufficient clinical benefit to obtain a regulatory approval is demonstrated. In addition, a similar risk exists with the Company's Traumakine product which did not meet endpoint in Phase III trial on acute respiratory distress syndrome ("**ARDS**") in 2018, and is now under development for a different indication.

If a drug candidate is subject to clinical failure, the Company may not be able to develop an approved marketable drug but still incurs significant development costs. As is common to all pharmaceutical companies, the Company's experience indicates that there may be a very high incidence of delay or failure to produce scientific results that could result in a viable product being developed. Failure to develop commercially viable products could lead to the Company losing the opportunity to generate revenues from its product portfolio, resulting in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

The manufacturing of the Company's drug candidates could become impossible and there can be no assurance that the drug candidates can be manufactured in sufficient quantities, quality and standards, in compliance with regulatory requirements, and at an acceptable cost and within an appropriate timeframe, which could have a material adverse effect on the Company's clinical development and ability to complete required trials.

There can be no assurance that the drug candidates being developed by the Company will be capable of being manufactured in sufficient quantities, quality and standards, in compliance with regulatory requirements, and at an acceptable cost and within an appropriate timeframe for further clinical trials or commercial purposes. *Bexmarilimab* has already been produced in commercially significant quantities, but there are always uncertainties involved as the production process relies on living organisms. In the event that the Company is not able to utilise the master cell bank or for some reason the final production process, that is still subject to validation on the date of this Offering Circular, did not operate as expected, it would lead to disruptions in the Company's operations, consequently resulting in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects. Furthermore, destruction of a production batch, or part of it, could adversely affect the Company's operations by delaying completion of on-going trials or by affecting the availability of drug candidate for trials to be run in the future.

The Company's drug candidates may cause side effects that could halt their clinical development and result in other severe negative consequences.

The novelty of the Company's current or future drug candidates implies a risk of unknown effects associated with human clinical use. Unexpected and unacceptable side effects could cause delays or termination of the clinical studies and adversely impact the probability of obtaining marketing authorisation for the product. In the event that the product has already reached a marketing authorisation approval, adverse reactions related to the product could have severe consequences such as withdrawal of market approval. The slowing of the clinical studies or approval processes would affect the planned timetable for Faron's product development, and delays in the timetable could incur significant additional costs for Faron. In addition, adverse drug reactions caused by the Company's drug candidates, or claims of such reactions or other deficiencies, could also lead to indirect costs due to reputational damage arising from such adverse reactions. Should Faron's reputation among its partners be damaged this could affect the planned timetable for Faron's product development, the Company's ability to obtain partnering opportunities in accordance with its strategy and later on demand for Faron's products and consequently on the Company's financial position. Delays or termination of the clinical studies of Faron, withdrawal of marketing approvals of its current or potential future drug candidates, to the extent obtained, or Faron's exposure to significant reputational risks could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Risks Relating to Markets for Pipeline Products

The pharmaceutical industry is highly competitive with many larger actors than Faron, and subject to rapid technological change. Competitor products could render the Company's drug candidates less competitive or obsolete.

The pharmaceutical industry in general is a highly competitive industry in nature, and in the long-term, the Company expects competition for its products which are currently under development. Competitors in the industry include major multinational pharmaceutical companies, biotechnology companies and research institutions, many of which have substantially greater financial, technical, and operational resources, such as larger research and development resources ("**R&D resources**") and staff. Competitors may succeed in developing and commercialising competing products and receive regulatory approvals before the Company or may succeed in developing products that are more effective or economically viable than products developed by the Company. As a result, the Company's competitors may be able to implement more effective sales and marketing programmes and therefore restricting the Company's potential future commercial opportunities. In addition, the biopharmaceutical industry and pharmaceutical industry are subject to rapid technological change which could affect the commercial viability of the Company's drug candidates. Research and

discoveries by others may result in medical insights or breakthroughs which render the Company's drug candidates less competitive or obsolete. Failure to effectively respond to the competitive pressure of the industry could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

There can be no certainty that the Company will be able to monetise the value of its intellectual property rights or knowhow through licensing or other commercial partnership.

The Company's strategy includes seeking partners for the development and commercialisation of certain of its drug candidates in certain geographic territories. Related partnership agreements may provide important funding to the Company through signature and milestone payments and fees and potentially funding of additional trials required in certain territories. At the moment the Company does not have any significant licensing deals or partnerships concerning its core business and markets. In addition, based on the Facilities Agreement with IPF (as defined below), the Company must obtain IPF's consent for the sale and licensing of its intellectual property rights. The Company may be unable to establish commercial arrangements on favourable terms within targeted timeframes, or at all, and any such arrangement may not succeed. If the Company is unable to establish commercial arrangements or, following negotiations with the relevant partners, terminates an agreement, there can be no certainty that the Company will be able to pursue the development and commercialisation of the respective product in certain territories. Failure in the Company's partnership strategy could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Risks Relating to Dependence on Key Persons

The Company's success is highly dependent on the expertise and experience of the Company's Board of Directors, the key management, personnel, and key collaborators.

The Company's success is highly dependent on the expertise, experience and continued service of the Board of Directors, key management, personnel and key collaborators. Whilst the Company has entered into employment and other agreements with each of these key persons, the retention of such persons cannot be guaranteed. Should key persons leave or should agreements of the persons or collaborators with the Company terminate and the Company is unable to find persons to replace them, the Company's business prospects, financial conditions and/or results of operations may be materially adversely affected. To develop new products and commercialise its current pipeline, the Company relies, in part, on the recruitment of appropriately qualified personnel, including personnel with a high level of scientific and technical expertise. There is currently a shortage of such persons in the pharmaceutical industry, meaning that the Company is likely to face significant competition in recruitment. The Company may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its needs, which could affect its ability to develop as planned. In addition to its Board of Directors, management and employees, the Company has a strong network of external advisors acting as members of the Scientific Advisory Board, that advises the Company in its research operations, and various committees related to the Company's trials. The Company is also dependent on the continued service of such individuals. Furthermore, the Company's current financial situation and uncertainties related thereto may cause concerns in its key personnel and require savings measures resulting in reduction or layoffs of employees, which may further complicate the Company's ability to retain key persons. The loss of any of the members of the Board of Directors or other key persons as well as the costs of recruiting replacements and possible reductions or layoffs of employees due to savings measures may have a material adverse effect on the Company and its commercial and financial performance and therefore reduce the value of an investment in the Shares of the Company.

Risks Relating to the Regulatory Environment

The Company operates in a highly regulated environment and there can be no certainty that the Company or its collaborators will be able to comply with all applicable regulations and reporting requirements applicable to drug development or its business otherwise, and obtain necessary drug development related regulatory approvals, which could result in inability to successfully commercialise the drug candidates or in a possible breach of or change in the regulations applicable to the Company having an adverse effect on the Company.

The Company will need to obtain various regulatory approvals, including from the United States Food and Drug Administration (the "**FDA**") and the European Medicines Agency (the "**EMA**"), and there is no certainty that the products of the Company will be able to achieve the necessary regulatory approvals. The extent of clinical trials required to test the safety and efficacy of the Company's products will vary depending on the product, the treatment being evaluated, the trial results and regulations applicable to the particular drug candidate. The results of clinical trials to date of the Company's drug candidates do not necessarily predict the results of later stage clinical trials. These drug candidates in the later stages of clinical trials may fail to show the desired safety and efficacy in the later stages of clinical trials despite having progressed through initial clinical trials. There can be no assurance that the data collected from clinical trials of the Company's drug candidates will be sufficient to support obtaining regulatory approvals.

The Company cannot accurately predict when the planned clinical development work will be completed, if at all. The Company's drug candidates may produce unexpected side effects or serious adverse events which could interrupt, delay, or halt clinical trials of the drug candidate and could result in regulatory authorities denying approval of the product for any or all the targeted treatments. Furthermore, an independent safety monitoring board, a regulatory authority or the Company itself may suspend or terminate trials at any time. There can be no certainty that any of the Company's drug candidates will ultimately prove to be safe for human use. The Company's clinical trials could also be delayed or terminated in the event that the candidate being tested is in the same class of drug as a marketed product that is revealed to cause side effects. Furthermore, the time required to receive regulatory feedback, or delays in receiving regulatory feedback, could impact the Company's ability to expand clinical trials as planned. Failure in complying with regulations applicable to drug development by the Company or its collaborators and obtaining the necessary regulatory approvals could result in inability to commercialise the drug candidates under development. In addition, failure in complying with regulations otherwise applicable to the Company's business may cause financial losses for the Company, weaken the Company's business opportunities and harm the Company's reputation. The matters described above could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

The Company may not be able to maintain its regulatory approvals, to the extent obtained, or it may be required to incur significant costs in obtaining or maintaining its regulatory approvals.

The clinical trials of products developed by the Company and its ongoing R&D are subject to regulations by governments and regulatory agencies in countries where the Company or any of its potential licensees or collaborators intend to test, manufacture or market products. Even if a regulatory approval is obtained, the products and their manufacturing are subject to continuous review and there can be no assurance that such approval will not be withdrawn or restricted, or that the Company will not incur unsustainable costs in obtaining or maintaining such approvals. Furthermore, changes in the legislation or regulatory policies or practices or the discovery of unexpected side effects or other problems with the products or their manufacturing may result in the imposition of restrictions on the products or their manufacturing, requirement to withdraw the drug from the market, voluntary or mandatory drug recalls, government investigations, and the imposition of penalties. Failures in the ability to maintain the necessary regulatory approvals for the Company's products with acceptable costs could result in suspension, delay or interruption of sales and thus could have a material adverse effect for the Company's business, financial position, results of operations and/or future prospects. The Company is also exposed to a risk of failing to execute clinical trials in accordance with regulatory and quality requirements imposed by, for example, regulatory agencies and ethical committees. Such failure could delay or put the Company's clinical trial on hold which could lead to results being delayed which, in turn, could have an adverse effect on the Company's business and results of operations.

The Company may become involved in legal or administrative proceedings or other disputes brought by authorities, patients or other third parties or by the Company itself.

Several general risks and uncertainties present in pharmaceutical development and manufacturing as well as in the treatment of patients expose the Company to various kinds of claims. As Faron has ongoing clinical trials and it regularly operates with various co-operation partners and regulatory authorities, the risk of legal and administrative proceedings exists. The Company may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings or from investigations by regulatory bodies or administrative agencies. In addition, Faron may become subject to claims related to employments being terminated as a result of cooperation procedures or other employee termination procedures. The Company's current or former employees may present claims that such employments have not been terminated in accordance with applicable legislation or that they have not been paid remuneration in accordance with applicable agreements. The Company may also have contractual or statutorily established liability towards third parties if individual employees or collaborators breach legal requirements, contractual agreements or internal guidelines.

In some proceedings, the claimant, including a person participating the Company's clinical trial, may seek damages and other remedies, which, if reinforced, would require expenditures by the Company. The Company may incur costs relating to these proceedings that could exceed the Company's financial resilience or insurance coverage. In addition, should legal proceedings be decided in the claimant's favour, the Company may incur fines or other remedies, which may be significant. Even if the Company's management, officers, employees or collaborators are ultimately not found to be liable, defending claims or lawsuits could be expensive and time consuming, divert management resources as well as damage the Company's reputation. Any of these events could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

The Company processes special categories of personal data and failure to process the data appropriately could lead to adverse consequences.

During the clinical trials, the Company collects and processes personal data from the persons participating in the trials of the Company. Most of such personal data is regarded as special category of personal data as it is a persons' health information or genetic information. Even though the Company aims to protect the privacy of the participants, including

by only using coded, pseudonymised personal data, there can be no certainty that no data breaches will occur or that the Company will not unintentionally violate applicable privacy and data protection regulations. As the Company and many of its partners process especially sensitive personal data and operate under multiple different jurisdictions with their own differing personal data regulation regimes, the Company is exposed to close scrutiny by several regulators and different kinds of potential legal claims. Also, transfers of personal data from actor to actor creates and increases vulnerability, which may result in breaches of confidentiality. Further, any loss, alteration or destruction of data, stolen data, unauthorised access of an employee or a representative of a vendor to the Company's systems, or a collapse of the Company's systems could affect integrity of the data, and thus expose the Company to various risks related to processing of personal data. Additionally, potential human errors when data is manually entered and transferred between systems may pose a threat to integrity of data. Even though the Company aims to secure privacy of personal data processed with contractual obligations and to agree with its partners on the terms of processing that is allowed, there can be no certainty that no processing that would be against what has been agreed will happen.

If the Company fails in processing the personal data appropriately, the Company could face significant regulatory sanctions, disruptions to its business operations, and reputational damage. For example, the Company could have to allocate significant financial and administrative resources and time to defend itself against criminal and/or civil lawsuits or administrative proceedings targeting the Company alleged mishandling of personal data. Ultimately, the Company could be required to pay significant penalties or damages, face restrictions for its operations, or suffer serious reputational damage if found liable for breaking applicable personal data regulations. Such failures could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Risks Relating to Intellectual Property

There is no certainty that the scope of any patent protection will be sufficient, that any of the Company's patents will be held valid if challenged, or that third parties will not claim, attempt to copy, obtain, or use proprietary rights held by the Company.

There can be no certainty that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Company. There can be no certainty that others have not developed or will not develop similar products, attempt to duplicate the Company's drug candidates or design around patents held by the Company. Third parties may hold or be granted patents which can be claimed having a scope that covers products developed by the Company, whether or not patents are held by or issued to the Company.

In addition, the Company's patents only prevent a competitor from copying but not from independently developing competing products for the treatment of the same disease. There is no certainty that others will not independently develop or otherwise acquire substantial equivalent techniques or products not infringing the Company's rights or gain access to the Company's unpatented technology or disclose such technology or that the Company can ultimately protect its rights to such unpatented technology. Insufficient patent protection with regard to the Company's key products could lead to the Company being unable to generate future revenues from its product portfolio, resulting in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

There is no certainty that any currently pending or future patent applications will result in patents being granted on a timely basis or at all.

The Company relies upon a combination of patents, trade secrets and confidentiality agreements to protect the intellectual property related to its drug candidates. The commercial success of the Company will depend to a great extent on its ability to secure and maintain patent protection for its products, to preserve the confidentiality of its knowhow and to operate without infringing the rights of third parties. There is no certainty that any pending or future patent applications will result in granting of patents. Additionally, any pending or future patent applications may encounter unexpected delays from the Company's and/or the competent regulator's part, causing uncertainty to the Company's business and its ability to generate cash flows in the future. Failure to secure and maintain commercially significant patents could lead to the Company being unable to generate future revenues from its product portfolio, resulting in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Should the Company be required to assert its intellectual property rights against third parties, or be forced to defend itself, for example in case the Company has infringed, or been alleged to have infringed, rights held by third parties, it can lead to a patent litigation that can be both costly and time consuming.

Filing, prosecuting and defending patents in all countries throughout the world is expensive. However, patents are central to the Company's business and the Company has also committed in the Facilities Agreement with IPF (as defined below) to defend its intellectual property rights. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain

developing countries, do not favour the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for the Company to stop the infringement of its patents or marketing of competing products in violation of its rights generally. The Company may not prevail in any lawsuits that it initiates, and the damages or other remedies awarded, if any, may not be commercially meaningful or represent sufficient compensation. Accordingly, the Company's efforts to enforce its intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that it develops or licenses to strategic partners. In addition, the Company cannot be aware of all third-party intellectual property even though the Company searches and reviews publicly available resources to keep abreast of developments in the field. As a result, the Company may infringe, or be alleged to have infringed, rights held by third parties which can result in costly litigation against the Company. Failures in enforcing the Company's intellectual property rights or significant associated costs, as well as potential substantial litigation costs could result in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Other Risks Relating to the Operations and Management of the Company

The Company is dependent on third party vendors for manufacturing its drug candidates, running its clinical trials and analysis of its clinical data, and the loss of, or inability to attract, such vendors in the future as well as possible disputes or legal proceedings with contractual partners would adversely affect the Company's operations.

In accordance with industry practice the Company has engaged third-party vendors for all of its operational activities – for example for manufacturing its drug candidates, running its clinical trials and analysis of its clinical data. Limited internal staff resources increases dependency from external resources. As Faron's operations are dependent on a good network of collaborators and third-party vendors, the Company's ability to continue its operations in an uninterrupted way and to comply with regulatory requirements is dependent on its ability to attract and retain third party vendors at its service who support Faron's operations. The Company is also dependent on third-party vendor's compliance with the regulatory requirements that are applicable on the services provided by such vendors. Even though the Company is able to change its vendors, any changes to vendors are resource-consuming and cause additional costs, as well as may cause risks to, for example, the integrity of the data collected or uninterrupted provision of services affecting, for example, the conduct of a trial. If disagreements arise from the interpretation of agreements made with vendors or the Company is unable to comply with the conditions of the agreements made with the vendors or to negotiate the necessary changes to them, the Company may become involved in legal proceedings or other disputes, which may result in additional costs or adverse effect on the Company's ability to conduct its business. Failure to attract and retain reliable, validated, third-party vendors and disagreements with vendors could lead to disruptions in the Company's operations, resulting in a material adverse effect for the Company's business, financial position, results of operations and/or future prospects.

Failures in the Company's critical information technology infrastructure could seriously disrupt the Company's operations.

As information technology is critical for the Company's operations, situations where electronic systems utilised by the Company in its operations would collapse or clinical data collected would be destroyed or its integrity compromised, could materially affect the Company's ability to continue its operations without significant disruption. Operating with multiple vendors and other external parties means that the Company regularly delivers and receives information and data, including sensitive personal data, trade secrets and otherwise confidential information through multiple channels. As the Company is subject to and operates under GxP requirements, these requirements pose many obligations to the Company, and for example the computerised systems used in clinical trials must be qualified and validated. The Company needs to secure compliance of the information technology it uses in order to be able to conduct its business. Material deviations would affect or risk the Company's ability to run clinical trials. External threats, like cyber-attacks, service outages and thefts, may take place irrespective of any mitigation measures conducted by the Company. Failures or vulnerabilities in the Company's information technology environment may cause disruptions in the Company's operations, financial damages or fines, privacy breaches, reputational damages, and affect the legal and regulatory compliance of the operations. The factors described above could have a material adverse effect on the Company's business, financial position, results of operations and/or future prospects.

The Company's business involves the risk of liability claims if e.g. the use of Faron's drug candidates results in injury or death.

Specific to its business, Faron faces a risk of product liability claims or other liability claims as a result of the clinical testing or use of its current or potential future drug candidates. If Faron's insurance coverage would not cover possible incidents or it otherwise cannot successfully defend itself against product liability claims it may incur substantial liabilities or be required to limit the commercialisation of its drugs. Even a successful defence against such claims may require significant resources and costs.

The materialisation of any clinical study risks may result in the delay or termination of a project or an increase in a project's expenses, or lead to a personal injury, death, damage to property and damage claims against the Company. The

realization of such risks could have a material adverse effect on the Company's business, financial position, results of operations and/or future prospects.

Risks Relating to the Shares and the Securities Markets

Future issuances of Shares and share subscriptions of options and warrants may dilute current shareholders' ownership share in the Company and lower the Share price of the Company.

The Company is currently dependent on external financing to finance its operations, and therefore it is possible that the Company will need to raise new equity also in the future (also after completion of the Offering and even if the Offering would be completed in full). The Company may also issue new equity-linked securities, such as options or warrants, which, if exercised, increase the total amount of Shares in the Company by way of share subscriptions made based on them. As at the date of this Offering Circular, the Company has issued a total of 1,320,343 Warrants to IPF and will, following the completion of the Offering, issue 499,601 Warrants to IPF, which entitle to subscribe for the same number of Shares (as defined and described in section "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*") and to certain persons a total of 3,884,816 options, which entitle to subscribe for the same number of Shares and of which a total of 2,536,648 options were exercisable in accordance with the terms of the relevant Option Plans (as defined and described in section "*Shares and Share Capital – Options and Warrants*"). In addition, in accordance with the terms and conditions relating to the private placement announced by the Company on 4 April 2024, the investors who participated in the private placement will be compensated the difference in the issue price of EUR 1.50 per share in such private placement and the subscription price of EUR 1.00 per share in this Offering by granting such investors new Shares in the Company free of charge (see "*Summary of Information Disclosed – Company Releases Specifying Inside Information – Information on share issues and other financial arrangements*").

Any future share issue or rights issue to which existing shareholders are unwilling or unable to participate in pro rata to their existing ownership share may dilute the affected shareholders' relative share of Shares and votes. The issuance or sale of a significant number of Shares could also have an adverse effect on the market price of the Shares and on the Company's ability to raise funds through share issues in the future.

Interests of certain larger shareholders of the Company may differ from the interests of other shareholders.

As at the date of this Offering Circular, the largest shareholders of the Company include, *inter alia*, Timo Syrjälä with an ownership share of approximately 18.65 per cent in the Company, Tom-Erik Lind with an ownership share of approximately 5.06 per cent in the Company, and A&B (HK) Company Limited with an ownership share of approximately 4.73 per cent in the Company (see "*Major Shareholders and Related Party Transactions*"). The Company has also received an irrevocable Subscription Commitment from Tom-Erik Lind, to subscribe for additional Shares in the Offering. As such, the largest shareholders may continue to have significant ownership in the Company after completion of the Offering, and thus, wield significant influence over key decision-making in the Company, relating to, *inter alia*, composition of the Board of Directors of the Company and distribution of funds. There can be no assurance that the interests of such shareholders, or other larger shareholders, will be in line with those of the Company's other shareholders, which may have an adverse effect on the value and liquidity of the Shares.

Additionally, the Company may be involved in strategic transactions in which the Company would divest its entire business or a part of it, and/or gain new majority shareholders, thereby potentially weakening the Company's current shareholders' influence over the Company. Such events could misalign the interests of the Company's current shareholders with those of its new owners, which may have an adverse effect on the value and liquidity of the Shares.

The Company may not be able to pay dividends to its shareholders, and the amount of any dividends potentially to be paid by the Company in any future financial year is uncertain, and if the Company does not pay any dividends, investors' potential return could depend solely on the future development of the share price.

The Company has not distributed any dividends since it began its operations**.** There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Board of Directors and will depend upon, *inter alia*, the Company's earnings, financial position, liquidity and availability of distributable funds as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time. At the date of this Offering Circular the Company does not have any distributable equity from which dividends could be paid. At least as long as the Company has negative equity or no distributable equity in accordance with the Finnish Companies Act, it is not able to pay any dividends in which event investors' potential return would depend solely on the future development of the share price. In addition, the Company is not allowed to pay dividends or make any other distributions to its shareholders pursuant to the terms of the Facilities Agreement entered into with IPF (as defined and described in section "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"), until the loans under the Facilities Agreement have been repaid in full. The loans are due to be repaid in accordance with the terms of the Facilities Agreement by 30 June 2027 at the latest.

Risks Relating to 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. Agreeing on changes to terms of payment or financial covenants and accessing possible additional funding is uncertain. The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds and the subscription guarantees received by the Company are limited to this minimum amount of the Offering.

There can be no assurance that the Company will be able to raise in the Offering the total proceeds of approximately EUR 30.7 million that it is aiming for[6]. Considering that the Company's current working capital is estimated to be sufficient until 27 June 2024, and, as announced on 30 April 2024, IPF has set securing subscriptions or guarantees for the Offering in the amount of EUR 10 million by 11 June 2024 as a condition for the extension of the Waiver and the Company has, as at the date of this Offering Circular, received Subscription Commitments and Guarantees of EUR 15 million in aggregate (see "*Terms and Conditions of the Offering – Subscription commitments and guarantees*"), the Company is likely to complete the Offering, even if its aimed total amount is not reached. The Offering is, however, conditional upon the Company raising at least EUR 15 million in gross proceeds[7] and that this amount has been confirmed prior to the publication of this Offering Circular through the Subscription Commitments in the aggregate amount of EUR 6.2 million and Subscription Guarantees in the aggregate amount of EUR 8.8 million received by the Company. However, the subscription guarantees will only be realised to the extent that the subscriptions made in the Offering (together with the Subscription Commitments) do not reach the minimum gross proceeds of EUR 15 million. If the minimum gross proceeds of EUR 15 million are reached without guarantors, no Offer Shares will be subscribed based on the subscription guarantees. Thus, the size of the Offering cannot increase beyond the minimum gross proceeds of EUR 15 million through subscription guarantees. 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, with the EUR 15 million gross proceeds, be able to comply with its current financial covenants until the end of the year 2024. In a situation where the Offering is completed but its aimed total amount is not reached, the Company's funding would not be sufficient to deliver on the Company's key milestones for the year 2024 in accordance with the current business plan and it would be required to adjust and reduce its operations and negotiate changes to its terms of payment or negotiate new amendments to its financial covenants and seek for additional financing earlier than currently planned in order to fulfil its current financing needs (see "*Background and Reasons for the Offering and Use of Proceeds*"). If the Company is unable to agree on changes in terms of payment or financial covenants or to obtain additional financing, it could be forced to apply for insolvency proceedings, and shareholders could lose their investment in the Company. For additional information see "– *Financial Risks*".

The subscription price of the Offer Shares in the Offering includes a material discount to the market price of the Shares prior to the announcement of the Offering. No subscription rights will be issued in the Offering and therefore be subject to public trading due to which the current shareholders of the Company cannot receive compensation typical in a rights issue for the sale of subscription rights in the Offering, and the Offering dilutes current shareholders' ownership share in the Company unless the current shareholders subscribe for the Offer Shares in the Offering.

The subscription price of the Offer Shares in the Offering includes a material discount to the market price of the Shares. The Company is not issuing any subscription rights to its current shareholders in the Offering and therefore there will not be subscription rights available for public trading. As a result, the current shareholders of the Company cannot receive compensation typical in a rights issue for the sale of subscription rights in the Offering. Therefore, the Offering only dilutes current shareholders' ownership share in the Company unless they subscribe for the Offer Shares in the Offering.

The maximum number of Offer Shares to be offered in the Offering (excluding the Upsize Option) would correspond to approximately 29.9 per cent of all Shares following the completion of the Offering and 42.7 per cent of the Existing Shares. The number of outstanding shares in the Company may increase to a maximum of 113,379,163 Shares, assuming that the Offer Shares are fully subscribed for and the Upsize Option is used in full, and that the Free Shares (as defined and described in section "*Shares and Share Capital – Free Shares relating to the Directed Share Issue*") are issued as a result of the Offering and all Subscription Guarantors would decide to receive their Subscription Guarantee fees in Shares instead of euros. This would result in approximately 36.5 per cent dilution of the total shareholding of current shareholders, assuming that none of the current shareholders (excluding the shareholders who gave the Subscription Commitment or the Subscription Guarantee Undertaking) subscribe for the Offer Shares. The ownership share of the current shareholders in the Company dilutes, unless they subscribe for the Offer Shares.

[6] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.
[7] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

It may be difficult to realise an investment on First North or on AIM. The market price of the Shares may fluctuate widely in response to different factors and investors may lose all or part of their investment.

The share price of publicly traded companies can be highly volatile. The Shares of the Company are traded on First North and AIM rather than listed on the main market of Nasdaq Helsinki ("**Official List**") or the list maintained by the Financial Conduct Authority, acting in its capacity as the UK Listing Authority, in accordance with section 74(1) of the Financial Services and Markets Act 2000 ("**FSMA**") for the purposes of Part VI of FSMA ("**FCA Official List**"). The First North Rules and the AIM Rules are less demanding than those of the Official List or the FCA Official List, respectively, and an investment in a share that is traded on First North or AIM may carry a higher risk than an investment in shares listed on the Official List or the FCA Official List, respectively. It may be more difficult for an investor to realise their investment in the Company than to realise an investment in a company whose shares or other securities are listed on the Official List, the FCA Official List or other similar stock exchange. First North has been in existence since 2007 and AIM since 1995, and they are markets designed for small and growing companies but the future success and liquidity as a market of either of them for the Shares cannot be guaranteed. The Company may also in the future evaluate, which market venues are appropriate for the Company for the public trading of its Shares.

The market price of the Company's Shares may decline below the Subscription Price of the Offer Shares. Fluctuations of the market prices may be caused by various facts and events, including any regulatory changes affecting the Company's operations, variations in the Company's operating results and business developments as well as general market conditions. Any of these factors could result in a decline of the market price of the Offer Shares and the market price of the Offer Shares may never increase to meet the Subscription Price or be above the Subscription Price. The admission to First North or AIM does not imply that there will be a liquid market for the Shares. Consequently, the price of Shares may be subject to fluctuation, and the Shares may be difficult to sell at a particular price. As a result, the shareholders of the Company may incur losses for their investment in the Company and investors may lose all or part of their investment or be unable to sell their Shares at a given time due to a limited number of willing buyers.

Certain foreign shareholders of the Company may not be able to participate in the Offering, and foreign shareholders may not be able to exercise their shareholder rights in full.

Certain shareholders of the Company who reside or will reside, or whose registered address is located in, certain countries other than Finland, may not necessarily be able to participate in the Offering, unless the Shares offered have been registered in accordance with the securities legislation of the relevant jurisdiction, or unless a derogation from the registration or other equivalent regulations provided in the applicable legislation is available. No assurances can be given that local requirements will be met so as to enable the participation in the Offering. This may lead to the dilution of such shareholders' ownership in the Company to shareholders in certain countries. A foreign shareholder's right to have access to information concerning share issues may also be restricted due to the legislation of the relevant jurisdiction.

In addition, shareholders who are not Finnish natural or legal persons and manage their Shares through a nominee may not necessarily be able to exercise their shareholder rights through the management chain. Owners of nominee-registered Shares cannot use their voting rights directly in a General Meeting, unless the owner of the nominee-registered Shares is temporarily registered in the Company's shareholder register at the latest on the date specified in the notice of the General Meeting. As such temporary registration requires actions by the asset manager and the account operator used by the asset manager in addition to the shareholder, the registration may not succeed in the applicable time frame. Also, certain shareholders who reside in or have a registered address in certain jurisdictions other than Finland may not be able to exercise pre-emptive rights in respect of their shareholdings unless a registration statement, or an equivalent thereof under the applicable securities laws of their respective jurisdictions, is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

COMPANY, BOARD OF DIRECTORS, AUDITORS AND ADVISERS

Company

Faron Pharmaceuticals Ltd
Joukahaisenkatu 6
FI-20520 Turku, Finland

Board of Directors of the Company

Name	Position
Tuomo Pätsi	Chair of the Board of Directors
Markku Jalkanen	Member of the Board of Directors
John Poulos	Member of the Board of Directors
Marie-Louise Fjällskog	Member of the Board of Directors
Christine Roth	Member of the Board of Directors

The business address of all members of the Board of Directors is Joukahaisenkatu 6, FI-20520 Turku, Finland

Auditor of the Company

PricewaterhouseCoopers Oy
Authorised Public Accountants
Itämerentori 2
FI-00180 Helsinki, Finland

Lead Managers

Carnegie Investment Bank AB, Finland Branch
Eteläesplanadi 2
FI-00130 Helsinki, Finland

Peel Hunt LLP
100 Liverpool Street
London EC2M 2AT

Legal Adviser to the Company in Finland

Hannes Snellman Attorneys Ltd
Eteläesplanadi 20
FI-00130 Helsinki, Finland

Legal Adviser to the Company in the United Kingdom

Cooley (UK) LLP
22 Bishopsgate
London EC2N 4BQ

Legal Adviser to the Company in the United States

Cooley LLP
500 Boylston Street
Boston, MA 02116-3736

Legal Adviser to Carnegie Investment Bank AB, Finland Branch

Krogerus Attorneys Ltd
Fabianinkatu 9
FI-00130 Helsinki, Finland

Legal Adviser to Peel Hunt LLP in the United Kingdom

Bird & Bird LLP
12 New Fetter Lane
London EC4A 1JP

Certified Adviser on First North

Sisu Partners Oy
Aleksanterinkatu 44, 4th floor
FI-00100 Helsinki, Finland

Nominated Adviser on AIM

Cairn Financial Advisers LLP
Ninth floor, 107 Cheapside
London EC2V 6DN

Depositary

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

CERTAIN MATTERS

Statement Regarding Information in this Offering Circular

The Company is responsible for the information contained in this Offering Circular. To the best knowledge of the Company, the information contained in the Offering Circular is in accordance with the facts and the Offering Circular makes no omission likely to affect its import.

3 June 2024

Faron Pharmaceuticals Ltd

Important Information to Foreign investors

The Offer Shares will be offered within the United States only on a private placement basis to a limited number of U.S. persons that are "qualified institutional buyers" or "accredited investors" in reliance on Section 4(a)(2) of the U.S. Securities Act, in an offering exempt from registration under the Securities Act. The Offer Shares will be offered outside the United States in "offshore transactions" (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**")) to persons outside of the United States who are not, and who are not acting for the account or benefit of, U.S. Persons (as defined in Regulation S) in reliance on Regulation S. There will be no public offering of securities in the United States. The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any State or other jurisdiction in the United States. The Offer Shares may not be offered, sold, pledged or otherwise transferred in the United States, or to or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws.

The Finnish Prospectus is not being made available to persons who are resident in the United Kingdom. In the United Kingdom, this Offering Circular is only being made available to, and the Offer Shares in the Institutional Offering may only be acquired by, persons who are UK Relevant Persons. Any person subscribing for Offer Shares in the United Kingdom in the Institutional Offering will be required to represent, warrant and agree that they are a UK Relevant Person. The DI Holders that are resident in the United Kingdom and elsewhere as of the applicable record date may be entitled to participate in the separate UK Open Offer and should refer to the separate UK Open Offer Circular published by the Company for further information. The Company is also making the REX Retail Offer to retail investors in the United Kingdom through intermediaries using Peel Hunt LLP's Retail Capital Markets Platform.

The prerequisite for subscribing for the Offer Shares pursuant to the Offering is that each subscriber is considered to have made – or, in some cases, has been required to make – certain representations and warranties regarding their domicile that will be relied upon by the Company, the Lead Managers and others. The Company reserves the right, in its sole and absolute discretion, to reject any subscription of the Offer Shares that the Company or its representatives believe may give rise to a breach or violation of any law, rule or regulation, including, without limitation, any subscription that appears to the Company or its agents to have been executed in or dispatched from the United States or the United Kingdom, or that provides an address in the United States or the United Kingdom for the acceptance or renunciation of the Offering. The Offering is governed by Finnish law. Any disputes arising in connection with the Offering will be settled by a court of competent jurisdiction in Finland.

Forward-Looking Statements

Some of the statements in this Offering Circular, particularly all statements regarding the future under "*Summary*", "*Risk Factors*", "*Business of the Company*", "*Background and Reasons for the Offering and Use of Proceeds*" and elsewhere in this Offering Circular include forward-looking statements that reflect the management's current views and understanding with respect to the Company's financial condition, business strategy, and the management's plans and objectives of future operations and goals. These statements may include forward-looking statements both with respect to the Company and the sector and industry in which it operates. Statements that include words "aim", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "project", "target", "will", "would" and similar statements identify forward-looking statements.

All forward-looking statements address matters that involve risks, uncertainties and assumptions relating to the Company's business, results of operations, investment strategy and liquidity, as a result of which the Company's actual result or results of operations may differ materially from those indicated in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described in section "*Risk Factors*", which should be read together with the other cautionary statements included in this Offering Circular. Any forward-looking statements in this Offering Circular are unaudited and reflect the current views of the Company's management with respect to future events. Accordingly, no assurance can be given that any particular expectation will be met and prospective investors are cautioned not to place undue reliance on any forward-looking statements.

These forward-looking statements reflect only the current views as at the date of this Offering Circular. Subject to any obligations under the applicable laws and regulations, the Company undertakes no obligation to update or review any forward-looking statements, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are qualified in their entirety by this section.

Availability of the Finnish Prospectus and the Offering Circular

The Finnish Prospectus will be available no later than 4 June 2024 on the Company's website at www.faron.com/osakeanti and at the Company's registered office at Joukahaisenkatu 6, FI-20520 Turku, Finland, and on Nordnet's website at www.nordnet.fi/faron. This Offering Circular will be available no later than 4 June 2024 on the Company's website at www.faron.com/publicoffer and at the Company's registered office at Joukahaisenkatu 6, FI-20520 Turku, Finland.

Presentation of Financial and Certain Other Information

Historical Financial Information

The historical financial information included in this Offering Circular has been derived from the audited consolidated financial statements of the Company as at and for the years ended 31 December 2023 and 31 December 2022 incorporated by reference into this Offering Circular, and prepared in accordance with the IFRS Accounting Standards of the International Accounting Standards Board (IASB) as adopted by the European Union ("**IFRS Accounting Standards**"). The financial information included in the tables of this Offering Circular has been indicated to be audited when the information has been derived from the audited consolidated financial statements.

The Company's consolidated financial statements as at and for the years ended 31 December 2023 and 31 December 2022, which have been incorporated by reference into this Offering Circular, have been audited by PricewaterhouseCoopers Oy, Authorised Public Accountants, with Panu Vänskä, Authorised Public Accountant, as the auditor with the principal responsibility.

Rounding Adjustments

The figures presented in this Offering Circular, including the financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in this Offering Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Currencies

As used herein, references to (i) "**euro**", "**EUR**", or "**€**" are to the euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community and (ii) "**U.S. dollar**", "**USD**", or "**$**" are to the United States dollar, the lawful currency of the United States of America.

Market, Economic, and Industry Data and Management Reports and Findings

Information provided in this Offering Circular on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and regions in which the Company operates, is obtained from one or more designated sources or derived from various industry and other independent sources. The market data contained in this Offering Circular is based on statistics and information from industry associations, different organisations and market data providers, internal financial and operational information supplied by, or on behalf of, the Company, and publicly available information from other sources, applying certain supplementary assumptions, where necessary. Certain of the estimates and forecasts contained in this Offering Circular are based on the analysis by the Company based on its own information and information derived from third-party sources concerning the factors affecting the growth of the markets and their forecasted development.

Third-party information

Where certain information contained in this Offering Circular concerning the Company has been derived from a third-party source, such a source has been identified herein. The Company confirms that such third-party information has been accurately reproduced in the Offering Circular and that as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information misleading or inaccurate.

Website Information

The Company will publish this Offering Circular and the Finnish Prospectus and any supplements thereto on their websites at www.faron.com/publicoffer. Other contents of the Company's website or any other website do not form part

of this Offering Circular unless that information is incorporated by reference into this Offering Circular and prospective investors should not rely on such information in making their decision to invest in securities.

IMPORTANT DATES

5 June 2024 at 10:00 a.m. (Finnish time)	The Subscription period for the Offering commences
6 June 2024 after 6:00 p.m.	Record date for determining the pre-emptive allocation right of the Company's shareholders in the Offering
18 June 2024 at 4:00 p.m. (Finnish time)	The Subscription period for the Public Offering ends
19 June 2024 at 9:30 a.m. (Finnish time)	The Subscription period for the Institutional Offering ends
20 June 2024 (estimate)	Announcement of the results of the Offering
20 June 2024 (estimate)	The Offer Shares are registered in the Trade Register
24 June 2024 (estimate)	The Offer Shares subscribed for in the Offering are recorded in the book-entry accounts of investors
24 June 2024 (estimate)	Trading in the Offer Shares commences on First North
24 June 2024 (estimate)	The Offer Shares subscribed for in the Institutional Offering are ready for delivery against payment

BACKGROUND AND REASONS FOR THE OFFERING AND USE OF PROCEEDS

Background

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, see "*Summary of Information Disclosed – Company Releases Specifying Inside Information – Information on share issues and other financial arrangements*") 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 described in this Offering Circular.

Due to the admission of the Company's Shares to trading on AIM and the number of DIs (representing Shares) 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, 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 aims to raise sufficient funding with the planned Offering of approximately EUR 30.7 million to deliver on all of its targeted key milestones for the year 2024 (see "– *Reasons for the Offering*"). At the same time with the Offering, the Company is arranging the UK Offering, pursuant to which the Company may raise part of the proceeds sought through the Offering. Therefore, the proceeds raised through the UK Offering may reduce the proceeds to be raised through the Offering accordingly (see "*Terms and Conditions of the Offering*"). In addition, approximately EUR 3.7 million of the proceeds sought in the Offering will be paid by converting the Company's Capital Loans (as defined below) and related arrangement fees and interests into Shares (see "*Business of the Company – Material Agreements – Funding arrangements – Capital loans*").

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 application, the Company has described the circumstances in which the Offering and its structure and completion method have been assessed and has stated that the Company has actively announced on its financing situation and plans as well as the related risks. In its application, the Company has stated that it has informed its shareholders of the planned structure of the Offering when applying for the authorisation to issue shares and of the measures taken aiming to safeguard the interests of shareholders in circumstances where it is practically not possible to arrange a rights issue and shareholders will not receive a transferable subscription right that could be traded. The Company has also described in its application that the determination of the subscription price is based on feedback received from the market and that it can be expected to include a material discount to the market price. 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

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[8].

The reasons for the UK Offering are the same as described above.

Use of Proceeds

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, gross proceeds of approximately EUR 27 million, and net proceeds of approximately EUR 23 million. 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 preparation 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[9]. 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[10] and the subscription guarantees 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.

[8] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.
[9] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.
[10] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

The Company is not necessarily able to conclude a favourable licensing or partnership agreement, or at all. See "*Risk Factors – Risks Relating to Markets for Pipeline Products – There can be no certainty that the Company will be able to monetise the value of its intellectual property rights or knowhow through licensing or other commercial partnership*".

If the Company succeeds in raising more funds through the Offering than the aimed total amount of EUR 27 million in gross proceeds[11], 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.

[11] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

DIVIDENDS AND DIVIDEND POLICY

As the Company's business operations have been generating losses and are expected to do so in the near future, the Company has not confirmed and/or disclosed a dividend policy. If the business of the Company would generate enough profits so that it would have distributable equity, the Board of Directors would evaluate the Company's ability to pay dividend taking into account the future capital needs of the Company.

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the General Meeting of Shareholders of the Company and will depend upon, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

The Annual General Meeting of Shareholders of the Company held on 5 April 2024 decided in accordance with the proposal of the Board of Directors of the Company, that no dividend for the financial year 2023 will be paid. The Company has not distributed any dividends since it began its operations.

At the date of this Offering Circular, the Company has no funds available for dividend distribution.

The Company is not allowed to pay dividends or make any other distributions to its shareholders pursuant to the terms of the Facilities Agreement entered into with IPF (as defined and described in section "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"), until the loans under the Facilities Agreement have been repaid in full. The loans are due to be repaid in accordance with the terms of the Facilities Agreement on 30 June 2027, at the latest.

Under the Finnish Companies Act, the General Meeting of Shareholders decides on the distribution of dividends based on a proposal by the Company's Board of Directors, in addition to which the Annual General Meeting of Shareholders may demand a minority dividend pursuant to Chapter 13 of the Finnish Companies Act. Dividends are generally declared once every financial year and may be paid only after the General Meeting of Shareholders has approved the Company's financial statements. By a decision determining the maximum amount of assets to be distributed, the General Meeting of Shareholders may also authorise the Board of Directors to decide on the distribution of a dividend or of assets from reserves of unrestricted equity. For a description of the general restrictions applicable to dividend distributions, see "*Shares and Share Capital – Shareholders' Rights*".

TERMS AND CONDITIONS OF THE OFFERING

General

Faron Pharmaceuticals Ltd ("**Faron**" or the "**Company**") aims to complete an offering of approximately EUR 30.7 million in total by offering for subscription preliminarily up to 30,714,592 new and/or treasury shares in the Company (the "**Offer Shares**") (the "**Offering**"). The number of shares in the Company may, as a result of the Offering, increase from the 72,007,497 existing shares (the "**Existing Shares**" and together with the Offer Shares, the "**Shares**") to up to 102,722,089 Shares, in which case the Offer Shares would correspond to approximately 29.9 per cent of all Shares following the completion of the Offering and 42.7 per cent of the Existing 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 in aggregate.

Simultaneously with the Offering, the Company will arrange a separate offering in the United Kingdom (as described below), through which a part of the amount of proceeds sought by the Company in the Offering may be raised. In that case, the proceeds raised through the UK Offering (as defined below) may reduce the proceeds to be raised through the Offering accordingly. In addition, approximately EUR 3.7 million of the proceeds sought in the Offering will be paid by converting the Company's Capital Loans (as defined below) and related arrangement fees and interest into Shares (as defined below).

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 (the "**Lead Managers**"). In addition, Nordnet Bank AB ("**Nordnet**") acts as the subscription place in the public offering and as a subscription place in the institutional offering for its own customers.

Separately from the Offering, 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, being the last business day prior to the date of this Offering Circular) through (i) an open offer of up to approximately 5.8 million new Shares to DI Holders in the UK and elsewhere on the relevant record date at a UK subscription price of GBP 0.85 per Share (the "**UK Open Offer**") and (ii) an offer of new Shares to private investors in the UK 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 consideration under the UK Offering cannot exceed the GBP equivalent of EUR 8 million and subscriptions for the UK Open Offer and the REX Retail Offer exceeding this amount shall be scaled back accordingly to ensure this. The issue 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, being the last business day prior to the date of this Offering Circular. The UK Open Offer is governed by separate terms and conditions to be included in a circular published by the Company 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. The UK Open Offer will include an excess application facility allowing DI Holders to apply for more than their *pro rata* allocation in the UK Open Offer, subject to the total aggregate consideration for the UK Open Offer and the REX Retail Offer always being up to a maximum of EUR 8 million. Neither the UK Open Offer nor the REX Retail Offer will be underwritten.

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. to reach 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 facilities agreement entered into between the Company and IPF FUND II SCA, SICAV-FIAR ("**IPF**") on 28 February 2022 (as amended, the "**Facilities Agreement**") until the latter half of March 2025[12]. The Company aims to raise through the Offering 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, gross proceeds of approximately EUR 27 million, and net proceeds of approximately EUR 23 million. The Company estimates to use approximately two-thirds of the net proceeds of the

[12] Part of the proceedings sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

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 preparation 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.

Taking into account the Company's current financial situation and the uncertainty regarding the continuity of its operations, as well as in a situation where arranging a rights issue in accordance with the Finnish Companies Act is not practically possible due to the Company's AIM listing, the number of DIs representing Shares held by DI Holders in the United Kingdom and the situation resulting from the post-Brexit regulatory environment where mutual recognition of prospectuses (passporting) is no longer possible, the manner in which the Offering (including the UK Offering) will be conducted will, in the Company's view, protect the position and rights of shareholders in the best possible way. The Company has extensively investigated the various financing and share issue structure options available and, also based on these investigations, considers the proposed issue structure to be the best alternative for equity financing of a sufficient amount, which also enables shareholder participation. The planned structure of the Offering has been described in the notice of the Annual General Meeting, when proposing the authorisation decision concerning the Offering, as well as the fact that no transferable subscription right can be given. Thus, the information has been available to shareholders when making the authorisation decision concerning the Offering, and willing shareholders have also had the opportunity to participate in the General Meeting and ask questions or object to the granting of the authorisation to issue shares. The Company has also applied for and received a statement from the Market Practice Board in the matter. 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 Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds[13].

Annual general meetings' share issue authorisations and the share issue resolution of the Board of Directors

The Company's annual general meeting resolved on 5 April 2024 to authorise the Company's Board of Directors to resolve on a directed share issue in accordance with the shareholders' pre-emptive subscription right or in deviation from it by one or more resolutions. The authorisation concerns issuing up to 30,000,000 new shares in the aggregate as well as on the conveyance of treasury shares held by the Company up to the same maximum number of 30,000,000 new shares. The Board of Directors is authorized to issue shares without consideration to the Company itself or otherwise, and to convey treasury shares held by the Company. The authorisation may only be used for the purposes of the Offering and the Company's existing bridge financing needs.

The Company's annual general meeting also resolved on 5 April 2024 to authorise the Company's Board of Directors to resolve on issuing up to 20,000,000 new shares in the aggregate as well as on the conveyance of up to the same maximum number 20,000,000 of treasury shares held by the Company. The authorisation includes that the Board of Directors may first resolve on one or more share issues (up to the maximum number of 20,000,000 new shares, including option rights or other special rights entitling to shares) without consideration to the Company itself and then further convey such treasury shares (up to the maximum number 20,000,000 shares), in no circumstances, can the total number of new shares to be registered under said authorisation exceed 20,000,000 new shares in aggregate.

In addition, the Company's annual general meeting resolved on 24 March 2023 to authorise the Company's Board of Directors to resolve on issuing up to 12,500,000 new shares as well as on the conveyance of up to the same maximum number 12,500,000 of treasury shares held by the Company. Based on the authorisation, the Board of Directors may first resolve on one or more share issues (up to the maximum number of 12,500,000 new shares, including option rights or other special rights entitling to shares) without consideration to the Company itself and then further convey such treasury shares (up to the maximum number 12,500,000 shares), in no circumstances, can the total number of new shares to be registered under said authorisation exceed 12,500,000 new shares in aggregate. Within the outstanding authorisation, a total of 2,842,698 shares, options or other special rights entitling to shares may still be issued under the authorisation.

Based on the authorisations granted by the general meetings, the Company's Board of Directors resolved on 3 June 2024 on the terms and conditions of the directed Offering, according to which the Company offers in deviation of the pre-

[13] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

emptive subscription right of shareholders preliminarily up to 30,714,592 Offer Shares in the Company to the public through the Offering.

Based on the authorisations granted by the general meetings, the Company's Board of Directors also resolved on 3 June 2024 on the terms and conditions of the UK Offering.

Subscription right and minimum subscription

The Offering comprises (i) a public offering of Offer Shares to private individuals and legal entities in Finland (the "**Public Offering**") and (ii) an institutional offering of Offer Shares to institutional investors in the European Economic Area (the "**EEA**") and, in accordance with applicable laws, internationally, including (a) in the United States, through a private placement to persons reasonably believed by the Lead Managers to be qualified institutional buyers ("**QIBs**") or accredited investors as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to exemptions from the registration requirements of the U.S. Securities Act and (b) in the United Kingdom, to "qualified investors" as defined in 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 also (A) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (B) high net worth entities, and other persons to whom the Offering may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in the United Kingdom being "**UK Relevant Persons**") (the "**Institutional Offering**").

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.

Subscription price and method of payment

The subscription price of each Offer Share is EUR 1.00 (the "**Subscription Price**").

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**").

The Subscription Price 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 Company has applied for and received a statement (Recommendation 1/2024) from the Market Practice Board of the Securities Market Association on the compliance of the Offering with good securities market practice. In its recommendation for a decision, the Market Practice Board has considered that, in the circumstances described in the application, the planned directed share issue described in the application complies with good securities market practice, provided that the subscription price in the offering is determined on market terms.

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. The Subscription Price for Offer Shares will be recorded in the fund for invested unrestricted equity of the Company.

Subscription period

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**"). No subscriptions received after the end of the Subscription Period will be approved.

The Board of Directors of the Company has the right to extend the Subscription Period of the Offering. The subscription periods of the Institutional Offering and the Public Offering may be extended or not extended independently of each other. If the subscription period of the Institutional Offering or the Public Offering is extended, the timing of the acceptance of

subscriptions given in the Offering, the due date for payment of the Offer Shares subscribed for in the Institutional Offering, the entry of the Offer Shares in the Trade Register maintained by the Finnish Patent and Registration Office (the "**Finnish Trade Register**") and the admission of the Offer Shares to trading shall be changed accordingly.

A company announcement release regarding the extension of the Subscription Period shall be published no later than the aforementioned estimated end date of the Subscription Period.

Right to participate, subscription venue and payment for Offer Shares

Public Offering

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. Entities making a subscription must have a valid LEI code. The subscriber must have a book-entry account with a Finnish account operator or an account operator operating in Finland and must provide details of his book-entry account upon subscription.

The place of subscription in the Public Offering is Nordnet in the following venues:

- Nordnet's online service at www.nordnet.fi/faron. Subscription in the online service requires that the investor has the bank identifiers of either Nordnet, Aktia, Danske Bank, Handelsbanken, Nordea, Oma Savings Bank, Osuuspankki, POP Bank, S-Bank, Savings Bank or Ålandsbanken, and a book-entry account with a Finnish account operator or an account operator operating in Finland. Subscription can also be made on behalf of a corporation through Nordnet's online service.

- Should the investor want to make a subscription to an equity savings account, it can only be made to an equity savings account provided by Nordnet through their online service.

- By a separate agreement, subscription in the Public Offering may also be made in the offices of Nordnet at Yliopistonkatu 5, FI-00100 Helsinki, Finland. Estates or persons under guardianship, who are not Nordnet's own customers, cannot subscribe via Nordnet's online service, and must make the subscription at the aforementioned office.

Investors must prove their identity in connection with making a subscription. Where the subscription is made on behalf of a legal entity, right of representation must also be proved. The subscription, i.e. the Subscription Price multiplied by the number of Offer Shares subscribed, must be paid immediately in accordance with the instructions provided in the subscription form.

The subscription will be deemed to have been made when a signed subscription form has been given through the online services or at the offices of the subscription venue, provided that the Subscription Price has been paid. Payment for Offer Shares must be made from a Finnish bank account held in the name of the investor. The payment of a subscription by Nordnet's own customer submitted via Nordnet's online service will be charged from Nordnet's own depository customers from their cash account in connection with the subscription.

Subscriptions are binding and may not be cancelled except pursuant to section "– *Withdrawal of subscriptions in certain circumstances*" of these terms and conditions.

The Company, the Lead Managers and Nordnet have the right to reject in part or in full any subscription not made in accordance with these terms and conditions.

There will be no Public Offering of the Offer Shares in the United States. The Offer Shares in the Public Offering will be offered outside the United States in "offshore transactions" (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**")) to persons outside of the United States who are not, and who are not acting for the account or benefit of, U.S. Persons (as defined in Regulation S) in reliance on Regulation S. The Offer Shares in the Public Offering have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any State or other jurisdiction in the United States. The Offer Shares in the Public Offering may not be offered, sold, pledged or otherwise transferred in the United States, or to or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws.

Institutional Offering

The Institutional Offering is available to institutional investors (i) in Finland, (ii) elsewhere in the EEA and (iii) in accordance with applicable laws, internationally, including (a) in the United States on a private placement basis to a limited number of persons reasonably believed by the Lead Managers to be QIBs or accredited investors as defined in

Rule 144A under the U.S. Securities Act, pursuant to exemptions from the registration requirements of the U.S. Securities Act and (b) in the United Kingdom to UK Relevant Persons. The Offer Shares in the Institutional Offering will be offered outside the United States in "offshore transactions" (as defined in Regulation S) to persons outside of the United States who are not, and who are not acting for the account or benefit of, U.S. Persons (as defined in Regulation S) in reliance on Regulation S. The Offer Shares in the Institutional Offering have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any State or other jurisdiction in the United States. The Offer Shares in the Institutional Offering may not be offered, sold, pledged or otherwise transferred in the United States, or to or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws.

Entities making a subscription must have a valid LEI code. The subscriber must have a book-entry account and must provide the information in his book-entry account upon subscription.

The subscription venue in the Institutional Offering is the Lead Managers and Nordnet for its own customers. Investors must prove their identity in connection with making a subscription. Where the subscription is made on behalf of a legal entity, right of representation must also be proved.

Subscriptions made in the Institutional Offering must be paid no later than on 24 June 2024 in accordance with the instructions given by the subscription venue in the notice of approval so that the payment is on the Company's bank account no later than on 24 June 2024 at 4:00 pm Finnish time, unless the Subscription Period is extended. The Lead Managers and Nordnet may, where needed, upon receiving an investor's subscription or prior to approval of the subscription, require from the investor evidence of the investor's capability of paying the Offer Shares subscribed for or require an amount equivalent to the investor's subscription to be prepaid prior to such time. In such case, the amount to be paid will be the Subscription Price multiplied by the number of Offer Shares subscribed.

Subscriptions are binding and may not be cancelled except pursuant to section "– *Withdrawal of subscriptions in certain circumstances*" of these terms and conditions.

The Company, the Lead Managers and Nordnet have the right to reject the subscription in part or in full unless it has been made in accordance with these terms and conditions.

Procedures in case of under- or oversubscription

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.

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 decides who is entitled to subscribe for Offer Shares that may not have been subscribed for in the Offering. In case of oversubscription, the Board of Directors of the Company may decide on the use of the Upsize Option in whole or in part and on the allocation of the Upsize Option between the Public and Institutional Offer.

In case of oversubscription, the Board of Directors of the Company may prioritise the allocation of Offer Shares: (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 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 (see "– *Subscription commitments and guarantees*").

An existing shareholder who wishes to exercise the aforementioned allocation preferences may subscribe through a nominee account only if that shareholder submits to the Lead Managers or Nordnet, at the time of subscription, a written balance statement, certified by the depositary, of the shareholder's Shares as at 6 June 2024. The Shares will be settled to the nominee accounts without undue delay.

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.

The Board of Directors of the Company has the right to reject any subscription in part or in full and to reallocate the Offer Shares if the subscription has not been made in accordance with these terms and conditions and the instructions given to the subscriber.

In the United Kingdom the Offer Shares may only be acquired in the Institutional Offering by persons who are UK Relevant Persons. Any person subscribing for Offer Shares in the United Kingdom in the Institutional Offering will be required to represent, warrant and agree that they are a UK Relevant Person.

Subscription commitments and guarantees

Certain existing shareholders of the Company and other investors have, each separately, undertaken to subscribe for New Shares in the Offering for a total amount of EUR 6.2 million in aggregate and to pay the Subscription Price in euros (the "**Subscription Commitments**").

The Subscription Commitments cover an aggregate amount of approximately EUR 6.2 million of the Offer Shares offered in the Offering, corresponding approximately 6,238,724 Offer Shares and representing approximately 20 per cent of the aggregate number of the Offer Shares (assuming that the Upsize Option is not used). The Subscription Commitments are binding and irrevocable, and subject only to the fulfilment of the following conditions: (i) the subscription price per New Share in the Offering shall not exceed EUR 1.0, (ii) the Board of Directors of the Company having resolved to commence the Offering no later than 30 June 2024 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).

The lenders of the Capital Loans have also agreed, pursuant to the terms of the Capital Loans, to convert principal, any accrued and unpaid interest and any unpaid arrangement fees relating to Capital Loans in the total aggregate amount of EUR 3.7 million into Offer Shares offered in the Offering, corresponding 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).

In addition, certain subscription guarantors have entered into Subscription Guarantee Undertakings with the Company whereby the subscription guarantors have undertaken, subject to certain conditions, to subscribe for any New Shares not subscribed for in the Offering in an amount of up to EUR 8.8 million (the "**Subscription Guarantee Undertakings**"). The Subscription Guarantees are limited to covering any unsubscribed New Shares only up to the minimum gross proceeds of EUR 15 million of the Offering. If the minimum gross proceeds of EUR 15 million are reached without guarantors, no Offer Shares will be subscribed based on the subscription guarantees. Thus, the size of the Offering cannot increase beyond the minimum gross proceeds of EUR 15 million through subscription guarantees. 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 in the Offering shall not exceed EUR 1.0, (ii) the Board of Directors of the Company having resolved to commence the Offering no later than 30 June 2024 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 at least gross proceeds of EUR 15 million described above has been fulfilled.

Approval of subscriptions

Notices of approval will be delivered to investors on or about 20 June 2024. In addition, the Company will on or about 20 June 2024 (unless the Subscription Period is extended) publish a company announcement setting out the results of the Offering and the number of Offer Shares subscribed for in the Offering as well as the results of the UK Open Offer and the REX Retail Offer and the number of shares subscribed in both of them, respectively.

Withdrawal of subscriptions in certain circumstances

Subscriptions are binding and may not be withdrawn other than as set forth below.

Where the Finnish language prospectus relating to the Offering (the "**Finnish Prospectus**") is supplemented pursuant to the Prospectus Regulation due to material new information, material error or material inaccuracy, which may affect the assessment of the Offer Shares ("**Grounds for Supplement**"), investors who have subscribed for Offer Shares before the supplement of the Finnish Prospectus is published shall have the right to withdraw their subscriptions during a withdrawal period. Such withdrawal period shall last for at least two (2) working days from the publication of the supplement. The withdrawal right is further conditional on that the Grounds for Supplement were noted prior to the end of the Subscription Period or the delivery on the book-entry account of the subscriber of the Offer Shares which are subject to the withdrawal (whichever occurs earlier).

The Company will announce withdrawal instructions by way of a company announcement. This company announcement shall also announce investors' right to withdraw subscriptions, the period within which subscriptions may be withdrawn

and more detailed instructions on withdrawal. Any withdrawal of a subscription shall relate to the entire subscription of the investor. The withdrawal must be made in writing at the account operator, asset manager or nominee custodian in which the subscription order was given.

Investors who have subscribed through Nordnet must send a written cancellation request by email to operations.fi@nordnet.fi or by delivering the cancellation to Nordnet's office, subject to the following exceptions: Subscriptions made by Nordnet's own customers via Nordnet's online service may be cancelled through an authorised representative, or via Nordnet's online service by accepting a separate subscription cancellation using Nordnet's bank identifiers.

After the end of the withdrawal period, the right of withdrawal will lapse. Where a subscription is withdrawn, the Subscription Price paid will be refunded to the subscriber within approximately five (5) business days from the withdrawal. No interest will be paid on the refunded amounts.

Registration of the Offer Shares on book-entry accounts and trading in Offer Shares

The Offer Shares subscribed for in the Offering will be issued as book-entries in the book-entry system of Euroclear Finland Oy. The Offer Shares will be recorded on investors' book-entry accounts after being registered with the Finnish Trade Register, on or about 20 June 2024. Offer Shares registered first as treasury shares of the Company may be registered with the Finnish Trade Register earlier, but they will be recorded upon their conveyance on investors' book-entry accounts together with all Offer Shares.

An application will be made for the admission to trading of the Offer Shares on the First North Growth Market Finland multilateral marketplace ("**First North**") maintained by Nasdaq Helsinki Ltd and on AIM ("**AIM**"), the market of that name operated by London Stock Exchange plc (the "**LSE**"). Trading in the Offer Shares is expected to commence on or about 24 June 2024, unless the Subscription Period is extended and subject to the admission of the Offer Shares to trading on First North and AIM.

The trading symbol of the Company's shares (including the Offer Shares) is "FARON" on First North and "FARN" on AIM and their ISIN code is FI4000153309.

Returning the amount paid

If a subscription is rejected or only partially accepted, the amount paid or relevant part thereof will be returned to the bank account indicated in the subscription within approximately five (5) business days of the allocation of the Offer Shares, or no later than two business days thereafter if the investor's bank account is in a different financial institution than the account to which the subscription was paid. To those Nordnet's own customers, who have made their subscription through Nordnet, the amount to be refunded will be paid to a Nordnet cash account. No interest will be paid on the funds returned.

Shareholder rights

To the extent that the Offer Shares are new shares and not treasury shares further conveyed, they will confer a right to dividends and other shareholder rights from their registration in the Finnish Trade Register and their delivery on the investor's book-entry account on or about 24 June 2024 (unless the Subscription Period is extended). Such Offer Shares will from their registration and delivery on the book-entry account confer the same rights as the Existing Shares.

To the extent that the Offer Shares are treasury shares that are further conveyed, they will confer a right to dividends and other shareholder rights from their delivery on the investor's book-entry account on or about 24 June 2024 (unless the Subscription Period is extended). Such Offer Shares will from their delivery on the book-entry account confer the same rights as the Existing Shares.

Payments and costs

No fees or other expenses will be charged to investors for committing to subscribe or subscribing for Offer Shares. Account operators charge fees in accordance with their fee schedules for the maintenance of book-entry accounts and custody of shares. No transfer tax is levied on the subscription of Offer Shares.

Information required to be made available

Documents pursuant to Chapter 5, Section 21 of the Finnish Companies Act are available on the Company's website at www.faron.com.

Applicable law and dispute resolution

The Offering is governed by Finnish law. Any disputes arising in connection with the Offering shall be settled by a court

of competent jurisdiction in Finland.

In the event of any discrepancies between the original Finnish version and the English translation of these terms and conditions, the Finnish version shall prevail.

Other matters

The Board of Directors will decide on any technical matters and practical measures relating to the issuance of Offer Shares and the Offering.

By subscribing for Offer Shares in the Offering, each subscriber will be deemed to have authorised its account operator, asset manager or nominee custodian to disclose any necessary personal data, the number of the subscriber's book-entry account and details regarding the subscription to such persons who take part in executing the subscription order or in the allocation and settlement of Offer Shares.

CAPITALISATION AND INDEBTEDNESS

The following table presents the Company's (i) capitalisation and indebtedness as at 31 March 2024 on an actual basis derived from the Company's unaudited accounting records as at 31 March 2024 prepared on a basis consistent with the accounting principles applied in the Company's consolidated financial statements and (ii) capitalisation and indebtedness as adjusted to reflect the estimated net proceeds of approximately EUR 23 million from the Offering, assuming that the Offering[14] will be completed in the amount of approximately EUR 30.7 million, and of this amount the convertible Capital Loans and related arrangement fees and interests of approximately EUR 3.7 million will be fully converted in connection with the Offering, with net proceeds of EUR 4.1 million from the private placement carried out in April and the impact of 2024 Warrants 1 and 2024 Warrants 2 issued and financing transactions completed in, April and May 2024 assuming that the events presented as adjustments would have occurred on 31 March 2024. With regard to the Offering, it should be noted that the realisation of the proceeds from the Offering is not certain. The Offering is conditional upon the Company raising at least EUR 15 million in gross proceeds. The subscription guarantees received by the Company are limited to covering the above mentioned minimum amount and the Offering may be completed even if it is not subscribed in full, in which case the Company's financing would not be sufficient to deliver on the above-mentioned objectives and the Company would have to adjust and reduce its operations or seek additional financing earlier than planned (different scenarios concerning the sufficiency of the Company's funds are described in section "*Background and Reasons for the Offering and Use of Proceeds*").

The following table should be read in conjunction with "*Selected Consolidated Financial Information*" and the historical financial information of the Company incorporated by reference into this Offering Circular.

Capitalisation **In EUR thousand**	**As at 31 March 2024** **(unaudited)**	**As at 31 March 2024 (Adjusted)** **(unaudited)**
Current interest-bearing liabilities (including current portion of non-current interest-bearing liabilities)		
Guaranteed / Secured[1),2)]	3,354	3,298[9), 10)]
Unguaranteed / Unsecured	4,306	993[6)]
Total	**7,660**	**4,291**
Non-current interest-bearing liabilities (excluding current portion of non-current interest-bearing liabilities)		
Guaranteed / Secured[1), 2)]	8,378	9,485[8), 10)]
Unguaranteed / Unsecured	2,433	2,433
Total	**10,811**	**11,918**
Interest-bearing liabilities, total	**18,471**	**16,209**
Equity		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	154,398	185,200[5),6), 7)]
Accumulated loss	(180,068)	(181,983)[6), 8), 9), 10)]
Translation difference	9	9
Total equity	**(22,970)**	**5,917**
Equity and interest-bearing liabilities, total	**(4,499)**	**22,127**
Net indebtedness **In EUR thousand**		
Liquidity (A)		
Cash[3)]	5,214	31,601[5), 6), 7), 9)]
Total	**5,214**	**31,601**
Current interest-bearing liabilities (B)		
Current interest-bearing liabilities (including debt instruments, but excluding current portion of non-current interest-bearing liabilities)	3,563	250[6), 9), 10)]
Current portion of non-current interest-bearing liabilities[1), 2)]	4,097	4,041
Total	**7,660**	**4,291**
Current net indebtedness (C = B − A)	**2,447**	**(27,309)**
Non-current interest-bearing liabilities (D)		
Non-current interest-bearing liabilities (excluding current portion and debt instruments) [1), 2)]	9,709	9,972[10)]
Debt instruments[4)]	1,102	1,946[8)]
Total	**10,811**	**11,918**
Net indebtedness (C + D)	**13,257**	**(15,391)**

[1)] Includes the Facilities Agreement and related warrant agreements with IPF. The Company's IPR, business mortgages and bank accounts are pledged to IPF as a lender under the Facilities Agreement.
[2)] Includes non-current lease liabilities of EUR 50 thousand and current lease liabilities of EUR 138 thousand.
[3)] The use of Cash and cash equivalents is restricted by minimum cash covenant as defined in Facilities Agreement. If the Company is in breach of

[14] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

the terms of the Facilities Agreement in a manner that constitutes an event of default under the terms of the Facilities Agreement, this entitles the lender to, among other things, block the Company's bank accounts and to take any other agreed enforcement action under the Facilities Agreement. (see Section "*Business of the Company – Material Agreements – Funding Arrangements – Loans and Warrant Agreements with IPF*").

[4)] Includes the Facilities Agreement and related warrant agreements with IPF.

[5)] The Company aims to raise approximately EUR 30.7 million through the Offering, 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 (see adjustment 6 below), gross proceeds of approximately EUR 27 million and net proceeds of approximately EUR 23 million. If realised, the net proceeds of EUR 23 million targeted through the Offering will improve the Company's capital structure and have been adjusted to increase the reserve for invested unrestricted equity and cash of the Company.

[6)] The convertible Capital Loans received by the Company in March 2024 from its current shareholders and the related arrangement fees and accrued interests are expected to be converted in their entirety into shares in connection with the Offering. The expected carrying value of the items convertible into shares at the time of conversion EUR 3.7 million will increase the reserve for invested unrestricted equity, reduce the short-term liabilities, and the difference between the conversion date and the value recognised in the balance sheet on 31 March 2024 increases the loss for the period included in accumulated loss by EUR 0.4 million. In addition, the costs related to the Capital Loan of EUR 0.4 million are assumed to have been paid and deducted from cash, and the costs of EUR 0.2 million recognised after March increase the loss for the period included in accumulated loss.

[7)] The Company carried out a private placement in April 2024 and received proceeds totalling EUR 4.8 million (before expenses). These proceeds net of the costs from the private placement of EUR 0.7 million (totalling EUR 4.1 million) have been adjusted to increase the reserve for invested unrestricted equity and cash of the Company.

[8)] As part of the Waiver received by the Company from IPF on 3 March 2024, an additional 53,570 Warrants were granted to IPF pursuant to the Warrant Agreement on 3 April 2024 and as part of the Waiver Extension received from IPF on 8 May 2024, the Company granted on 17 May 2024 to IPF a total of 333,333 Warrants entitling IPF to subscribe for new shares in the Company. The fair value of these Warrants at the grant date, totalling EUR 0.8 million, has been adjusted to increase the Company's interest-bearing long-term liabilities and to increase the loss for the period included in accumulated loss.

[9)] The Waiver fee of EUR 0.25 million related to the Waiver received in March 2024, paid in April 2024, has been adjusted for cash and deducted from current interest-bearing liabilities. The EUR 0.25 million Waiver fee related to the waiver extension received in April 2024 and payable by the Company on 27 June 2024 has been adjusted to increase the Company's short-term interest-bearing debt and increase the loss for the period included in accumulated loss.

[10)] As part of the waiver extension received from IPF on 8 May 2024, the Company undertook to pay a new Exit fee of EUR 0.5 million upon termination of the Facilities Agreement. The adjustment related to this fee increased the carrying value of the Company's IPF loan and the loss for the period included in accumulated loss by a total of EUR 0.2 million.

Information on the Company's contingent contractual liabilities as of 31 December 2023 is presented in the Note 23 to the Company's Audited Consolidated Financial Statements as at and for the year ended 31 December 2023 incorporated by reference into this Offering Circular. Apart from what has been presented above, there have not been any material changes in the Company's capitalisation and indebtedness since 31 March 2024 up until the date of this Offering Circular.

Working Capital Statement

According to the estimate of the Company, the working capital available to the Company is not sufficient to cover its needs for the next 12 months following the date of this Offering Circular.

As at the date of this Offering Circular, the Company estimates that its working capital would run out on 27 June 2024, when taking into account the financing needs under its current business plan and the financial covenants of the Facilities Agreement with IPF. The shortfall in the working capital for the 12-month period following the date of this Offering Circular is EUR 31.2 million under the current business plan and taking into account the financial covenants of the current Facilities Agreement with IPF.

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., to reach 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 in total, and thus raises net proceeds of approximately EUR 23 million, the Company believes it would have sufficient working capital (together with other cash resources available to the Company) 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 the IPF Facilities Agreement until the latter half of March 2025. In order to secure sufficient working capital for the execution of its current business plan after the latter half of March 2025 and during the 12-month period from the date of this Offering Circular, the Company needs to obtain additional financing to the extent required through equity or debt financing, and if necessary, adjust significantly its operations through cost reductions and development programs. The completion of the Offering is conditional, among other things, upon the Company's Board of Directors resolving to complete the Offering and upon the Company raising gross proceeds of at least EUR 15 million. For more information, see "*Terms and conditions of the Offering*". The Company has received from certain investors Subscription Commitments equal to approximately EUR 6.2

million in total and subscription guarantees for a maximum total amount of EUR 8.8 million, i.e. for a total amount of EUR 15 million. The subscription guarantees are limited to covering any unsubscribed New Shares only up to the minimum amount of the Offering (EUR 15 million). The Company believes that the better it is financed and the better it has succeeded in delivering on its key milestones of the year 2024, the better its position is to raise further funding. If the Company would not succeed in raising additional financing, the Offering may still be completed even if it is not subscribed in full, in which case the Company's financing would not be sufficient to deliver all of the above-mentioned objectives. The Company could face serious financial difficulties and the continuity of its operations would be imperilled (different scenarios concerning the sufficiency of the Company's funds are described in section "*Background and reasons for the Offering and use of proceeds*").

BUSINESS OF THE COMPANY

Overview of the Company

Faron Pharmaceuticals Ltd is a clinical stage biopharmaceutical company focused on developing treatment of cancers via novel immunotherapies by pursuing to reprogram myeloid cells to create a more comprehensive immune activation against cancer than what is achieved with current treatments. The Company's Shares, as DIs representing entitlements to Shares, have been admitted to trading on AIM since 17 November 2015 and the Company's Shares have been admitted to trading on First North since 3 December 2019. The Company is headquartered in Turku, Finland, and has an office in Boston, Massachusetts in the United States.

The Company's main drug development program focuses on *bexmarilimab*, a novel anti-Clever-1 humanised antibody which is being investigated for the treatment of multiple cancers, with the potential to remove immunosuppression of cancers through reprogramming myeloid cell function. *Bexmarilimab* is being investigated in Phase I/II clinical trials (MATINS and BEXMAB, as described in more detail below) as a potential stand-alone therapy for patients with solid tumors and in combination with other standard treatments for patients with hematological cancers. The Company's main focus is to first develop *bexmarilimab* for the treatment of relapsed or refractory higher-risk myelodysplastic syndrome ("**MDS**"), a deadly form of blood cancer, for which the only standard of care is a form of chemotherapy named hypomethylating agents ("**HMA**") with limited efficacy. The Company is currently running a Phase II clinical trial in this patient population. Success in this trial would enable the Company to obtain resources to broaden the development of *bexmarilimab* to various cancers allowing a broad market potential. The Company is also progressing plans to investigate *bexmarilimab* in combination with anti-PD-1 therapy in selected advanced solid tumors. In terms of other pipeline assets, Traumakine is an investigational intravenous interferon beta-1a therapy planned to be used for the prevention of complications that arise from cytokine release syndrome, or hyperinflammatory conditions. The Company commenced trials in ARDS indication with Traumakine already in 2009.

The pharmaceutical market is global by its nature, but as the Company does not yet have approved drug products it has not yet entered any specific geographic markets. The Company's strategy is to maximise the potential of its pipeline of drug candidates and to progress the drug development programs. The Company collaborates with its strategic partners in research, manufacturing and drug development with a view to bringing new pharmaceutical products to market in a timely and cost-effective manner and has further formed an advisory team of scientists specialised in diseases arising from these immunological receptors. The Company has established a cooperation network with leading laboratories and clinics around Europe and the United States, and major research collaboration is exercised with the University of Turku in Finland.[15]

The Company monitors and evaluates potential commercial opportunities for its drug candidates and its technologies and will consider how to maximise value for the Company's shareholders. These potential commercial opportunities may include both partial or full licensing of its products providing additional resources for pipeline expansion and making the Company less dependent on equity financing. Possible licensing may include holding rights in key strategic territories for as long as it is feasible or, in certain circumstances, up to the marketing authorisation stage. However, it is possible that the Company will license the commercial rights to a leading pharmaceutical company in the field being able to commercialise the drug candidate successfully. In the near future, the Company plans to discuss the next steps for *bexmarilimab* development with the FDA, such as feedback on design of a pivotal trial (phase III in drug development, see the table below), and the Company is also aiming to advance partnership negotiations in respect of *bexmarilimab*. The Company aims to have dialogue with the FDA to refine the 2025 plans related to drug development during the second half of 2024. The Company will announce the progress of the process as the situation develops.

Phases of drug development	**Description**
Basic research and drug development .	Early research to discover potential drug candidates. The phase typically lasts 2-4 years.
Pre-clinical phase.....	A phase in which effects of a drug candidate are observed using cell models and animal tests.
Phase I	A phase in which safety of a drug candidate is being researched and to which a small number of volunteers usually participate in. In cancer research, the phase I is started with patients. The purpose of this phase is to observe effects of a drug candidate in humans, including how it is absorbed, metabolized, and excreted by a human body.

[15] BEXMAB: https://clinicaltrials.gov/study/NCT05428969?term=bexmab&rank=1 and MATINS: https://clinicaltrials.gov/study/NCT03733990?term=matins&rank=.

	Also side effects caused by increasing dose levels are being examined during this phase.
	The phase typically lasts 1–2 years.
Phase II.....	A phase in which a small number of patients (typically 20–30) participate in.
	The most critical phase for drug development and commercialisation.
	The aim of this phase is to define a dose for a new drug, its safety and efficacy and the nature of possible side effects.
	The phase typically lasts 2–3 years.
Phase III.....	The last phase before a marketing approval is being applied. The aim is to determine the efficacy and safety of the drug with a significant number of patients (typically hundreds of patients).
	The phase typically lasts 2–3 years.
Marketing approval	Process leading to a marketing approval from regulatory authorities for the drug.
	The phase typically lasts 1 year.
Research and monitoring after marketing approval, Phase IV.....	The safety of the drug is being monitored throughout the life span of a drug. Data on use, efficacy and possible side effects are being collected until the drug is no longer sold on the market.
	Possible additional studies by the authorities.

Trend Information

The Company's Core Environment and Market

Faron's drug development activities focus on *bexmarilimab*, which is currently Phase II clinical BEXMAB-trial for patients with MDS for which the HMA treatment has failed. Blood cancers are the fifth most common cancer type globally – in practice this means that globally every 25 seconds someone gets a blood cancer diagnosis and that in total each year 1.3 million new blood cancers are diagnosed.[16] One in every 16 men and one in every 22 women will develop blood cancer in their lifetime.[17] With the current standard of care, around 30% of blood cancer patients are not alive five years after the diagnosis[18]. There are many different types of blood cancers. There is no solid tumor formation in blood cancers. Instead, cancer cells develop in the bone marrow and are released into the bloodstream. Of all blood cancers, MDS is one of the cancers leading earliest to the death of a patient[19]. Currently around 180,000 – 510,000 persons globally live with an MDS diagnosis[20]. The number of MDS patients is also increasing as the population ages. The disease causes significant costs to healthcare and affects the quality of the life of the patients and they suffer, among other things, from anemia, infections, repeated hospitalisations and they require recurring blood transfusions. Around half of MDS patients have high-risk MDS and the other half have low-risk MDS, and approximately 30–40% of the low-risk MDS patients' MDS progress to high-risk MDS[21]. On average the life expectancy of high-risk MDS patients who do not respond to treatment is 5-6 months (median),[22] and only 10-15% of patients live more than 2 years from the diagnosis[23]. Only a few MDS-patients are eligible to receive a bone marrow transplant[24].

For almost two decades the standard treatment for MDS patients has been the HMA treatment, i.e. azacytidine, which was a highly profitable drug before patent expiry[25,26]. The HMA treatment results in hematological improvements in 25–50% of patients with frontline, high risk MDS and complete response in 10–20% with better survival rate compared to supportive care. Although these results have been an important advance, they have remained static for two decades, and approximately 50% of patients do not respond to treatment and most responders (80%[27]) have disease progression within

[16] Worldwide Cancer Research.
[17] Blood Cancer UK.
[18] Leukemia & Lymphoma Society.
[19] Zeidan et al 2019.
[20] Rollison et al. 2008 Epidemiology of myelodysplastic syndromes and chronic myeloproliferative disorders in the United States, 2001-2004, using data from the NAACCR and SEER programs; Bejar & Steensma 2014 Recent developments in myelodysplastic syndromes.
[21] Jain et al. 2024 Patterns of lower risk myelodysplastic syndrome progression: factors predicting progression to high-risk myelodysplastic syndrome and acute myeloid leukemia.
[22] Prébet, et al. 2011 Outcome of high-risk myelodysplastic syndrome after azacitidine treatment failure.
[23] Prébet, et al. 2011 Outcome of high-risk myelodysplastic syndrome after azacitidine treatment failure.
[24] Awada et al. 2023 What's Next after Hypomethylating Agents Failure in Myeloid Neoplasms? A Rational Approach.
[25] Santini et al. 2019.
[26] Evaluate Pharma 2024, Summary: Worldwide Sales.
[27] Awada et al. 2023, What's Next after Hypomethylating Agents Failure in Myeloid Neoplasms? A Rational Approach.

1–2 years despite the treatment.[28,29] The life expectancy after failure of HMA treatment is generally poor, and there is no standard salvage treatment. Despite significant international efforts for nearly two decades to improve azacytidine treatment of MDS (leading HMA drug), there has still not been any success in randomised trial leading to results better than azacytidine and no approved treatment exists for MDS patients that have failed HMA treatment[30,31]. The options after failed HMA treatment are: trying another HMA treatment, chemotherapy, an IDH inhibitor, or participating in a clinical trial. *Bexmarilimab* represents a novel treatment option that focuses especially on overcoming resistance to HMA through the reprogramming of blasts and myeloid cells. *Bexmarilimab* antibody impacts the cells by binding to Clever-1 receptors present on the surfaces of the cells and also through weakening the energy production of these cells.

Due to promising clinical results from Phase I of the BEXMAB trial (as announced by Faron on 18 March 2024, see "*Summary of Information Disclosed*"), Faron has since the end of financial year 2023, focused its clinical development efforts on Phase II of the BEXMAB trial (as further described below) where *bexmarilimab* is administered to patients with a HMA -failed or -relapsed MDS. This has resulted in more targeted use of resources and related costs. However, the savings from more targeted operations have been, to some extent, counterweighted by the costs of more advanced clinical trials. In addition, the development of the production process and the pre-commercial stage production of *bexmarilimab* has continued and the preparations of placing *bexmarilimab* on the market require continuous investments in both the production process and clinical pre-development. With further Phase II data and validation of the early encouraging data, the Company believes that the additional resources required at a later stage can be obtained through partnering with or attracting specialist investors that have the capability to finance the placement of *bexmarilimab* on the market. Obtaining these additional resources would allow the Company to expand the development program of *bexmarilimab* to a number of different cancer types and new market opportunities.

The statements set forth above include forward-looking statements and are not guarantees of Faron's financial development in the future. Faron's actual result of operations and financial position could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described in "Risk Factors" and "Certain Matters – Forward-Looking Statements". Undue reliance should not be placed on these forward-looking statements.

Key Market Drivers and Developments

The global burden of cancer is growing: over 35 million new cancer cases are predicted in 2050, a 77 per cent increase from the estimated 20 million cases in 2022. The rapidly growing global cancer burden reflects both population ageing and growth, as well as changes to people's exposure to risk factors, several of which are associated with socioeconomic development.[32] Tobacco, alcohol, and obesity are key factors behind the increasing incidence of cancer, with air pollution still a key driver of environmental risk factors[33]. The increase in the cancer burden is accompanied by continued growth in medicine spending, driven by more patients getting treated with novel medicines with better clinical outcomes[34].

The global cancer drug therapeutics market size is estimated at USD 217 billion in 2024 and is expected to reach USD 321 billion by 2028, growing at a compound annual growth rate ("**CAGR**") of approximately 10 per cent between 2024-2028[35]. The factors driving the market's growth include the rising prevalence of cancer worldwide due to ageing, increasing treatment rates through patient assistance programs and patient proactiveness, government initiatives for cancer awareness, vital R&D initiatives from key players, and the increasing demand for personalised medicine[36,37]. According to the Management of the Company the average costs of immune-oncology cancer therapy are approximately EUR 100,000 per patient per year. The cancer therapeutics market growth is largely driven by immune checkpoint inhibitors[38], currently reaching well over USD 40 billion in sales[39]. The first approved anti-PD-1 checkpoint inhibitor Keytruda is projected to be the world's top-selling drug in 2028, reaching sales of over USD 30 billion[40,41]. While the arrival of checkpoint inhibitors has been one of the most exciting breakthroughs in cancer treatment, their low response rate in most tumor types continues to hinder their clinical application[42]. The checkpoint inhibitor refractory cancer treatment market's

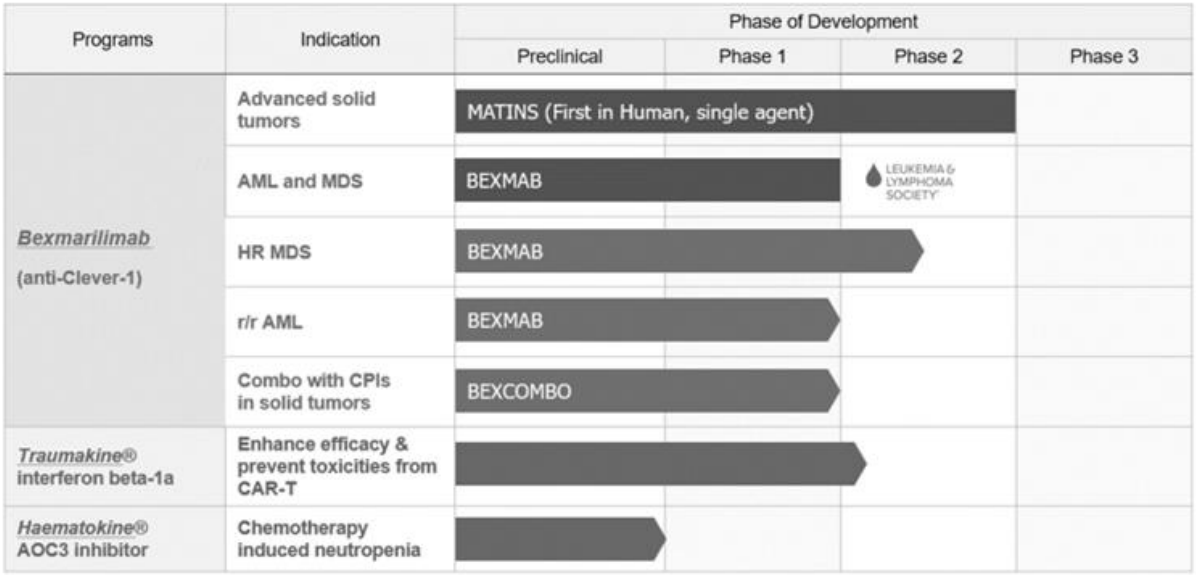
[28] Fenaux et al. 2021.
[29] Awada et al. 2023 What's Next after Hypomethylating Agents Failure in Myeloid Neoplasms? A Rational Approach.
[30] Bewersdorf, Carraway & Prebet 2020.
[31] Santini et al. 2019.
[32] WHO 2024, Global cancer burden growing, amidst mounting need for services.
[33] WHO 2024, Global cancer burden growing, amidst mounting need for services.
[34] IQVIA The Global Use of Medicines 2024 – Outlook through 2028. Press Release.
[35] Evaluate Pharma 2024, Sales by Indication.
[36] WHO 2024, Global cancer burden growing, amidst mounting need for services.
[37] IQVIA, Global Oncology Trends 2023.
[38] Dhasmana et al. 2023.
[39] Evaluate Ltd. 2024. Long-term Outlook 2023–2028.
[40] Alexander 2016.
[41] Evaluate Pharma WORLD PREVIEW 2022. Outlook to 2028: Patents and Pricing.
[42] He & Xu 2020.

estimated value in 2033 is USD 112 billion[43] and represents part of the target market for the Company's anti-Clever-1 drug candidate, *bexmarilimab*. Constraints to the growth include clinical trial failures and patent expiry.

Emerging biopharmaceutical companies are driving innovation. Biotechnology companies, defined as those with less than USD 500 million in annual sales and R&D spending less than USD 200 million per year, are responsible for 71 per cent of treatments currently under development for cancers, an increase from 51 per cent in 2017[44]. Respectively, large pharmaceutical companies, i.e. those with greater than USD 10 billion in annual sales, have seen a declining share of the oncology pipeline since 2017.[45] The market dynamic is primarily that the smaller innovative companies make new discoveries and do early-stage development, which are licensed or purchased by the larger commercial pharmaceutical companies at the later stage of the development. This way larger pharmaceutical companies have access to new products.

The Company's Business Operations

Pipeline



A summary of the Company's drug development programs, their indications and phases at the end of 2023.

The Company focuses on developing *bexmarilimab*, a humanised monoclonal antibody that binds to Clever-1, an immunosuppressive receptor found on macrophages leading to cancer tumor growth and metastases, and a novel target for checkpoint inhibitor drug development. Macrophages and monocytes in blood stream (will transfer into macrophages after entering the tissue) are immune system's defence cells, and one of their main tasks is to present cancer to the immune system. Many malignant cancers utilise these cells by programming them to transfer into immunosuppressive cells. This will give a possibility to cancer cells to hide from the immune system and to alter the tumor's microenvironment to support tumor growth (see in more detail below in Section "*Bexmarilimab*"). If *bexmarilimab* binds on the surface of a macrophage, the macrophage will instead strengthen the immune defence.

Due to promising results from Phase I of the BEXMAB trial (as announced by Faron on 18 March 2024, see "*Summary of Information Disclosed*") Faron has focused its clinical development efforts solely on Phase II of the BEXMAB Trial. Faron aims to manage its spend on clinical trials, mainly through recruitment costs and general administrative costs. Costs of clinical trials depends on the locations where the clinical trials take place as well as the number of patients enrolled to each clinical trial. Faron's financial situation can be adjusted by increasing or decreasing patient enrolment and clinical trial costs. Much of the Company's yearly spend is also tied to CMC costs related to the drug candidate *bexmarilimab*. The GMP-status of any drug batch produced will at all times be secured, but the timing of CMC activity spending may be adjusted.

The Company's investigational intravenous interferon beta-1a therapy, Traumakine, is currently being developed in collaboration with the Fred Hutchinson Cancer Center in Seattle, Washington, United States, for the development of neurotoxicity related to cytokine release syndrome associated with CAR-T therapy[46].

[43] Future Market Insights Report - Checkpoint Inhibitor Refractory Cancer Market Snapshot (2023 to 2033).
[44] IQVIA, Global Trends in R&D 2023.
[45] IQVIA, Global Oncology Trends 2023.
[46] Poster at American Society of Hematology conference in December 2023. (Link: https://ash.confex.com/ash/2023/webprogram/Paper173152.html).

The Company's investigational AOC3 inhibitor, Haematokine, targeting VAP-1, a target discovered by the Company's scientific founders, is undergoing IND-enabling studies. The invention was granted its first patent in Finland in February 2024.[47]

Bexmarilimab

Bexmarilimab is the Company's wholly owned, precision immunotherapy, currently in study phase, which attempts to activate the immune system of a patient. It is dosed to the patient intravenously in a hospital, and the blood stream of the patient circulates the drug into other parts of the body. To date, the drug has been dosed to over 250 patients without any safety challenges.

Tumor-associated macrophages ("**TAM**") are considered a key source of resistance to current standards of care. *Bexmarilimab* is a novel humanised anti-Clever-1 antibody, that targets a subpopulation of TAMs, and converts the highly immunosuppressive TAMs to immune activators. And as the TAMs already are located within the tumor, the tumor's microenvironment will change through *bexmarilimab* treatment, as the immune defence activates against cancer cells. By targeting and inhibiting Clever-1, *bexmarilimab* stimulates TAMs to activate tumor killing of CD8+ T-cells which will start killing the tumor cells. Simultaneously the formation of new colonies of B cells starts. *Bexmarilimab* works by reprogramming TAMs from antigen hiding to antigen presenting and immune cell activating macrophages. Macrophages detect, engulf and digest engulfed pathogens and unwanted self-matter such as cancer, and present the remaining antigens, i.e. digested products, to the immune system.[48] When recruited to a tumor environment they adopt a 'healing' rather than 'defensive' role that does not present antigens, but hides them, dampens immune responses and favors tumor growth[49,50]. Macrophages that elicit these pro-tumor effects do so in response to anti-inflammatory signals and are referred to as alternatively activated M2 macrophages. Conversely, classically activated pro-inflammatory M1 macrophages respond to pathogens and unwanted self-matter (cancer) and boost immune activation not only against viruses and bacteria, but also against cancer cells. Clever-1 has been proven to be a profound immune switch in turning IL-4 and IL-10 secreting M2 macrophages into IFNγ and TNFα secreting M1 macrophages.[51] *Bexmarilimab* targets Clever-1-positive TAMs and re-differentiates them away from a pro-tumoral (M2) state to an anti-tumoral (M1) state[52].

Clever-1 is also highly expressed by malignant myeloid leukemia cells which the disease has transformed from normal blood cells into malignant cells on their surface, i.e. blasts, in various hematological malignancies that originate from myeloid cells, such as acute myeloid leukemia (AML), MDS and chronic monomyelocytic leukemia. It has been observed that in these hematological malignancies, *bexmarilimab* enters the bone marrow and activates the immune system while simultaneously reducing the viability of leukemic blasts through impairing the energy production of these blasts. This sensitizes cancer cell to drugs used for treating these cancers, like the HMA, which can then destroy the cells that are weakened by *bexmarilimab.*

Clinical development of bexmarilimab

MATINS was a Phase I/II clinical trial (clinical trial ID: NCT03733990) which begun in 2018 and studied the safety, tolerability, and early efficacy of *bexmarilimab* in patients with selected advanced or metastatic solid tumors. The trial lasted until 2023 and the clinical results were published during the years of the trial. MATINS was the first clinical study with *bexmarilimab*. The basket trial approach of MATINS enabled the Company to identify responding tumor types and biomarkers related to the response. The patients that responded favorably to *bexmarilimab* had low baseline systemic inflammatory cytokine levels and higher numbers of intratumoral Clever-1 positive macrophages. From pre- and post-*bexmarilimab*-treatment biopsy samples it was shown that the response coincided with intratumoral macrophage conversion and induction of adaptive immune responses indicating that *bexmarilimab* could possibly overcome resistance to market leading checkpoint inhibitors. This led to the planning of the BEXCOMBO trial. The Phase II BEXCOMBO trial will study *bexmarilimab* with PD-1 blockade in head and neck, bladder, and non-small cell lung cancers. This combination treatment aims to increase the number of patients responding to PD-1 inhibitor treatment by inducing an immune response needed for PD-1 inhibitors to work.

BEXMAB is a Phase I/II clinical trial (clinical trial ID: NCT05428969) started in 2022 that runs in the United States and Finland and studies *bexmarilimab* in combination with standard of care in patients with HMA- failed or -relapsed MDS, an aggressive myeloid leukemia, both of which have very few treatment options. Phase II of the BEXMAB trial is underway following positive results from Phase I which showed a significant overall response in both high-risk frontline diseases, as well as HMA-failed MDS patients. In May 2024, the Company announced additional preliminary results, in accordance with which 79% of the patients treated with a combination of *bexmarilimab* and azacytidine, showed response to the treatment (11 patients out of 14 patients). The Phase I MDS patients', with prior HMA failure, estimated median

[47] Finnish patent no 130749. https://patenttitietopalvelu.prh.fi/fi/patent/20205073/.
[48] Hirayama, Iida & Nakase 2017.
[49] Gonzalez, Hagerling & Werb 2018.
[50] Kim & Cho 2022.
[51] Mantovani & Bonecchi 2019.
[52] Hollmen et al. 2022.

overall survival time is approximately 13 months on the date of the announcement, compared to the historical life expectancy of 5–6 months.[53]Two patients had been successfully moved on to receive bone marrow transplantation. The ongoing, randomised Phase II part of the trial is enrolling HMA-failed MDS patients at two parallel dose levels selected in accordance with the FDA's Project Optimus initiative. Project Optimus aims to reform the paradigm of dose optimisation and selection in oncology drug development. Patients are being randomised 1:1 between the doses before moving into a Phase II/III trial expansion.

Commercial opportunities of bexmarilimab

The level of unmet need for therapies in HR MDS is vast. Therapies can mitigate symptoms and prolong survival especially in patient groups that are difficult to treat. No approved therapy exists for MDS once HMAs fail, aside from the IDH1-mutation targeted drug, ivosidenib, which highlights the substantial unmet medical therapies in this area.[54] The mutation in question only occurs in 3 per cent of MDS-patients[55]. Responses to HMAs are usually short-lived and the majority of patients relapse or are refractory to HMAs. This need for new therapies in addition to HMAs has been evident for a number of years and thus far the late-stage pipeline has barely addressed this need.[56]

As the overall burden of cancer increases with the aging population, so does the number of patients with HR MDS[57]. The overall MDS market, including low-, mid- and high-risk patients, was estimated at USD 1.4 billion in 2023, with a forecast CAGR of approximately 26 per cent and is expected to reach USD 4.5 billion in 2028.[58] North America dominates the global MDS treatment market with increasing disease prevalence, early adoption of novel treatments, high novel development R&D investments, and the presence of sophisticated healthcare infrastructure.[59,60] In the US alone, approximately 20,000 new cases of MDS are reported every year, making MDS one of the most common blood cancers. The prevalence of MDS is harder to assess partly due to high mortality, but at the moment it is estimated that there are 60,000–170,000 MDS patients in the US.[61] *Bexmarilimab* aims to become the first novel treatment approved in 20 years, which is suitable for a wide range of MDS-patients. As a new effective treatment on this field and due to limited competition, *bexmarilimab*, is expected to gain a significant share of the MDS market. In order to commercialise *bexmarilimab*, the most likely scenario is that the Company will license the commercial rights to a leading company in the field, in which case the Company's income would consist of sales royalties and various milestone payments depending on the success of the product.

The completion of Phase II and readiness for Phase III have historically increased the value of biotechnology companies significantly; the mean value of company acquisitions completed between the years 2005–2020 increased from USD 354 million in Phase I to USD 683 million in Phase II and USD 1.761 million in Phase III[62]. Since the Company aims for a global partnership agreement by the end of 2024 in order to finance Phase III and commercialise *bexmarilimab*, it is in the best interest of the Company to increase the company value before the agreement. The Company believes that it is in a better position to enter into a partnership, the better the Company is financed.

Competition

Bexmarilimab is a market leading macrophage checkpoint inhibitor drug candidate. In the space of HMA-failed MDS, *bexmarilimab* has limited competition, as there are only a small number of competing drugs trialled for this specific indication. The Company believes *bexmarilimab* to be the only novel drug candidate in Phase II development for HMA-failed MDS, as other candidates are mutation specific or existing AML drugs.[63] The development of these AML drugs in the MDS indication is currently only taking place in researcher-initiated trials, meaning that companies are not actively pursuing this indication for their drug.[64]

The competition in the HR MDS market is limited. The most advanced treatment in development for frontline HR MDS is the combination of azacytidine with venetoclax, which is in a Phase III study. This treatment combination comes with a high rate of serious adverse events, which contribute to increasing the need for new well-tolerated treatment options. Assets targeting the CD47-SIRPα -axis have also faced toxicity issues along the way and have mostly moved past myeloid malignancies. In addition to second-generation standard-of-care agents, there are a number of mutation-driven assets in

[53] Prébet, et al. 2011, Outcome of high-risk myelodysplastic syndrome after azacitidine treatment failure.
[54]U.S. Food and Drug Administration. (2023, October 24): "FDA approves ivosidenib for myelodysplastic syndromes". https://www.fda.gov/drugs/resources-information-approved-drugs/fda-approves-ivosidenib-myelodysplastic-syndromes.
[55] Sallman et al. 2022, Ivosidenib in patients with IDH1-mutant relapsed/refractory myelodysplastic syndrome (R/R MDS): Updated enrollment and results of a phase 1 dose-escalation and expansion substudy.
[56] Rodriguez-Sevilla et al. 2023.
[57] Zeidan et al. 2019.
[58] Evaluate Pharma 2024, Sales by Indication.
[59] Zeidan et al. 2019.
[60] Evaluate Pharma 2024, Sales by Indication.
[61] LLS webpage, https://www.lls.org/research/myelodysplastic-syndrome-mds-research-funded-lls.
[62] Michaeli et al. 2022.
[63] Citeline Pharmaprojects 2024.
[64] ClinicalTrials.gov, National Library of Medicine (US).

late-stage pipeline, which only serve a subgroup of patients with a specific mutation.[65] In contrast, *bexmarilimab* has the potential to treat all subgroup mutations, and *bexmarilimab* can possibly be combined with a large number of both targeted therapies and standard-of-care treatments, thus serving a larger group of patients. The Company believes that *bexmarilimab* is the first anti-Clever-1 antibody in its class tested in clinical trials, which has a highly differentiated biology compared to other agents being developed for MDS and AML.

Key Strengths

The Company believes that its key strengths are, in particular, the following factors:

Strong preliminary Phase I and II data with novel investigational treatment

The BEXMAB Phase I results have already indicated a high overall response rate (ORR) of 87.5% (7 patients out of 8) amongst HMA-failed MDS patients treated with a combination of *bexmarilimab* and azacitidine, as announced by the Company on 18 March 2024. There are now a total of 14 HMA-failed MDS patients treated in both Phase I & II with this novel combination. On 20 May 2024, the Company reported an ORR of 79% (11 patients out of 14) in this population. The treatment has been well tolerated, without any dose-limiting toxicity. The current true remission rate is 64% (9 patients out of 14). Similar size patient cohorts treated with existing alternatives have reported 0–20% ORR, without deep and durable remissions. The median estimated overall survival time in Phase I patients of BEXMAB has also increased to 13.4 months, compared to a historical reference of 5–6 months.[66] This median may still change as the study progresses.

Large addressable market of cancers that are difficult to treat, with focus on MDS unresponsive to treatment

MDS market represents a large and growing indication with projected sales of USD 4.5 billion in 2028.[67] Among the different blood cancer types, MDS is one of the earliest fatal cancers,[68] for which there is no approved treatment[69,70]: 50% of patients will not respond to HMA treatment and of the 50% who respond, 80%[71] will relapse within 1–2 years.[72] If drug development is successful, the Company expects *bexmarilimab* to take a large share of the addressable market, as a new potentially effective treatment. *Bexmarilimab* has also been preliminarily tested in the MATINS study, which focused on solid, non-operable tumours, which showed that the drug candidate is safe and well tolerated, with promising efficacy results. The Company is advancing plans to study the use of *bexmarilimab* in combination with anti-PD-1 therapy in selected advanced solid tumors.

The Company aims to reach key milestones by the end of Q1 2025

If the Company succeeds in raising the funds sought through the Offering, the Company is aiming to complete the BEXMAB Phase II trial patient recruitment, announce interim and final results and to obtain regulatory feedback from the FDA regarding required actions for regulatory approval in the U.S in order to be ready to move to Phase III[73].

Potential for future value creation with strong patent protection and committed management

More than 250 patients have already been treated with *bexmarilimab* without any safety challenges. The Company is aiming to enter into a global partnership agreement by the end of 2024 to commercialise *bexmarilimab* and fund Phase III of the clinical trial. The Company's business is based on a foundation of nearly 20 years of pioneering academic research and drug development at Faron with highly experienced scientists, clinical experts and a management team. *Bexmarilimab* also has extensive and long-term patent protection to support its development, where, for example, patents protecting the drug candidate are valid until 2037.

Cash flows, R&D Expenses and Losses and Investments

The Company operates on a loss and its future economic success will be dependent on progression and completion of the clinical development programs and successful commercialisation of its current drug development pipeline portfolio. Net cash flow in each of the years ended 31 December 2023 and 31 December 2022 was essentially flat. Net cash used in operating activities in 2023 was EUR 23.8 million compared to 2022 of EUR 23.0 million. Net cash flow from financing activities in 2023 was EUR 24.0 million compared to 2022 of EUR 23.5 million.

[65] Citeline Pharmaprojects 2024.
[66] Prébet, et al. 2011, Outcome of high-risk myelodysplastic syndrome after azacitidine treatment failure.
[67] Evaluate Pharma 2024, Sales by indication.
[68] Surveillance, Epidemiology and End Results (SEER) 2022.
[69] Bewersdorf, Carraway & Prebet 2020.
[70] Santini et al. 2019.
[71] Awada et al. 2023, What's Next after Hypomethylating Agents Failure in Myeloid Neoplasms? A Rational Approach.
[72] Fenaux et al. 2021.
[73] Part of the proceeds sought by the Company in the Offering may be raised through the separate UK Offering arranged at the same time as the Offering.

R&D costs were EUR 19.5 million in 2023 compared to EUR 20.7 million in 2022, a decrease of EUR 1.2 million. These costs are attributable to advancing the Company's clinical programs including completion of BEXMAB Phase I and the initiation of Phase II. Clinical trial costs include the costs of patient care and hospital fees, Contract Research Organization ("**CRO**") service costs including monitoring fees, researcher fees, and compensation and benefits for personnel directly responsible for R&D activities, and product supply costs of the developed drugs. The costs of outsourced clinical trial services included in the total R&D costs were EUR 4.0 million in 2023 compared to EUR 5.1 million in 2022. Costs for R&D related personnel were EUR 3.2 million in 2023 and EUR 5.2 million in 2022 and included share-based compensation expense of EUR 0.7 million and EUR 0.3 million in 2023 and 2022, respectively.

The loss for the financial period 2023 was EUR 30.9 million compared to EUR 28.7 million in 2022, which represents a loss of EUR 0.48 per share and EUR 0.52 per share in 2023 and 2022, respectively.

During the period from 1 January 2024 to the date of this Offering Circular the Company has continued its inputs to R&D activities under clinical development programs according to plan and obtained new short-term debt and equity financing to carry on these activities. Other than described above, the Company has not made any material investments during the period from 1 January 2024 to the date of this Offering Circular which would be in progress and no firm commitments have been made for such investments.

Intellectual Property Rights

The Company's intellectual property portfolio consists of a combination of patents, patent applications, trademarks and trade secrets in relation to its drug candidates and target molecules. The Company continuously works to optimise its intellectual property portfolio to secure its development projects in the best possible way. Patents are applied for worldwide and in the most important markets for the pharmaceutical industry. The Company also actively monitors new patent and trademark applications filed by other companies and other stakeholders with the aim to observe possible infringements of its intellectual property rights early and to be aware of the most recent developments in the field. The Company's intellectual property rights, business mortgages and bank accounts are pledged as security for obligations under the IPF's Facilities Agreement (as defined below) (see in more detail "*Risk Factors – Financial risks*").

The Company uses the services of a patent agent, Berggren Oy, to make patent and trademark applications on its behalf and ensure that the Company's current patents and trademarks are adequately maintained.

Patents and trade secrets

The Company's core intellectual property portfolio comprises 23 active patent families. These patents and patent applications cover certain methods associated with the Company's technology, composition of matter patents which protect the Company's drug candidates, as well as biomarkers, diagnostic methods and uses.

Patents and patent applications related to *bexmarilimab* protect the humanised antibody and composition of matter, macrophage activation, patient selection, formulation and use, as well as treatment and related biomarkers that can be used to guide patient selection and treatment. For the most important patents the geographical scope of protection is wide, covering the EU, the United States, Canada, China, Japan, Australia, Eurasia, Hong Kong Special Administrative Region of the People's Republic of China, Korea, Brazil, Mexico, South Africa and India. The current set of valid patents provide protection for the drug candidate until 2037 and supporting patents (including pending applications) currently up to 2042. The Company actively endeavours to extend the scope of protection with additional inventions.

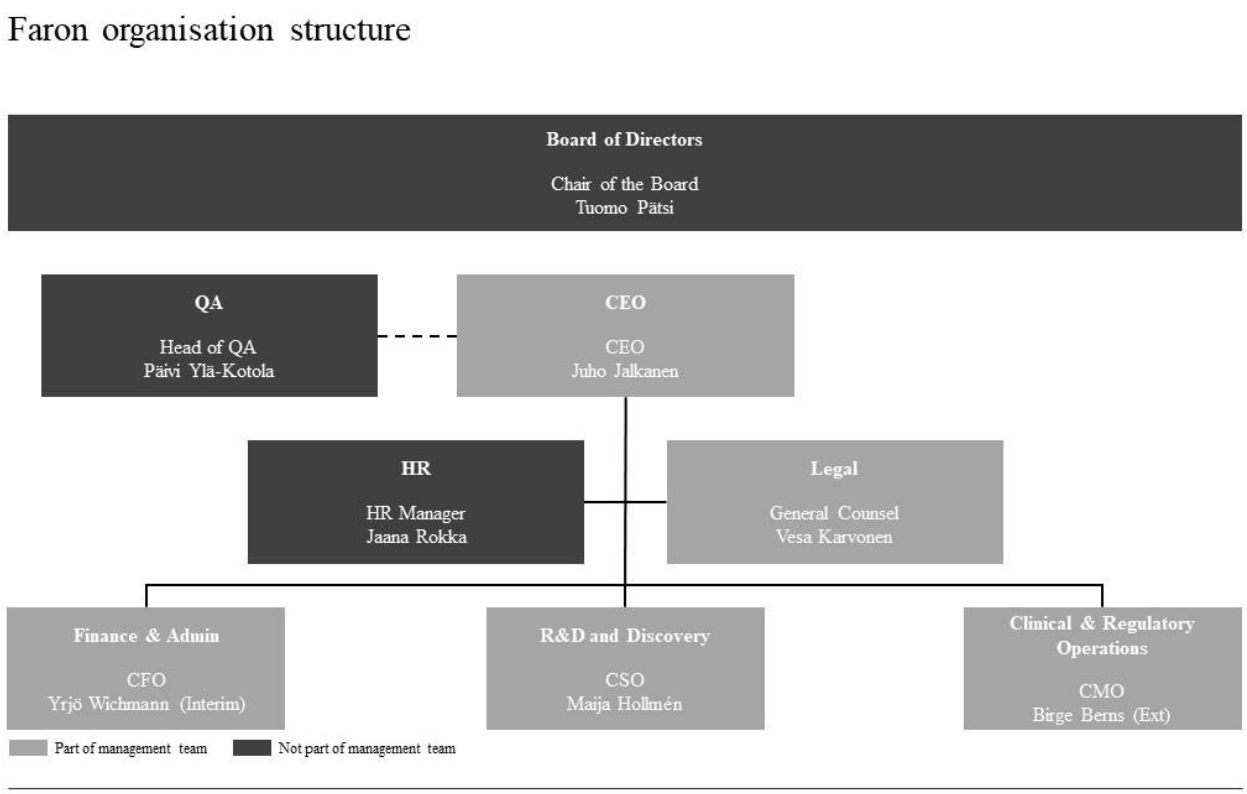
Valid Traumakine-related patents and patent applications protect the lyophilised formulation of the interferon drug product for intravenous use and patient selection for interferon treatment based on a single nucleotide polymorphism as well as biomarkers for ARDS diagnostics. The patented inventions are protected in the main pharmaceutical markets, being the EU, USA, Japan, China, Hong Kong Special Administrative Region of the People's Republic of China and Australia.

In addition to patents, trade secrets form an important part of the Company's strategy to enhance and protect its technological advantage within the pharmaceutical industry. The Company intends to maintain the critical features of its technology as trade secrets meaning the Company's patent portfolio alone is insufficient for the purpose of a competitor using the portfolio as a basis for reconstructing the Company's drug candidates and development pipeline.

Trademarks and domains

The Company has actively proceeded with protecting the contemplated future tradenames for its drug candidates to have such names reserved and protected in case of successful clinical development. The Company has two name candidates for both *bexmarilimab* and Traumakine for all of which protection has been applied worldwide. Simultaneously when protecting the planned tradenames, the most relevant domains have been reserved.

Organisation and Personnel



High-level organisation structure of the Company.

The Company's headcount at the end of the year 2023 was 34 (2022: 40). The Company's staff consists of experienced specialists in biomedical research and development, pharmaceutical development, and finance and administration. Most of the Company's staff have an academic degree (Bachelor of Science, Master of Philosophy, Doctor of Philosophy) in a field closely related to the Company's core operations and/or business management. Three (3) of the Management Team members are highly competent in biopharma, a majority of them holding Doctor of Philosophy degrees in medical biochemistry, pharmacology and organic chemistry or chemical biology, respectively. Two of them are also specialist medical doctors. The Company's organisation structure is lean, and the roles of each department and staff are clearly defined. The composition and the tasks of the Board of Directors, the Chief Executive Officer (the "**CEO**") and the Management Team of the Company are described in section "*Board of Directors, Management, and Auditors*" below.

Material Agreements

The Company collaborates with its strategic partners in research, manufacturing and drug candidate development with the aim of bringing new pharmaceutical products to the market in a timely and cost-effective manner. The Company outsources the manufacturing of its drug candidates to third parties and collaborates with CRO**s** to carry out the clinical development programmes.

Placing Agreement

On 3 June 2024, Faron and the Lead Managers have entered into a placing agreement, which sets out Carnegie's and Peel Hunt LLP's duties as the Lead Managers of the Offering. For further information see "*Plan of Distribution in the Offering*".

Manufacturing

On 25 November 2019, the Company entered into one of its most important agreements, namely, the Development and Manufacturing Agreement with a global contract development and manufacturing organisation, AGC Biologics A/S ("**AGC**"). The arrangement covers optimisation and development of production processes and production of the drug substance of the Company's drug candidates, *bexmarilimab* and Traumakine, at AGC's production site in Copenhagen, Denmark. At the end of 2019 the parties entered into the master agreement, and in spring 2020 the parties agreed on production of the first 500 litre bioreactor batch of *bexmarilimab* to be manufactured under requirements for good manufacturing practise ("**GMP**"). In spring 2022 parties agreed on the first 2000 litre GMP bioreactor batch production of *bexmarilimab* and related development work. As at the date of this Offering Circular the first 2000 litre batch has been

produced. From the *bexmarilimab* drug substance produced by AGC, aseptically filled *bexmarilimab* vials to be used in clinical trials are being manufactured by Patheon Italia S.p.A.

In autumn 2020, the Company and AGC agreed on development of the production process also for Traumakine i.e. interferon beta-1a. Since then, a master cell bank for Traumakine has been created, and the development of upstream and downstream processes has been started, but active development is halted as at the date of this Offering Circular, because the resources have been focused on the development of *bexmarilimab*.

The earlier development of *bexmarilimab* from a scientific finding to human use drug candidate was made by Abzena (Cambridge) Limited located in the United Kingdom, who created the first humanised anti-Clever antibody. Pre-clinical development was finished in 2016. Abzena (San Diego) Inc, an affiliate located in the United States, developed the master cell bank for *bexmarilimab* and produced the first GMP batches of the drug substance in 2017. The first animal tests with *bexmarilimab* were done during the same year. Selexis SA had developed a high-expressing and stable clonal cell line utilising Selexis SA's SUREtechnology Platform™ and SURE CHO-M CellLine™ for the cell bank. Under the development agreement entered into with Selexis SA, the Company has contingent contractual liability to pay milestone payments, of which three are still outstanding, first related to application of the Biologics License Application, second to the approval of the first marketing approval and third to sales. Milestone payments vary between 200,000 and 2,000,000 Swiss Francs. The Company has also agreed to pay royalties to Abzena based on the net sales of the final product, the payment being 0.5–1.0% of the net sales depending on the volume of sales.

Clinical development

The Company utilises various vendors in its clinical development and for running its clinical trials. The Company has engaged two CROs to manage the clinical trials sponsored by the Company, and multiple vendors provide various services for the trial, such as central laboratory services. The trials are conducted in hospitals and clinics in the EU and the United States, with which the Company has written clinical trial agreements in place.

Funding arrangements

Loans and Warrant agreements with IPF

The Company has received debt financing from IPF pursuant to the terms of a facilities agreement entered into between the Company and IPF on 28 February 2022 (as amended from time to time, the "**Facilities Agreement**"). The Facilities Agreement contains a committed Euro term loan facility up to EUR 10 million ("**Tranche A**"). The Company is obliged to repay the loans raised under Tranche A on a quarterly basis in accordance with the repayment schedule agreed in the Facilities Agreement. The outstanding loans drawn under Tranche A are due for repayment in full by 30 June 2027 if the loans have not otherwise been repaid to IPF prior to the said date in accordance with the terms of the Facilities Agreement. Other facilities under the Facilities Agreement are no longer available for the Company. The Company has granted Warrants (as defined below) to IPF as a part of the Facilities Agreement, based on the terms of a separate warrantholder agreement entered into between the Company and IPF originally on 28 February 2022 (as amended and restated from time to time, the "**Warrantholder Agreement**"). The said Warrants are special rights entitling to shares of the Company as referred to in Chapter 10 of the Finnish Companies Act.

The Tranche A of EUR 10 million was drawn down upon signing the agreements in 2022. The Company pays interest in cash on drawn amounts of the above facilities plus a pay-in-kind interest ("**PIK**") for drawn amounts in Tranche A. The rate of interest paid in cash on the loans drawn under the Tranche A was 9 per cent plus Euribor until 18 November 2022 and thereafter 7 per cent plus Euribor. The PIK margin for the Tranche A was 2.25 per cent until 18 November 2022 and thereafter 4.25 per cent. In addition, the Company has paid a structuring fee of the committed facility on the utilisation date of the Tranche A. Tranche A has been measured at amortised cost using the effective interest method. The carrying amount of the Tranche A was EUR 9.4 million at the end of 2023. With respect to the availability of additional funding from IPF, the respective term allowing the Company to draw on the other tranches has expired. The Company does not anticipate, at this time, having the ability to draw further funding from IPF. The interest on the Tranche A facility amounted to EUR 1,874 thousand during 2023. As of 31 May 2024, the outstanding principal and interests of the Company's loans under the Facilities Agreement was EUR 9.0 million.

The Facilities Agreement contains financial covenants and other undertakings that the Company has to comply with. A non-compliance with such terms may lead to an event of default under the Facilities Agreement entitling IPF to demand immediate repayment of any outstanding loans, block the use of the bank accounts of the Company that have been pledged as collateral for the Facilities Agreement and to take any other enforcement action agreed in the Facilities Agreement. The financial covenants included in the Facilities Agreement are minimum cash covenant and gross gearing covenant. The covenants measure the gearing ratio and cash runway. The financial covenants are to certain extent dependent on external events, as they are linked to market capitalisation (i.e., the value of the Company calculated on the basis of the last available closing price of the shares in circulation on First North). For example, the gross gearing covenant (which may not exceed 25 per cent at any time) is calculated as the ratio of borrowings to market capitalisation and when

determining the "borrowings", the aggregate principal amount of the financial indebtedness of the group will be taken into account save for any financial indebtedness owed by a member of the group to another member of the group or R&D loans to Business Finland. The level of the minimum cash covenant is linked to the level of the gross gearing covenant so that it is determined on the basis of the gross gearing being either the three-month or six-month cash burn rate, historically or on forward looking basis.

The Company's intellectual property rights, business mortgage notes and bank accounts have been pledged to IPF. If the Company fails to comply with the terms of the Facilities Agreement in a manner that will constitute an event of default under the terms of the Facilities Agreement, this will entitle the lender to, amongst other things, demand immediate repayment of any outstanding loans, block the use of the Company's bank accounts and to take any other agreed enforcement action under the Facilities Agreement, such as sell the collateral and take a claim on the purchase price of the collateral (see also "*Risk Factors – Financial Risks*").

As was announced on 19 February 2024, the Company was in breach of several undertakings agreed in the Facilities Agreement, including the minimum cash covenant, as a result of which, IPF froze the bank accounts of the Company which were pledged to IPF. The Company and IPF entered into a waiver letter (as amended from time to time) (the "**Waiver**") and on 8 March 2024 the Company gained funds of EUR 3.2 million in convertible Capital Loans (see below "– *Capital loans*"), which enabled the Company to continue its business and active endeavours to secure additional funding. As was announced on 30 April 2024, the Company and IPF have agreed on an extension to the Waiver so that the minimum cash covenant would be lowered first to 6 million until 20 May 2024 and thereafter, subject to continued clinical success with the BEXMAB trial, decreased to 5.5 million euros on 21 May 2024 and to 4.5 million euros on 12 June 2024 until a minimum Offering of EUR 10 million has been completed by the Company and until 27 June 2024 at maximum. The extension of the Waiver has been agreed on in a separate letter regarding the extension of the Waiver on 8 May 2024.The Company has also already agreed in advance with IPF a deviation to the required level of the minimum cash covenant until the end of October 2024.

As part of the Facilities Agreement and in accordance with the terms of the Warrantholder Agreement, the Company has issued warrants relating to the Tranche A that entitle IPF to subscribe for new shares in the Company (the "**2022 Warrants**"). The agreed subscription price per share was originally the lower of EUR 1.85 or the subscription price per share in any subsequent share offering undertaken by the Company (the "**2022 Strike Price**"). Each 2022 Warrant entitles IPF the right to subscribe for one share per 2022 Warrant at the subscription price. The 2022 Warrants are exercisable for a period of seven years that commenced on 25 March 2022. The 2022 Warrants were issued in connection with the Company entering into the Facilities Agreement with IPF in 2022 for no consideration paid and have been treated as a separate financial instrument. The maximum total number of 2022 Warrants relating to the Tranche A reserved to IPF under the terms of the Warrantholder Agreement was 600,000 and to the date of this Offering Circular, in total 319,944 pieces of 2022 Warrants have been issued to IPF. The number of 2022 Warrants relating to the Tranche A will be adjusted in accordance with the anti-dilutive protection and adjustment mechanisms agreed in the Warrantholder Agreement.

As a part of the Waiver obtained from IPF on 3 March 2024, the Company issued to IPF new warrants which entitle IPF to subscribe for new shares in the Company (the "**2024 Warrants 1**") with an exercise price equal to the volume-weighted average price of the Company's share during the three trading days preceding the date of the Waiver (the "**2024 Strike Price 1**"). The 2024 Strike Price 1 shall be the lower of either EUR 1.63 or the subscription price per share in the contemplated Offering undertaken by the Company. The number of the 2024 Warrants 1 primarily issued to IPF is calculated by dividing EUR 1 million (i.e. 10 per cent of the original loan amount of EUR 10 million under Tranche A) by the 2024 Strike Price 1, subject to certain adjustments in accordance with the terms of the Warrantholder Agreement. The 2024 Warrants 1 are exercisable for shares for a period of seven years. The 2024 Warrants 1 were issued without consideration. Pursuant to the Warrantholder Agreement, tentatively 613,496 pieces of 2024 Warrants 1 were issued to IPF on 27 March 2024. Following the Company's directed share issue on 3 April 2024 at a price of EUR 1.50 per share, the price of the 2024 Warrants 1 was reduced to EUR 1.50 per 2024 Warrant 1 and an additional 53,570 pieces of 2024 Warrants 1 were granted to IPF in accordance with the terms of the 2024 Warrants 1 on 3 April 2024. The maximum total number of 2024 Warrants 1 that may be granted pursuant to the Warrantholder Agreement is 1,500,000. The number of 2024 Warrants 1 will be adjusted in accordance with the anti-dilutive protection agreed in the Warrantholder Agreement. The Board of Directors has, having received the needed authorisation by the Company's Annual General Meeting held on 5 April 2024, approved the terms and conditions of the remaining 832,934 pieces of 2024 Warrants 1 that may be issued to IPF in accordance with the Warrantholder Agreement (for further details, please see section "*Shares and Share Capital – Options and Warrants – Warrants*").

Further, as a part of the Waiver Extension obtained from IPF on 8 May 2024, the Company issued to IPF new warrants which entitle IPF to subscribe for new shares in the Company (the "**2024 Warrants 2**", and together with 2024 Warrants 1 and 2022 Warrants, the "**Warrants**"). The strike price of the 2024 Warrants 2 (the "**2024 Strike Price 2**") shall be the lower of either EUR 1.50 or the subscription price per share in the contemplated Offering. The number of the 2024 Warrants 2 primarily issued to IPF is calculated by dividing EUR 500,000 (i.e. 5 per cent of the original loan amount of EUR 10 million under Tranche A) by the 2024 Strike Price 2, subject to certain adjustments in accordance with the terms

of the Warrantholder Agreement. The 2024 Warrants 2 are exercisable for shares for a period of seven years from 17 May 2024. The 2024 Warrants 2 have been issued without consideration. Pursuant to the Warrantholder Agreement, IPF subscribed for 333,333 pieces of 2024 Warrants 2 on 20 May 2024. The maximum total number of 2024 Warrants 2 that may be granted pursuant to the Warrantholder Agreement is 750,000. The number of 2024 Warrants 2 will be adjusted in accordance with the anti-dilutive protection agreed in the Warrantholder Agreement.

Pursuant to the terms of the Facilities Agreement and the Waiver, the Company has undertaken to pay to IPF certain fees upon termination of the Facilities Agreement and in the event the loan is repaid early before the actual maturity date specified in the Facilities Agreement. Upon termination of the Facilities Agreement, the Company has undertaken to pay IPF a total of three separate termination fees as follows (each referred to as an "**Exit Fee**"): (i) an Exit Fee of EUR 1 million, of which will be reduced an equivalent amount by which IPF has subscribed for the Company's Shares under the 2022 Warrants, (ii) an Exit Fee of EUR 1 million, of which will be reduced an equivalent amount by which IPF has subscribed for the Company's Shares under 2024 Warrants 1, and (iii) an Exit Fee of EUR 0.5 million, of which will be reduced an equivalent amount by which IPF has subscribed for the Company's Shares under 2024 Warrants 2. In addition, upon the agreement of the Waiver, the Company has undertaken to pay IPF a Waiver fee in the amount of EUR 500,000 payable in cash, which has already been paid in full to IPF and, upon the extension of the Waiver, a separate Waiver fee in the amount of EUR 250,000 payable in cash, which will be due on 27 June 2024. In addition, should the Company decide on an early repayment of the loan before the actual maturity date specified in the Facilities Agreement before three years have lapsed from the withdrawal of the loan, the Company shall pay compensation for the interests not received in accordance with the Facilities Agreement.

Capital loans

As was announced by the Company on 19 February 2024, the Company was in breach of several undertakings agreed in the Facilities Agreement with IPF, including the minimum cash covenant. The Company received EUR 3.2 million convertible capital loans from its existing shareholders (the "**Capital Loan Lenders**") (the "**Capital Loans**", in Finnish *pääomalaina*) to secure immediate financing needs in March 2024 after which the Company obtained the required Waiver from IPF and regained control of its bank accounts. The Capital Loans are capital loans within the meaning set out in Chapter 12 of the Finnish Companies Act, meaning that any repayment of principal or payment of interest under the Capital Loans may only take place in compliance with the mandatory provisions of Chapter 12 of the Finnish Companies Act. The Capital Loans are also fully contractually subordinated to the Facilities Agreement in accordance with the terms of the subordination agreement entered into between the Company, IPF and the Capital Loan Lenders (the "**Subordination Agreement**"). This means that the Capital Loans may be repaid only if permitted by the terms of the Subordination Agreement and the provisions of Chapter 12 of the Finnish Companies Act.

The Capital Loans shall be converted to new shares in the Company as a part of (and at the Subscription Price of) the next investment round where shares or other equity securities are issued by the Company to existing shareholders and/or new third-party investors, with a minimum size of EUR 8 million (the "**Investment Round**"). In the event that the subscription price in such Investment Round exceeds EUR 1.50 per share, the conversion of the Capital Loan shall be postponed until 30 June 2024 (the "**Due Date**"), whereby the Capital Loans are automatically converted into the company shares at a price of EUR 1.50 per share. In the event that there is no Investment Round by the Due Date and the Capital Loan has not been otherwise repaid prior to the Due Date (subject to the terms of the Subordination Agreement), then the Capital Loan shall be, at the request of a Capital Loan Lender, converted into new shares in the Company in connection with the Due Date. In such case, the subscription price per share shall be EUR 1.50 per share. However, if then a Capital Loan Lender decides not to exercise its conversion right on the Due Date, (such option being only available if there has not been any Investment Round), the Due Date of the Capital Loan will automatically be extended until 31 December 2024 (the "**Final Due Date**"). On such Final Due Date, the Capital Loan shall be either repaid in full in cash (if permitted by the provisions of Chapter 12 of the Finnish Companies Act), subject to the terms of the Subordination Agreement, or converted into new shares in the Company with the subscription price of EUR 1.50 per share, subject to a valid share issue authorisation being in place.

In case a Capital Loan is converted to shares before the Due Date, each Capital Loan Lender is entitled to an arrangement fee of 15 per cent of its respective Capital Loan amount. If conversion has not taken place prior to the Due Date, the arrangement fee will be 30 per cent of each Capital Loan Lender's respective Capital Loan amount. The arrangement fee shall be primarily paid in connection with the conversion of the Capital Loan by converting the unpaid arrangement fee into new shares in the Company and any payment of arrangement fee in cash shall be subject to the terms and conditions of the Subordination Agreement and provisions of Chapter 12 of the Finnish Companies Act. No interest shall be payable on the Capital Loan if a conversion takes place before 30 May 2024, and thereafter the interest will be 12 per cent + 3-months Euribor and paid subject to the terms of the Subordination Agreement and the provisions of Chapter 12 of the Finnish Companies Act.

Upon completion of the Offering, the Capital Loans and related arrangement fees and interest, totalling approximately EUR 3.7 million, will be converted into Shares in the Company in accordance with the above terms and conditions (see "*Terms and Conditions of the Offering – General*").

Business Finland R&D Loans

The Company has R&D loans from Business Finland, a Finnish government organisation for innovation funding and trade, travel and investment promotion, in the amount of EUR 3.5 million on 31 December 2023. Business Finland R&D loans are granted to a defined product development project and cover a contractually defined portion of the underlying development projects' R&D expenses. The below-market interest rate for these loans is the base rate set by the Finnish Ministry of Finance minus three (3) percentage points, subject to a minimum rate of 1 per cent. The interest on Business Finland R&D loans amounted to EUR 329 thousand during 2023. Repayment of principal will be made in equal instalments over a 5-year period, unless otherwise agreed with Business Finland. Repayment of one of the loans has been initiated in 2024. As of 31 May 2024, the amount of Business Finland's R&D loans and accrued unpaid interest was EUR 3.9 million.

Legal Proceedings

As at the date of this Offering Circular, the Company is not, and has not been within the past 12 months, party to any administrative, legal or arbitration proceedings, which may have or have had significant effects on the Company's or the Group's financial position or profitability. Neither is the Company aware of any such proceedings being pending or threatened. However, the Company is, from time to time, in the ordinary course of business, party to, and may become involved in further disputes, litigation, arbitration, regulatory or administrative proceedings and out-of-court disputes in Finland and other jurisdictions, including, for example, litigation or arbitration proceedings with contractual counterparties, employees, or other third parties.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information for the Company as at and for the years ended 31 December 2023 and 31 December 2022. The selected consolidated financial information presented below has been derived from the Company's audited consolidated financial statements as at and for the years ended 31 December 2023 and 31 December 2022, prepared in accordance with IFRS Accounting Standards, all of which are incorporated by reference into this Offering Circular.

The selected financial information provided herein should be read together with "*Certain matters – Presentation of Financial and Certain Other Information*" and the Company's audited consolidated financial statements as at and for the years ended 31 December 2023 and 31 December 2022 incorporated by reference into this Offering Circular.

Consolidated Statement of Comprehensive Income

	1 January to 31 December	
In EUR thousand, unless otherwise indicated	**2023**	**2022**
	(audited)	
Revenue	**-**	**-**
Other operating income	-	803
Research and development expenses	(19,542)	(20,730)
General and administrative expenses	(9,026)	(7,498)
Operating loss	**(28,568)**	**(27,426)**
Financial income	233	96
Financial expenses	(2,609)	(1,400)
Loss before tax	**(30,944)**	**(28,730)**
Tax expense	-	-
Loss for the period	**(30,944)**	**(28,730)**
Other comprehensive income (loss)	2	17
Total comprehensive loss for the period	**(30,942)**	**(28,713)**
Loss per ordinary share		
Basic and diluted loss per share, EUR	(0.48)	(0.52)

Consolidated Balance Sheet

	As at 31 December	
In EUR thousand	**2023**	**2022**
	(audited)	
ASSETS		
Non-current assets		
Machinery and equipment	6	13
Right-of-use-assets	198	314
Intangible assets	1,088	1,154
Prepayments and other receivables	60	60
Total non-current assets	**1,352**	**1,541**
Current assets		
Prepayments and other receivables	1,992	2,740
Cash and cash equivalents	6,875	6,990
Total current assets	**8,868**	**9,730**
TOTAL ASSETS	**10,220**	**11,271**
EQUITY AND LIABILITIES		
Capital and reserves attributable to the equity holders of Faron		
Share capital	2,691	2,691
Reserve for invested unrestricted equity	154,352	129,544
Accumulated deficit	(172,208)	(143,713)
Translation difference	4	2
Total equity	**(15,160)**	**(11,476)**
Provisions		
Other provisions	0	158
Total provisions	**0**	**158**

Non-current liabilities		
Borrowings	9,423	11,102
Lease liabilities	50	163
Other liabilities	895	853
Total non-current liabilities	**10,369**	**12,118**
Current liabilities		
Borrowings	3,475	1,851
Lease liabilities	163	153
Trade payables	8,971	6,014
Accruals and other current liabilities	2,403	2,453
Total current liabilities	**15,012**	**10,471**
Total liabilities	**25,380**	**22,748**
TOTAL EQUITY AND LIABILITIES	**10,220**	**11,271**

Consolidated Statement of Cash Flows

	1 January to 31 December	
In EUR thousand	**2023**	**2022**
	(audited)	
Cash flow from operating activities		
Loss before tax	(30,944)	(28,730)
Adjustments for:		
Received grants	(33)	(803)
Depreciation and amortisation	346	300
Change in provision	(158)	(158)
Financial items	2,376	1,304
Share-based compensation	2,450	1,297
Operating cash flows before movements in working capital	(25,963)	(26,790)
Change in net working capital:		
Prepayments and other receivables	300	2,864
Trade payables	2,994	719
Other liabilities	(50)	1,183
Cash used in operations	(22,719)	(22,023)
Transaction costs related to loans and borrowings	-	(165)
Interest received	243	11
Interest paid	(1,330)	(816)
Net cash used in operating activities	**(23,806)**	**(22,993)**
Cash flow from investing activities		
Payments for intangible assets	(123)	(385)
Net cash used in investing activities	**(123)**	**(385)**
Cash flow from financing activities		
Proceeds from issue of shares	26,031	13,445
Share issue transaction cost	(1,190)	(365)
Proceeds from borrowings	64	10,389
Repayment of borrowings	(861)	(105)
Transaction and structuring fees of borrowings	(400)	-
Proceeds from grants	481	231
Payment of lease liabilities	(142)	(116)
Net cash from financing activities	**23,983**	**23,478**
Net increase (+) / decrease (-) in cash and cash equivalents	**(114)**	**137**
Effect of exchange rate changes on cash and cash equivalents	(168)	37
Cash and cash equivalents at 1 January	6,990	6,853
Cash and cash equivalents at 31 December	**6,876**	**6,990**

Key Figures

In EUR thousand, unless otherwise indicated	1 January to 31 December 2023	1 January to 31 December 2022
	(audited)	
Financial key figures		
Other operating income	-	803
Research and Development expenses	(19,542)	(20,730)
General and Administrative expenses	(9,026)	(7,498)
Loss for the period	(30,944)	(28,730)
Loss per share EUR	(0.48)	(0.52)
Total number of shares outstanding at 31 December (pcs)	68,786,699	59,805,383
Weighted average number of shares in issue (pcs)	65,055,036	55,229,835

In EUR thousand	31 December 2023	31 December 2022
	(audited)	
Financial key figures		
Cash and cash equivalents	6,875	6,990
Total equity	(15,160)	(11,476)
Balance sheet total	**10,220**	**11,271**

Significant change in the Company's financial performance or financial position

The financial status of the Company as in amount of cash available has deteriorated during the year 2024 as the Company has not been able to raise the funds it needs for its business and compliance with its financial covenants, and it has been forced to a number of temporary measures to continue its operations. During the period from 1 January 2024 to the date of this Offering Circular, the Company has been in breach of several financial covenants and other undertakings agreed in its Facilities Agreement with IPF and, as a result, entered into the Waiver with IPF and agreed on amendments to the level of the financial covenants, issued new warrants to IPF, secured the Company's short-term cash needs by issuing Capital Loans of EUR 3.2 million and by completing a directed share issue of EUR 4.8 million, initiated a cost saving program and limited all of its business activities as well as concentrated its R&D expenditure on HMA-failed MDS patients (more information under "*Summary of Information Disclosed – Company Releases Specifying Inside Information – Information on share issues and other financial arrangements*", "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*" and "*Business of the Company – Material Agreements – Funding arrangements – Capital loans*"). The cost saving program implemented by the Company in 2024 has reduced operating expenses by almost 20% compared to the previous two years, including a reduction of more than 25% in employee related expenditure. In addition to the above-mentioned events and arrangements there has not been any significant change in the Company's financial performance or position between 1 January 2024 and the date of this Offering Circular.

Additional information in the auditor's report

The Company's auditor has in the Auditor's Report of the Company's financial statements as at and for the year ended 31 December 2023 drawn attention to material uncertainty related to going concern as follows: "We draw attention to note 2.2 Going concern in the financial statements. Because the additional finance was not committed at the date of issuance of the financial statements, this fact together with other matters stated in the notes, indicated that a material uncertainty existed that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. Our auditor's opinion had not been modified in respect of this matter."

The Company's auditor has in the Auditor's Report of the Company's financial statements as at and for the year ended 31 December 2022 drawn attention to material uncertainty related to going concern as follows: "We draw attention to note 2.2 Going concern in the financial statements. Because the additional finance was not committed at the date of issuance of the financial statements, this fact together with other matters stated in the notes, indicated that a material uncertainty existed that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. Our auditor's opinion had not been modified in respect of this matter."

For more information on uncertainty related to the Company's ability to continue as a going concern see "*Risk Factors – Financial Risks*", "*Background and Reasons for the Offering and Use of Proceeds*", "*Business of the Company*" *and* "*Summary of Information Disclosed* ".

SUMMARY OF INFORMATION DISCLOSED

The following summary sets forth information disclosed by the Company pursuant to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "**Market Abuse Regulation**") as well as certain other information disclosed by the Company pursuant to the First North Growth Market Rulebook (the "**First North Rulebook**"), over the last 12 months preceding the date of this Offering Circular, which is to the Company's knowledge still relevant as at the date of this Offering Circular. The following summary does not discuss periodic financial reporting nor other disclosure obligations not pertaining to the Market Abuse Regulation or the First North Rulebook. Therefore, the following summary is not exhaustive and does not discuss all company releases issued by the Company during the above-mentioned period of time.

Company Releases Specifying Inside Information

Information on share issues and other financial arrangements

On 29 June 2023, Faron announced that it had conducted a private placement, directed to a limited number of institutional and other investors, of 2,601,510 newly issued treasury shares at the price of EUR 2.55 per share to raise EUR 6.6 million in the aggregate before expenses. The funds were primarily intended for the acceleration of the *bexmarilimab* clinical development program and manufacturing. With these proceeds and other confirmed funding, the Company expected to have sufficient working capital into Q4 of 2023.

On 26 October 2023, Faron announced a proposed private placement to raise a minimum of approximately EUR 6.0 million, to be conducted by way of an accelerated book-building process, directed to a limited number of institutional and other investors. On 27 October 2023, Faron announced that it had conducted the private placement of 2,491,998 newly issued treasury shares at the price of EUR 2.85 per share to raise EUR 7.1 million in the aggregate. The funds were primarily intended for the acceleration of the *bexmarilimab* clinical development program and manufacturing. Raising of at least EUR 3.0 million was also required to secure that the Company met all its financial and operational covenants by 27 October 2023, as per agreed waivers with IPF. With these proceeds, the Company expected to have sufficient working capital into Q2 of 2024.

On 19 February 2024, Faron announced that it was in breach of several undertakings agreed in the Facilities Agreement with IPF. Faron's bank accounts have been pledged to IPF and IPF notified Faron's banks of the blocking of the pledged accounts due to the breaches. At this time, the Company did not have the ability to remedy the breaches, nor make payments to third parties without separate consent from IPF, but negotiations related to possible restructuring of the loan facility as well as Waiver of covenant obligations were ongoing with IPF. The total cash and cash equivalents held by the Company were approximately EUR 4.3 million, which were enough to cover the Company's financing needs until the beginning of April 2024.

On 21 February 2024, Faron announced that it was in continued active negotiations to receive the Waiver from IPF and to unblock the pledged bank accounts. Faron announced that it was contemplating alternative short- and long-term financing options, and that as a part of the possible long-term financing arrangements the Board of Directors of Faron intended as one of the alternatives to propose to the Annual General Meeting an authorisation for a larger share issue contemplated to be launched when the required preparations and approvals were in place.

On 4 March 2024, Faron announced that the Company had received binding commitments for Capital Loans in the total amount of EUR 3.2 million, enabling the Company to make critical payments and to continue preparing alternative short- and long-term financing options. The Capital Loans shall be converted to new shares in the Company as a part of (and at the subscription price of) the next investment round that fulfils certain conditions (for further information on the Capital Loans, see "*Business of the Company – Material Agreements – Funding arrangements – Capital loans*"). Upon the Company's receipt of the Capital Loan funds in full no later than 8 March 2024, IPF agreed to waive certain events of default under the Facilities Agreement in accordance with the terms of the Waiver and to unblock the Company's bank accounts, allowing the Company to make payments to third parties without a separate consent from IPF. As part of the Waiver the minimum cash covenant was lowered to EUR 4.5 million until 30 April 2024 and thereafter it will return to the previously agreed level (i.e., depending on the gross gearing level of the Company, the minimum cash must be either the three-month or six-month cash burn rate (historically or on forward looking basis depending on which one is higher)). In accordance with the Waiver, the Company shall issue to IPF 2024 Warrants 1 (for further information on the Warrants, see "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"). As according to the announcement, the Company expected that the receipt of the EUR 3.2 million committed funding enables the Company to secure its immediate short-term financing needs until the end of March 2024, in addition to which approximately EUR 5 million of further short-term bridge financing is required. The Company announced that it continues active endeavours to secure longer-term funding and that it intended to propose to the Annual General Meeting scheduled to be held on 5 April 2024 an authorisation for a larger share issuance contemplated to be launched as

a public offering (with planned allocation preferences to existing shareholders and bridge finance lenders) as soon as practicable once the required preparations and approvals are in place. The Company stated it was also evaluating and continuously negotiating several business development alternatives that may result in non-dilutive funding.

On 28 March 2024, further to the announcement on 4 March 2024, Faron announced that the Company had issued a preliminary amount of 613,496 pieces of 2024 Warrants 1 on 27 March 2024 to IPF in accordance with the Waiver and the Warrantholder Agreement. The maximum total number of 2024 Warrants 1 to be granted pursuant to the Warrantholder Agreement was 1,500,000, subject to certain adjustments, and the Board of Directors of the Company was to cause the registration of the remaining 886,504 pieces of 2024 Warrants 1 after the 2024 Annual General Meeting of the Company, which was held on 5 April 2024 (for further information on the Warrants, see "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"). The Company also announced a funding update and stated that its current cash balance was sufficient to allow Faron to continue its operations into April 2024.

On 4 April 2024, Faron announced that it had conducted a private placement, directed to a limited number of institutional and other investors, of 3,200,298 newly issued treasury shares at the price of EUR 1.50 per share to raise EUR 4.8 million in the aggregate (before expenses) and to secure the required and previously communicated short-term bridge financing totalling EUR 8 million (including the EUR 3.2 million Capital Loan financing announced on 4 March 2024). The private placing announced on 4 April 2024 was supported by both new and existing shareholders such as the European Innovation Council (EIC Fund) and a limited number of other Finnish and international investors. To complete the enrolment of the Phase II of the BEXMAB trial with readouts and to obtain regulatory feedback from the FDA between now and Q1 of 2025, the Company expects to need an additional EUR 27 million in total (accounting for the raised EUR 8 million on 4 March 2024 and the private placement). Upon receipt of the proceeds from the private placement of EUR 4.8 million, the Company announced that it continues to satisfy the required covenant levels and has sufficient working capital into June 2024. In connection with the private placement, Faron issued 53,570 additional 2024 Warrants 1 to IPF. Following this issue, a total of 667,066 pieces of 2024 Warrants 1 had been issued to IPF. The Company also announced that it will grant investors who participated in the private placement the right to receive shares primarily through a free issue, so that the subscription price of the private placement (EUR 1.50 per share) would be equal to the subscription price of a public 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). See "*Shares and Share Capital – Free Shares relating to the Directed Share Issue*".

On 8 April 2024, Faron announced that the Board of Directors of Faron had approved the terms and conditions of the remaining 832,934 pieces of 2024 Warrants 1 pursuant to the Warrantholder Agreement. It was previously announced that the maximum total number of 2024 Warrants 1 to be granted pursuant to the Warrantholder Agreement is 1,500,000, and the Board of Directors of the Company shall cause the registration of the remaining 2024 Warrants 1 after the Annual General Meeting 2024 of the Company, held on 5 April 2024 (for further information on the Warrants, see "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*"). The 2024 Strike Price of the 2024 Warrants 1 issued to IPF is currently EUR 1.50 and will be adjusted to any lower subsequent subscription price of shares in any future share issue. The Company will separately publish an announcement on the issuance of any additional warrants.

On 30 April 2024, Faron announced that it has reached understanding on conditional Waiver extension with IPF. The Waiver extension will be conditional on certain terms, those being, among others: the minimum cash covenant being set to EUR 6.0 million until 20 May 2024 and thereafter, subject to continued clinical success with the BEXMAB trial, the minimum cash covenant will first decrease to EUR 5.5 million on 21 May 2024 and then to EUR 4.5 million on 12 June 2024 until a minimum equity raise of EUR 10 million has been completed. As a part of the understanding on the Waiver extension terms, IPF receives a waiver fee and additional new 2024 Warrants 2. The new 2024 Warrants 2 have a total value of EUR 500,000 and a subscription price of the lower of EUR 1.50 and the last 3 trading days VWAP preceding the issuance of the warrants. The Waiver extension will be valid until 27 June 2024 at maximum, subject to terms above being followed and the Company securing subscriptions or guarantees for an offer in the amount of EUR 10 million by 11 June 2024, unless other financing of the same value is secured prior to that. Thereafter the minimum cash covenant will return to its normal level.

On 17 May 2024, Faron announced as an update to the release issued on 30 April 2024 that the Company had issued an amount of 333,333 pieces of 2024 Warrants 2 to IPF in accordance with the Waiver Extension and the Warrantholder Agreement. The maximum number of 2024 Warrants 2 to be issued under the Warrantholder Agreement is 750,000, subject to certain adjustments (for further information on the Warrants, see section "*Business of the Company – Material agreements – Funding arrangements – Loans and Warrant agreements with IPF*").

Information on drug development

On 19 July 2023, Faron announced new positive clinical data from the Company's ongoing Phase I/II BEXMAB trial. Three of five patients in 6 mg/kg *bexmarilimab* + azacitidine doublet dosing cohort showed an objective response (OR) of complete remission of blasts in the bone marrow (mCR). Eight of the 15 patients had shown objective responses

observed in all three doublet dosing cohorts. One patient had stayed on treatment for 13 months. Updated BEXMAB data had supported advancement to Phase II in H2 of 2023 focusing on standard of care relapsed/refractory (r/r) acute myeloid leukemia and myelodysplastic syndromes failing hypomethylating agents. The Company planned to file the first Biologics License Application (BLA) to FDA in H1 of 2025.

On 29 August 2023, Faron announced that FDA had granted Orphan Drug Designation (ODD) to *bexmarilimab* for the treatment of acute myeloid leukemia. FDA's Office of Orphan Drug Products grants orphan status to support the development of medicines for rare disorders that affect fewer than 200,000 people in the U.S. The ODD provides Faron with certain benefits, such as market exclusivity upon regulatory approval if received, exemption of FDA application fees, and tax credits for qualified clinical trials. The Company also announced that the completion of dose escalation, readout of enrichment cohorts and initiation of the Phase II part of the BEXMAB trial were expected in Q4 2023.

On 11 October 2023, Faron announced positive updated data from the Phase I/II BEXMAB trial. *Bexmarilimab* had produced a 50% remission rate in doublet dose cohorts (11 out of 22 patients). Eight of the 11 patients achieved complete remission in the bone marrow with or without blood count recovery. The highest overall response rate (ORR) of 80% (4 out of 5 patients) had been observed in prior HMA-failure MDS patients. *Bexmarilimab* had continued to be well-tolerated with no dose-limiting toxicity observed.

On 6 November 2023, Faron announced that it had selected, based on the meeting with the FDA, hypomethylating agents (HMAs)-refractory or relapsed myelodysplastic syndromes (MDS) as the initial indication to advance to Phase II in the BEXMAB trial investigating *bexmarilimab* in combination with standard of care. The Phase II part of the study aims to recruit 32 HMA-failed MDS patients for dose optimisation, with possible data release planned after 20 patients had received more than two treatment cycles. Data from the first 20 patients would be reviewed for exposure benefit for the two selected dose levels. Faron was intending to discuss a potential registrational study plan with the FDA post selection of final dosing. The Phase I part of the study showed that optimal target engagement could be achieved with 3 mg/kg dosing, and both 3 mg/kg and 6 mg/kg doses were safe and well tolerated. Faron was planning to open additional sites in the U.S. and Europe to be able to increase recruitment speed.

On 11 December 2023, Faron announced positive Phase I data from the ongoing BEXMAB trial in myeloid malignancies that was presented at the 65th American Society of Hematology ("**ASH**") Annual Meeting & Exposition. Significant overall response rate (ORR) had been achieved in both HR-MDS (5/5) and HMA-failed MDS (5/5) patients. The majority of responses had been deep and durable with 7/10 MDS patients achieving perfect response (CR/mCR), and one patient was transferred to stem cell transplantation.

On 9 January 2024, Faron announced that the first patient had been dosed in Phase II of the BEXMAB trial. Phase II of the trial aims to recruit 32 patients with HMA-failed high risk MDS and to provide final and optimised dosing for registrational study.

On 18 March 2024, Faron announced additional positive data from the Phase I part of the BEXMAB trial in both higher-risk (HR) HMA-failed MDS patients and r/r AML patients. Latest readout of the BEXMAB trial shows more responding patients and good durability of remission amongst HR HMA-failed MDS patients, and four out of five of the initial Phase I HMA-failed MDS patients were still alive after eight months of follow-up. While data do not yet allow the precise estimation of median overall survival, the Company believes that the survival seen with the current follow-up already for these five first patients is encouraging. Furthermore, three additional HMA-failed HR MDS patients had been enrolled in Phase I part, leading to a total of seven out of eight patients responding, an overall response rate of 87.5%.

On 20 May 2024, Faron announced preliminary data from Phase II part of the BEXMAB trial which confirmed the prior positive results from Phase I part of the trial. The results from 14 patients continued strong showing an overall response rate (ORR) of 79% with the combination treatment of *bexmarilimab* and azacitidine in MDS patients with previous HMA-failure (11 out of 14 patients). The majority of responses are deep and durable, allowing two patients (14% of treated patients) to move on to receive bone marrow transplantation, rarely seen in this patient population where remission is limited. The true remission rate of the current MDS patient population is 64% (9 out of 14 patients). Similar size patient cohorts treated with existing alternatives have reported 0–20% ORR, without deep and durable remissions. In addition, Company reported that the Phase I MDS patients with prior HMA failure are currently experiencing an estimated median overall survival (mOS) of 13.4 months, compared to the 5–6 months that would historically be expected under standard of care.[74] This median is still subject to change while the study proceeds. The treatment has been well tolerated, without any dose-limiting toxicity.

Changes in Faron's Management

On 21 September 2023, Faron announced that Dr. Birge Berns, MD, had been appointed as the Company's Interim Chief Medical Officer. Dr. Berns was to succeed Dr. Marie-Louise Fjällskog, who was stepping down from her role as Chief

[74] Prébet, et al. 2011, Outcome of high-risk myelodysplastic syndrome after azacitidine treatment failure.

Medical Officer at Faron. Dr. Berns is a seasoned senior pharmaceuticals executive with a background in oncology, clinical medicine, rheumatology and immunology and has more than 25 years' experience from senior leadership roles in global pharmaceutical companies, including Sanofi Aventis and Johnson & Johnson.

On 22 September 2023, Faron announced the appointment of Ms. Christine Roth and Dr. Marie-Louise Fjällskog as Members of the Company's Board of Directors with immediate effect following the passing of the resolutions put to shareholders of the Company at the Extraordinary General Meeting held on 22 September 2023. Ms. Christine Roth is a pharmaceutical executive with over three decades of experience in the industry. Dr. Marie-Louise Fjällskog is a professional with extensive experience in the pharmaceutical and biopharmaceutical industry, particularly in the field of clinical oncology, translational research, and drug development.

On 8 April 2024, Faron announced that its CEO at the time Dr. Markku Jalkanen, who turns 70 later in 2024, had informed the Board of Directors of his wish to retire from his position as the Company's CEO during the second quarter of 2024, while continuing in his role as Board Member. As a part of its ordinary tasks and noting the age of the current CEO, the Nomination Committee of the Board had maintained preparedness for CEO succession with the help of a third-party recruitment specialist firm and considered several options for a potential new CEO for the Company among external and internal candidates. Supported by the preparatory work conducted, the Nomination Committee had concluded that the Company's Chief Operating Officer at the time, Dr. Juho Jalkanen, MD, PhD, MSc, would be the best candidate to succeed Dr. Markku Jalkanen as CEO of the Company. Following information from Dr. Markku Jalkanen and the Nomination Committee's recommendation, the Board had resolved to appoint Dr. Juho Jalkanen as CEO of the Company, effective 1 May 2024, subject to regulatory approval. Dr. Markku Jalkanen will continue as a Board Member and will support in the transition of the CEO role throughout 2024.

On 8 April 2024, Faron announced the decisions of the Board of Directors of the Company concerning the organisation of the Board and committees. The Board of Directors of the Company resolved (i) that Tuomo Pätsi was elected as the Chair of the Board, and (ii) on the election of the Chairs and other members to the Board committees from among its members as follows: Markku Jalkanen was elected the Chair of the Audit Committee and Marie-Louise Fjällskog and John Poulos were elected as members of the Audit Committee; Tuomo Pätsi was elected the Chair of the Nomination Committee and Markku Jalkanen and Christine Roth were elected as the other members of the Nomination Committee; John Poulos was elected as the Chair of the Remuneration Committee and Tuomo Pätsi and Christine Roth were elected as the other members of the Remuneration Committee; John Poulos was elected as the Chair of the Business Development Committee and Markku Jalkanen and Juho Jalkanen were elected as the other members of the Business Development Committee.

On 15 April 2024, Faron announced that Mr. Yrjö Wichmann was appointed as the Company's interim Chief Financial Officer (CFO). Mr. Wichmann succeeds James O'Brien, who is leaving Faron. Mr. Wichmann served as the Company's CFO between 2014 and 2019 and is an accomplished biotech and financial executive with over 20 years' experience in financing and investment banking. Most recently, Mr. Wichmann served as Senior Vice President, Financing & IR at Faron.

On 30 April 2024, Faron announced the appointment of Dr. Juho Jalkanen as the CEO of the Company starting 1 May 2024. Additionally, further to the announcement of 8 April 2024, the Company announced that as of the date of the announcement, Dr. Markku Jalkanen had stepped down from his role as the CEO and will continue as a member of the Board of Directors of Faron.

Decisions of General Meetings

On 5 April 2024, Faron announced the decisions of the Annual General Meeting of shareholders of the Company, which were made in accordance with the proposals of the Board of Directors of the Company. The Annual General Meeting resolved (i) on the adoption of the financial statements; (ii) that no dividend for the financial year 2023 will be paid, and the losses of the Company for the financial year, amounting to EUR 30.9 million, will be carried forward to the reserve for invested unrestricted equity; (iii) to discharge the members of the Board of Directors and the CEO of the Company from liability for the financial year 2023; (iv) on the composition and remuneration of the Board of Directors; (v) on the remuneration and election of the auditor; (vi) on the establishment of Shareholder's Nomination Board; (vii) on the authorisation to the Board of Directors to decide on the issuance of shares, options or other special rights entitling to shares. The authorisation consists of up to twenty million (20,000,000) new shares in the aggregate (including shares to be received based on options or other special rights), which corresponds to approximately twenty nine (29) per cent of the shares and votes on the date of the Annual General Meeting notice, as well as the conveyance of up to the same maximum number (twenty million (20,000,000)) of treasury shares in the possession of the Company; (viii) on the authorisation to the Board of Directors to decide on the directed issuance of shares and the purposes of the Offering and the Company's existing bridge financing needs. The authorisation consists of issuance of up to thirty million (30,000,000) new shares in the aggregate, which corresponds to approximately 43.6 per cent of the shares and votes on the date of the Annual General Meeting notice, without consideration to the Company itself or otherwise, as well as the conveyance of treasury shares held by the Company up to the same maximum number (thirty million (30,000,000)).

BOARD OF DIRECTORS, MANAGEMENT, AND AUDITORS

General

The Company is a limited liability company domiciled in Turku, Finland. Pursuant to the provisions of the Finnish Companies Act, the management and governance of the Company are divided between the shareholders, the Board of Directors and the CEO. The Management Team assists the CEO in the daily management of the Company.

The shareholders of the Company exercise their decision-making power at the Company's General Meeting of Shareholders. According to the Articles of Association, the Annual General Meeting of Shareholders of the Company shall be held each year on a date determined by the Board of Directors, within six (6) months of the end of the financial period. The matters to be dealt with in the Annual General Meeting of Shareholders are defined in the Finnish Companies Act and in the Company's Articles of Association. The General Meeting of Shareholders of the Company is convened upon notice given by the Board of Directors. In addition, a General Meeting of Shareholders of the Company must be held when requested in writing by the auditor of the Company or by shareholders representing at least one-tenth of all the shares in the Company in respect of a specific matter.

The address of the members of the Board of Directors, the CEO, and the members of the Management Team, is Joukahaisenkatu 6, FI-20520 Turku, Finland.

Corporate Governance

The Company complies in all its activities with the relevant laws and regulations. The Company's governance is subject to the Company's Articles of Association and the laws of Finland, in particular the Finnish Companies Act, the Finnish Accounting Act (1336/1997, as amended, the "**Finnish Accounting Act**") and other regulations and provisions related to the governance of the Company. Furthermore, the Company's operations are guided by the Company's values and its internal operating principles.

Faron is not required to comply with the UK Corporate Governance Code by virtue of being an AIM and First North quoted company. The Board of Directors does, however, seek to apply the QCA Corporate Governance Code (as devised by the Quoted Companies Alliance in consultation with a number of significant institutional small company investors) in its updated form. After the year end 2020 and the United Kingdom leaving the European Union, the Company has to follow applicable domestic laws of the United Kingdom in addition to Finnish national and European Union legislation.

As a company with shares admitted to trading on AIM and First North, Faron complies with the Market Abuse Regulation (both European Union and United Kingdom domestic laws after year end 2020), the AIM Rules for Companies and the First North Rulebook. However, the Company may in the future assess which marketplaces are appropriate to the Company for the public trading of its Shares.

The Company's Certified Adviser on First North is Sisu Partners Oy. The Nominated Adviser on AIM is Cairn Financial Advisers LLP.

Board of Directors

Pursuant to the Company's Articles of Association, the Board of Directors shall comprise of a minimum of three (3) and a maximum of twelve (12) ordinary members. The Board of Directors appoints the Chair from among its members annually. The term of office of the ordinary members of the Board of Directors shall expire upon the closing of the next Annual General Meeting of Shareholders following their election. Therefore, the term of office of the members of the Board of Directors of the Company as at the date of this Offering Circular will expire at the end of the Annual General Meeting of Shareholders of the Company in 2025.

The Board of Directors is responsible to the shareholders of the Company for the proper management of the Company and meets regularly to set the overall direction and strategy of the Company, to review scientific, operational and financial performance, to review the strategy and activities of the business, and to advise on management appointments. The Board of Directors sees to the administration of the Company and the organisation of its operations, being responsible for the appropriate arrangement of the control of the Company's accounts and finances. All key operational and investment decisions are subject to full approval by the Board of Directors. The management of the Company prepares a monthly management and financial accounts pack of the Group, which is distributed to the Board of Directors every month and in advance of meetings of the Board of Directors. In individual cases the Board of Directors may decide in a matter falling within the general competence of the CEO.

The roles of CEO and the Chair of the Board of Directors are well defined and clearly separated. The Chair of the Board of Directors oversees the work of the Board of Directors, ensures that the decision-making of the Board of Directors is

balanced and that the members of the Board of Directors have all relevant information on matters to be decided. The Chair of the Board of Directors sees to it that the Board of Directors meets when necessary.

As at the date of this Offering Circular, the Company's Board of Directors consists of five (5) members. The members were elected by the Annual General Meeting of Shareholders of the Company on 5 April 2024. At the meeting of the Board of Directors held after the Annual General Meeting of Shareholders of the Company, Tuomo Pätsi was elected Chair of the Board of Directors.

The following table sets forth the members of the Board of Directors of the Company as at the date of this Offering Circular:

	Position	Citizenship	Year of Birth
Tuomo Pätsi	Chair of the Board of Directors	Finland, Switzerland	1964
Markku Jalkanen	Member of the Board of Directors	Finland	1954
John Poulos	Member of the Board of Directors	United States	1954
Marie-Louise Fjällskog	Member of the Board of Directors	United States	1964
Christine Roth	Member of the Board of Directors	United States	1963

Name	Background
Tuomo Pätsi Born 1964, MSc (Pharmacology) **Chair of the Board of Directors since 2024** **Member of the Board of Directors since 2023**	*Rigi Therapeutics AG*, Co-founder, Chairperson (2023–) *Independent advisor* to biopharma companies and investors, (2022–) *Seagen Inc.*, Member of the Executive Committee, Executive Vice President, Commercial International (2020–2022) *Celgene Inc. / Bristol Myers Squibb*, Integration Lead (2019–2020), President Worldwide Markets (2017–2019) *Celgene Inc.*, President European and International Operations (2017–2017), President EMEA (2014–2017), Corporate Vice President, South Europe, Middle East and Africa (2012–2014), General Manager, Regional Vice President North Europe (2007–2010), Head of European Marketing (2006–2007) *Human Genome Sciences Inc.*, Vice President Europe (2010–2012) *Amgen Inc.*, Director, Product Strategy Team Leader (2004–2006) *Amgen Europe GmbH*, European Brand Director (1999–2004) *Amgen AB sivuliike Suomessa*, Country Manager (1995–1999) **Memberships in other Boards of Directors and positions of trust** *Phi Pharma SA*, Member of the Board of Directors, Chair of the Board of Directors (2024–) *Notable Labs Inc.*, Chair of the Board of Directors (2024–), Member of the Board of Directors (2023–) *Psyon Games Oy*, Member of the Board of Directors (2023–) *Aqsens Health Oy*, Member of the Board of Directors (2023–) *Seagen International GmBH*, Member of the Board of Directors (2020–2022) *Interpharma, the association of Switzerland's research-based pharmaceutical industry*, Member of the Board of Directors (2017–2019)

	Mr. Pätsi has also acted as a non-compensated member of the Boards of Directors in several foreign group companies of Seagen and Celgene based on and related to the territorial responsibility of his executive positions in the companies.
Markku Jalkanen Born 1954, PhD, MSc **Member of the Board of Directors since 2006** **CEO 2006–2024**	*Inflames Pharma Oy*, CEO, Member of the Board of Directors (2003–) *Avoin yhtiö Ylläksen H-108*, Partner (1995–2019) **Memberships in other Boards of Directors and positions of trust** *Inveni Fund Oy*, Deputy Member of the Board of Directors (2016–) *Inveni Secondaries Management Oy*, Deputy Member of the Board of Directors (2014–) *Inveni Capital Oy*, Member of the Board of Directors (2014–) *Piedino Financing Oy*, Member of the Board of Directors (2007–)
John Poulos Born 1954, MBA, BS (Marketing) **Member of the Board of Directors since 2017**	*iSTAR Medical, SA*, Business Advisor (2024–) *Nucleome Therapeutics Limited*, Business Advisor (2023–) *Linden Capital Partners LLC*, Operating Partner (2017–2020) *GNK Advisors, Inc.*, President (2016–) *AbbVie, Inc.*, Vice President, Head of Licensing and M&A (2013–2016) *Abbott Laboratories, Inc.*, Group Vice President, Head of Pharmaceutical Licensing, M&A and Assessment, Abbott Pharmaceuticals Products Group (2005–2012) *Abbott Laboratories Inc.*, Divisional Vice President, Global Pharmaceutical Licensing, Acquisitions and New Business Development, Abbott Pharmaceuticals Products Group, (2000–2005) *Abbott Laboratories Inc.*, Senior Director, Global Pharmaceutical Licensing, Acquisitions and New Business Development, Abbott Pharmaceuticals Products Group, (1996–2000) *Abbott Laboratories Inc.*, General Manager, Middle East, Africa and Turkey Region (1991–1996) *Abbott Laboratories Inc.*, Area Finance Director, Japan, Pacific, Asia, Middle East, Turkey and Africa (1987–1991) *Abbott Laboratories Inc.*, Affiliate Finance Director, Middle East and Africa Region (1985–1987) *Abbott Laboratories Inc.*, Manager, Financial Analyst (1983–1985) *Abbott Laboratories Inc.*, Manager, Pricing (1981–1983) *Abbott Laboratories Inc.*, Senior Financial Analyst (1980–1981) *Abbott Laboratories Inc.*, Financial Analyst (1978–1980) **Memberships in other Boards of Directors and positions of trust**

	Memgen, Inc., Member of the Board of Directors (2020–)
Marie-Louise Fjällskog Born 1964, PhD, MD, Associate Professor **Member of the Board of Directors since 2023**	*Faron Pharmaceuticals Ltd.*, Chief Medical Officer (2022–2023) *Sensei Biotherapeutics, Inc.*, Chief Medical Officer (2020–2021) *Merus N.V.*, Vice President Clinical Development (2019–2020) *Infinity Pharmaceuticals, Inc.*, Vice President Clinical Development (2018–2019) **Memberships in other Boards of Directors and positions of trust** *Lytix Biopharma AS*, Member of the Board of Directors (2021–) *Biovica International AB*, Member of the Board of Directors (2020–)
Christine Roth Born 1963, Bachelor of Science (Chemistry) **Member of the Board of Directors since 2023**	*Bayer AG*, Head, Global Product Strategy and Commercialization, Member of the Executive Committee (2024–) *Bayer AG*, Global Head of Oncology, Member of the Executive Committee (2022–2024) *GSK Plc*, Global Oncology TA Head (2017–2022) *Novartis Pharmaceuticals Company*, US General Manager, Breast Cancer (2014–2017) *Novartis Pharmaceuticals Company*, Vice President, Global Disease Leader, Hematology (2014–2017) **Memberships in other Boards of Directors and positions of trust** *Vividion Therapeutics, Inc.*, Member of the Board of Directors (2022–)

Board Committees

The Board of Directors may establish permanent Committees to assist the Board of Directors in the preparation and performance of its tasks and duties, and decide on their size, composition, and duties. In conjunction with being admitted to trading on AIM, the Company established Remuneration, Audit and Nomination Committees of the Board of Directors with formally delegated duties and responsibilities. During 2023 the Board of Directors also made the decision to establish a new Business Development Committee. Committees of the Board of Directors do not, generally speaking, have a formal legal status or independent decision-making powers. The Committees provide support in the preparation of the decision-making. The responsibility for the decisions remains with the Board of Directors even if the matter has been delegated to a committee. The Board of Directors selects the members of the Committees from amongst its members.

Remuneration Committee

The Remuneration Committee has the task of advising on and making recommendations to the Board of Directors in relation to the remuneration paid to the Board of Directors and supervising the development of any other remuneration or reward systems of the Company. As of 8 April 2024, the Remuneration Committee comprises John Poulos as Chair together with Tuomo Pätsi and Christine Roth. During 2023, the Remuneration Committee held three meetings.

Audit Committee

The Audit Committee has the task of supervising and developing the internal audit of the Company and advising and making recommendations to the Board of Directors on related issues. As of 8 April 2024, the Audit Committee comprises Markku Jalkanen as Chair together with Marie-Louise Fjällskog and John Poulos. The Audit Committee meets not less than twice a year. During 2023, the Audit Committee held two meetings.

Nomination Committee

The Nomination Committee has the task, in co-operation with the Board of Directors, of advising on and making recommendations to the Board of Directors on issues relating to the composition and nomination of the Board of Directors. The Nomination Committee considers succession planning for the Board of Directors and other senior executives in the course of its work, bearing in mind the challenges and opportunities facing the Company and the skills and expertise needed on the Board of Directors in the future, and makes recommendations to the Board of Directors concerning formulating plans for succession for the members of the Board of Directors and in particular for the key roles of Chair of the Board of Directors and CEO. As of 8 April 2024, the Nomination Committee comprises Tuomo Pätsi as Chair together with Christine Roth and Markku Jalkanen. During 2023, the Nomination Committee held three meetings.

Business Development Committee

The Business Development Committee has the task of assisting the management of the Company with partnering negotiations on ad hoc basis. The Committee has been informal in its interactions with the management. As of 8 April 2024, the Business Development Committee comprises John Poulos as Chair together with Markku Jalkanen and Juho Jalkanen. The Business Development Committee did not formally convene during 2023.

Shareholder's Nomination Board

On 5 April 2024 the Annual General Meeting of Shareholders of the Company decided to establish a Shareholders' Nomination Board (the "**Nomination Board**") consisting of persons appointed by major shareholders of the Company. The main duty of the Nomination Board is to prepare the proposals on the number, composition, and remuneration of the members of the Board of Directors to the Annual General Meeting of Shareholders and, if needed, to the Extraordinary General Meeting of Shareholders. The Nomination Board has been established until further notice until otherwise decided by the General Meeting of Shareholders.

The Nomination Board consists of three (3) members, including the Chair of the Nomination Board, and the Chair of the Company's Board of Directors as an expert without being an official member. The members of the Nomination Board are elected by a meeting of the Company's five (5) largest shareholders who, on 31 August preceding the next Annual General Meeting of Shareholders, hold the largest number of votes calculated of all shares in the Company. The term of office of the members of the Nomination Board expires annually upon the appointment of the subsequent Nomination Board (to be appointed after the next Annual General Meeting of Shareholders following the appointment or otherwise in accordance with the Charter of the Nomination Board).

The election process, as well as the composition, tasks and activities of the Nomination Board are defined in more detail in the Charter of the Nomination Board.

Scientific Advisory Board

The Company has a Scientific Advisory Board, that comprises world leading immunologists and oncologists as well as industry professionals that have led significant research and development programs to successful commercialisation of products. The members of the Scientific Advisory Board are external advisors and are not part of the administrative, management and supervisory bodies or senior management of the Company. The Scientific Advisory Board provides external scientific opinions of the Company's research, including clinical trials, by reviewing the ongoing R&D activities and making proposals and recommendations especially on scientific topics related to the Company's pipeline. The members also support the Company with their wide network in their area of expertise. The Scientific Advisory Board meets regularly in its own meetings and reports to the Board of Directors.

Chief Executive Officer and Management Team

Chief Executive Officer

Pursuant to the Company's Articles of Association the Company may have a CEO appointed by the Board of Directors. The CEO is responsible for managing, supervising and controlling the business operations of the Company and implementing the strategy of the Board of Directors. The CEO is responsible for the day-to-day executive management of the Company. The CEO, reviewing the operating results regularly to make decisions about the allocation of resources and to assess overall performance, is the chief operating decision-maker in the Company.

The Company announced on 8 April 2024, that Markku Jalkanen had informed the Company of his wish to retire from his position as the CEO in spring 2024. Markku Jalkanen will continue as a member of the Company's Board of Directors. Juho Jalkanen (born 1978) has served as the CEO of the Company since 1 May 2024 and is a member of the Management Team. In accordance with the practices of AIM, Juho Jalkanen may be proposed to be appointed to the Board of Directors at the next Annual General Meeting of the Company.

Management Team

The task of the Management Team of the Company is the overall management of the Company's business. Members of the Management Team of the Company have specific authority in their individual areas of responsibility, and their duty is to develop the Company's operations in line with the targets set by the Board of Directors and the CEO.

The following table sets forth the members of the Company's Management Team as at the date of this Offering Circular:

	Position	Citizenship	Year of Birth
Juho Jalkanen	Chief Executive Officer	Finland	1978
Yrjö Wichmann	Interim Chief Financial Officer	Finland	1958
Birge Berns[1)]	Interim Chief Medical Officer	Germany, United Kingdom	1960
Maija Hollmén[2)]	Chief Scientific Officer	Finland	1979
Vesa Karvonen	General Counsel	Finland	1972

[1)] Birge Berns is working as a consultant part-time.
[2)] Maija Hollmén is working part-time.

Name	Background
Juho Jalkanen Born 1978, PhD, Specialist (vascular surgery), MD, MSc **CEO since 2024**	*Faron Pharmaceuticals Ltd.*, Chief Operating Officer (2022–2024) *Faron Pharmaceuticals Ltd.*, Interim Chief Medical Officer (2021–2022) *Faron Pharmaceuticals Ltd*., Chief Development Officer (2019–2020) *Faron Pharmaceuticals Ltd*., Business Development Director (2017–2019) *Department of Vascular Surgery, Turku University Hospital*, Consultant, Vascular Surgery (2013–2017) *Department of Vascular Surgery, Turku University Hospital*, Resident, Vascular Surgery (2011–2013) *Hospital District of South-West Finland, Regional hospitals of Raisio and Salo, and Turku University Hospital*, Resident, General Surgery (2008–2011) *Municipality of Sodankylä*, General Practitioner (2007–2008) *Innomarket Research Unit, Turku School of Economics*, Analyst (2001–2005) **Memberships in other Boards of Directors and positions of trust** *Faron Pharmaceuticals Ltd*., Member of the Board of Directors (2013–2017)
Yrjö Wichmann Born 1958, MSc (Economics) **Interim Chief Financial Officer since 2024**	*Faron Pharmaceuticals Ltd.*, Senior Vice President, Funding (2023–2024) *Faron Pharmaceuticals Ltd.*, Vice President, Funding and Investor Relations (2019–2023) *Faron Pharmaceuticals Ltd.*, Chief Financial Officer (2014–2019) *IP Finland Oy*, Director (2011–2024) *Biohit Oyj*, Vice President, General Manager, Diagnostics (2010–2011) *CapMan Oyj*, Fundraising Director (2007–2009), Investment Director in the Life Science Team (2003–2007)

	FibroGen Europe Oyj, Chief Financial Officer, Member of the Global Management Team of Fibrogen Inc. Group (2000–2003) *D. Carnegies & Co AB*, Director, Corporate Finance (1996–2000) *Postipankki Oy (Sampo plc)*, Manager, Equity Capital Markets (1993–1995), Credit Analyst (1991–1993) *Motormec Oy*, Managing Director (1990–1991) *Leonardo Fashion Oy*, Economy Director (1983–1990) **Memberships in other Boards of Directors and positions of trust** *Nordic Science Investment Oy*, Member of the Board of Directors (2024–) *Faron Pharmaceuticals Oy*, Member of the Board of Directors (2015–2019) *Dasos Timberland Fund II*, Member of Investment Committee (2013–) *Dasos Timberland Fund I*, Member of Investment Committee (2010–) *Bioretec Oy*, Member of the Board of Directors (2011–2017) *Helsinki University*, Member of the Innovation and Corporate Board (2012–2016) *Arberet Orthopedic Oy*, Chair of the Board of Directors (2012–2014) *ChipMan Technologies Oy*, Chair of the Board of Directors (2011–2014) *Inion Oy*, Deputy Member of the Board of Directors (2003–2004) *Bluegiga Oy*, Chair of the Board of Directors, Member of the Board of Directors (2000–2005) *Intermodal Oy*, Deputy Member of the Board of Directors (1991–2005)
Birge Berns Born 1960, Fellow of the Faculty of Pharmaceutical Medicine, MSc (Oncology), MSc (Pharmaceutical Medicine), Diploma in Pharmaceutical Medicine. Member of the Royal College of Physicians, MD, MB.BS. (Medizinisches Staatsexamen) **Interim Chief Medical Officer since 2023**	*tranScript group Ltd.*, Vice President, Head of Clinical Development & Regulatory Strategy (2020–) *Janssen Cilag Ltd*, Senior Director, Global Regulatory Affairs (2010–2020) *Janssen Cilag Ltd*, Senior Director, Global Clinical Development (2005–2010)
Maija Hollmén Born 1979, Title of Docent in Tumor Immunology, PhD, MSc **Chief Scientific Officer since 2022**	*University of Turku*, Principal Investigator (2018–2027) **Memberships in other Boards of Directors and positions of trust** *Thestra Oy*, Member of the Scientific Advisory Board (2023–) *Inflames Pharma Oy*, Member of the Board of Directors (2022–)

	Sirpa ja Markku Jalkasen säätiö, Member of the Board of Directors (2021–)
Vesa Karvonen Born 1972, Master of Laws **General Counsel since 2022**	*Deloitte Oy*, Director (2019–2022) *Owens Corning Finland Oy*, Legal Director (2018–2019) *Paroc Group Oy*, General Counsel (2002–2018) **Memberships in other Boards of Directors and positions of trust** *Pacta sunt servanda Oy*, Member of the Board of Directors (2006–)

Information on the Members of the Board of Directors and the Management Team and the CEO

As at the date of this Offering Circular, none of the members of the Board of Directors, the CEO or the members of the Management Team have in the previous five years:

- been convicted in relation to fraudulent offences or violations;
- held a managerial position, been in the executive management, been a member of the administrative, management or supervisory bodies of any company, or acted as a general partner in a limited partnership at the time of its bankruptcy, receivership, or liquidation (excluding voluntary liquidation proceedings with a purpose of dissolving the company); or
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conducting the affairs of any company.

Conflicts of Interest

Provisions regarding conflicts of interest of the members of the Board of Directors are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the Board of Directors may not participate in the handling of a contract between himself or herself and the Company. In addition, pursuant to the second sentence of Chapter 6, Section 4 of the Finnish Companies Act, a member of the Board of Directors may not participate in handling a contract between the Company and a third party, if he or she may thereby receive a material benefit, which may be in conflict with the interests of the Company. The aforementioned provisions on contracts shall correspondingly apply to other transactions and court proceedings. Chapter 6, Section 4 of the Finnish Companies Act also applies to the Chief Executive Officer.

To the knowledge of the Company, except for their legal and/or beneficial interest in the shares of the Company and the issuance of Free Shares to certain members of the Board of Directors (Markku Jalkanen and Tuomo Pätsi) as a result of the Offering, the members of the Board of Directors, the CEO or the members of the Management Team do not have any conflicts of interests between their duties towards the Company and their private interests and/or their other duties.

Juho Jalkanen, the CEO of the Company, and Maija Hollmén, Chief Scientific Officer of the Company, are siblings, and Markku Jalkanen, member of the Board of Directors of the Company, is their father. Other than stated herein, there are no family relationships between the members of the Board of Directors, the CEO, and the members of the Management Team.

According to the Board of Directors' independence assessment, all directors except Markku Jalkanen are independent of the Company.

Auditors

Pursuant to the Company's Articles of Association, the Company shall have one (1) auditor, who shall be an auditing entity approved by the Finnish Patent and Registration Office. The term of office of the auditor of the Company shall expire upon the closing of the next Annual General Meeting of Shareholders following the election of the auditor. The Company has appointed PricewaterhouseCoopers Oy, Authorised Public Accountants, as its auditor for the financial period from 1 January to 31 December 2024. PricewaterhouseCoopers Oy has appointed Panu Vänskä, Authorised Public

Accountant, as the auditor with the principal responsibility. PricewaterhouseCoopers Oy and Panu Vänskä are registered in the register of auditors referred to in Chapter 6, Section 9 of the Finnish Auditing Act (1141/2015, as amended).

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

The following table presents the ten largest shareholders of the Company based on the shareholders' register maintained by Euroclear Finland as at 30 April 2024 and information otherwise obtained by the Company.

Shareholder	Number of Shares	Per cent of shares and votes
Timo Syrjälä[1), 2)]	13,432,335	18.65%
Tom-Erik Lind[2)]	3,644,078	5.06%
A&B (HK) Company Limited	3,408,409	4.73%
Markku Jalkanen[2), 3)]	3,380,100	4.69%
The European Investment Council Fund, EIC[2)]	3,113,770	4.32%
Marko Salmi	2,645,079	3.67%
Varma Mutual Pension Insurance Company	2,575,482	3.58%
Fjärde AP Fonden	2,501,769	3.47%
Hargreaves Landsdown	1,619,110	2.25%
OP Finland Fund	1,322,797	1.84%
Ten largest, total	**37,642,929**	**52.28%**
Nominee-registered shareholders[4)]	**13,550,019**	**18.81%**
Total Shares in the Company	**72,007,497**	**100.0%**

[1)] Timo Syrjälä's total holding in the Company's shares, which includes indirect holding through Acme Investments SPF S.à.r.l., an entity which is wholly owned by Timo Syrjälä. In accordance with the AIM Rules, Timo Syrjälä is considered a substantial shareholder due to his total shareholding in the Company for which transactions concluded with him are related party transaction that must be disclosed in accordance with the AIM Rules.

[2)] The shareholder participated in the Company's private placement announced on 4 April 2024 for which the shareholder has the right to receive shares primarily through a free issue as compensation for the difference between the subscription price of EUR 1.50 of the directed share issue and the subscription price in the Offering, see "*Shares and Share Capital – Free Shares relating to the Directed Share Issue*".

[2)] Held by Markku Jalkanen and his spouse.

[3)] Excluding those nominee-registered shareholders who are disclosed among the ten largest shareholders

To the extent known to the Company, the Company is not, directly or indirectly, owned or controlled by any one entity.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the issuer.

All shares in the Company carry equal voting rights and none of the Company's shareholders have any voting rights that are different from those of the other shareholders in the Company.

Related Party Transactions

Related parties of Faron Pharmaceuticals Group consist of the Company's subsidiaries, members of the Board of Directors, the CEO and the Management Team as well as their close family members, and entities controlled or jointly controlled by these persons.

The following table sets forth Faron's subsidiaries:

	Country	Group holding %	Group voting %
Companies owned by the parent company			
Faron Europe GmbH	Switzerland	100	100
Faron USA LLC	USA	100	100

The Company's key management personnel consist of the members of the Board of Directors and Management Team, including the CEO.

The following table sets forth compensation of the Company's key management personnel for the financial years indicated:

In EUR thousand	1 January to 31 December	
	2023	2022
Compensation of key management personnel		
Salaries and other short-term employee benefits	2,929	2,374
Post-employment benefits	134	260
Share-based payments	1,409	801
Total	**4,472**	**3,435**

The Management Team has also been awarded 211,000 options during 2023 (2022: 230,000 options). At the end of 2023, the number of outstanding options and shares granted to the Management Team amounted to 888,270 options (at the end of 2022: 1,003,936 options). As for the Management Team, the option amounts here include the options held by the Company's CEO at the time and member of the Board of Directors Markku Jalkanen. The members of the Board of Directors, excluding the CEO at the time and member of the Board of Directors Markku Jalkanen, were awarded 220,000 options during 2023, (2022: 120,000 options). At the end of 2023, the number of outstanding options and shares granted to the members of the Board of Directors, excluding the CEO at the time and member of the Board of Directors Markku Jalkanen, amounted to 800,000 options (at the end of 2022: 770,000 options).

Dr. Birge Berns has served as the Company's Interim Chief Medical Officer and as part of the Company's Management Team since September 2023. A total of approximately EUR 140,000 was paid to a separate professional services entity for her services during the financial year 2023, and payments under the contract will continue also in 2024.

Transactions with related parties have been carried out on an arm's length basis.

The following table sets forth Management and Board Shareholding on the date of this on this Offering Circular:

Management shareholding[1)]	**3 June 2024**
Number of shares	2,142,156
Shareholding, percentage	2.97%

Board shareholding[2), 3)]	**3 June 2024**
Number of shares	3,415,198
Shareholding, percentage	4.74%
Total number of shares outstanding at 3 June 2024	**72,007,497**

[1)] Presented information for the Management also includes the related parties of the Company's Management.
[2)] Presented information for the Board also includes the related parties of the Company's Board.
[3)] The members of the Board of Directors Tuomo Pätsi and Markku Jalkanen participated in the Company's private placement announced on 4 April 2024 for which the shareholder has the right to receive shares primarily through a free issue as a compensation for the difference between the subscription price of the directed share issue of EUR 1.50 and the Subscription Price in the Offering, see "*Shares and Share Capital – Free Shares relating to the Directed Share Issue*".

Except as set out above, there have been no other significant related party transactions, not material changes in the Company's related party transactions between 31 December 2023 and the date of this Offering Circular, other than the management changes described in the section "*Summary of Information Disclosed – Changes in Faron's Management*".

SHARES AND SHARE CAPITAL

General Information

The registered business name of the Company is Faron Pharmaceuticals Oy in Finnish and Faron Pharmaceuticals Ltd in English, and it is domiciled in Turku, Finland. The registered office is located at Joukahaisenkatu 6, FI-20520 Turku, Finland, its telephone number is +358 24695151, and its website address www.faron.com. The Company is a Finnish limited liability company incorporated in and subject to the laws of Finland and, with regard to the admission to trading on AIM, the applicable laws of the United Kingdom. The Company is registered in the Trade Register under business identity code 2068285-4, its LEI is 7437009H31TO1DC0EB42 and its accounting period is the calendar year.

The Company was registered with the Trade Register on 24 October 2006.

According to Article 2 of the Company's Articles of Association, the line of business of the Company is to produce products as well as consulting and research services related to the biotechnology sector and to make commercial use of them, product development in the biotechnology sector, and marketing, export and domestic trade as well as professional services and training related to the sector. The Company may also own and acquire shares and other securities as well as properties.

Shares and Share Capital

As at the date of this Offering Circular, the Company's registered share capital amounts to EUR 2,691,292.50 and the total number of shares in the Company is 72,007,497. The shares in the Company have no nominal value, they are denominated in euro and all shares issued have been paid in full and issued in accordance with Finnish laws. The Company has one series of shares with ISIN code FI4000153309. All shares carry one vote and have equal voting rights at the General Meetings of Shareholders, and all shares provide equal rights to dividend. There are no voting or transferability restrictions related to the Company's shares.

The Company's shares are admitted to trading on AIM and First North. However, the Company may in the future assess which marketplaces are appropriate to the Company for the public trading of its Shares. The trading code of the shares in the Company is "FARON" on First North and "FARN" on AIM. The Company's shares were entered in the book-entry securities system of Euroclear Finland on 17 June 2015.

Trading and settlement on AIM is facilitated through DIs with each DI representing one Share of the Company. The DIs may be traded in uncertificated form through the computerised settlement system to facilitate the transfer of title of shares in uncertificated form operated by Euroclear UK & International Limited ("**CREST**"), a United Kingdom based computerised share transfer and settlement system. The DIs are issued by Computershare Investor Services PLC, which holds one Share of the Company for each DI issued. The shares are held on a nominee account by a custodian bank on behalf of Computershare. As Finnish residents are not allowed to hold shares of a Finnish company on a nominee account, they are not allowed to hold the Company's DIs. Thus, Finnish residents who wish to sell the Company's Shares on AIM must first convert their shares held on their Finnish book-entry account into DIs through the custodian chain. When buying the Company's Shares they must convert the acquired DIs back into shares held on a Finnish book-entry account.

The total number of options issued, warrants issued and warrants available for issue by the Company on the date of this Offering Circular was 6,454,760. Further information on options, warrants and their terms is set out in the section "– *Options and Warrants"* below. In addition, in connection with the Offering, the Company's Capital loans will be converted into 3,714,592 Shares. Further information on the terms and conditions of the Capital loans is presented in the section "*Business of the Company – Material agreements – Financial arrangements – Capital loans*".

As at the date of this Offering Circular, the Company does not hold its own shares in treasury.

Options and Warrants

Option Plans

At the date of this Offering Circular, the Company has two active option plans (the "**Option Plans**"), initially established in 2015 (the "**Option Plan 2015**") and 2019 (the "**Option Plan 2019**"), respectively. The Option Plans have been amended since their initial establishment, and certain key terms of the Option Plans, as currently in force, relating to, among others, the administration of the Option Plans, certain change of control events, and exercise of options granted under the Option Plans, are set out in the below summaries. The summaries further include certain key figures relating to the Option Plans, including the number of outstanding and exercisable options under each of the Option Plans.

Option Plan 2015

The Option Plan 2015 was initially approved at the Company's Extraordinary General Meeting held on 15 September 2015. The terms and conditions of Option Plan 2015 have later been amended at the Company's Annual General Meetings held on 16 May 2017, 18 May 2020 and 23 April 2021 and at the Company's Extraordinary General Meeting held on 22 September 2023.

The options granted under Option Plan 2015 are granted to the members of the Board of Directors, the management team and other management and employees against no consideration. At the time of establishment of the Option Plan 2015, the maximum number of options that could be granted under the Option Plan 2015 was 1,800,000 in four different tranches (the "**A Options**", "**B Options**", "**C Options**" and "**D Options**", respectively).

Due to an increase in the number of Group employees and members of the Board of Directors, the Company's Annual General Meeting held on 16 May 2017 resolved to amend the Option Plan 2015 so that a maximum of 500,000 C Options and a maximum of 500,000 D Options may be offered under the Option Plan 2015. The Company's Annual General Meeting held on 18 May 2020 resolved to amend the Option Plan 2015 so that the options may be transferred or pledged after the conditions for share subscription have been fulfilled. The Company's Annual General Meeting held on 23 April 2021 resolved to amend the Option Plan 2015 so that the subscription period for shares based on the options was extended by two (2) years until 30 September 2023. The Company's Extraordinary General Meeting held on 22 September 2023 resolved to amend the terms and conditions of the Option Plan 2015 so that the subscription period for shares based on the options is further extended by two (2) years until 30 September 2025.

The Option Plan 2015 is administered by the Board of Directors, which may decide on the distribution of the options in accordance with the Option Plan 2015, resolve all questions related to the options or share subscriptions for which no provisions exist in the Option Plan 2015 and otherwise manage the Option Plan 2015.

The options have a service condition, and should the option holder's employment with, or service to, the Company terminate, the option holder must offer any options, for which the period for share subscription has not yet begun, to the Company or its assignee, unless the Board of Directors in its sole discretion decides otherwise. After the commencement of the share subscription period, any vested options may be freely transferred or exercised. Grant dates for the options may vary depending on the date when the Company and the option holders agree to the key terms and conditions of the Option Plan 2015. Each option entitles its holder to subscribe for one share of the Company.

Certain corporate events, such as events leading to a change of control or relating to a restructuring of the Company, may have an impact on options granted under the Option Plan 2015. If a binding offer is made to purchase all shares issued by the Company, the option holders are given the opportunity to exercise all their options or, should the Board of Directors of the Company so decide, exchange their options to option rights issued by another company before the expiration of the purchase offer as decided by the Board of Directors. In a merger or demerger of the Company, an option holder has the right to exercise their options within a reasonable period before the merger or demerger as specified by the Board of Directors. In case of redemption of shares owned by minority shareholders as set out in Chapter 18 of the Finnish Companies Act, an option holder has the right to demand redemption of their options and a person entitled to redeem the shares of minority shareholders has the right to redeem options at the redemption price. The provisions of Chapter 18 of the Finnish Companies Act are applied when determining the redemption price, redemption procedures, solving of disputes regarding the redemption price and execution of the redemption. In the event of a distribution of the Company's assets as set out in Chapter 13 of the Finnish Companies Act, options granted under the Option Plan 2015 are not taken into consideration and do not entitle to participate in such distribution. Such distribution further does not affect an option holder's right to exercise their options in accordance with the Option Plan 2015.

The exercise price for shares based on A Options is euro equivalent to the Company's share subscription price in the Company's initial public offering on AIM on 17 November 2015. The exercise price for shares based on B Options, C Options and D Options is euro equivalent to the exercise price determined based on the Company's average share price on AIM during the period 1 July to 30 September 2016, 1 July to 30 September 2017 and 1 July to 30 September 2018, as applicable.

The subscription price and the share amount to be subscribed for based on an option granted under the Option Plan 2015 are adjusted if the Company increases the number of shares in the Company through a free share issue to all shareholders before the end of the subscription period of the shares.

Key figures of Option Plan 2015 are summarised in the table below.

Key figures	**Option Plan 2015**			
	A Options	**B Options**	**C Options**	**D Options**
Maximum number of options	400,000	400,000	500,000	500,000
Number of outstanding options, 31 December 2023	385,000	338,400	500,000	170,000
Number of exercisable options, 31 December 2023	385,000	338,400	500,000	170,000
Exercise price, EUR	3.71	2.90	8.39	1.09
Dividend adjustment	No	No	No	No
Grant date	16 September 2015	18 November 2016	16 November 2017	21 May 2019
Beginning of subscription period	2 November 2015	8 October 2016	8 October 2017	8 October 2018
End of subscription period	30 September 2025[1)]	30 September 2025[1)]	30 September 2025[1)]	30 September 2025[1)]
Vesting conditions	Service until the beginning of the subscription period			

[1)] The Extraordinary General Meeting, held on 22 September 2023, resolved to amend the terms and conditions of the Option Plan 2015 so that the subscription period for shares based on the options is extended by two (2) years, i.e., until 30 September 2025.

Option Plan 2019

The Option Plan 2019 was initially approved at the meeting of the Company's Board of Directors on 20 November 2019 following the relevant authorisation by the Company's Annual General Meeting held on 28 May 2019. The terms and conditions of Option Plan 2019 have later been amended at the Company's Annual General Meetings held on 18 May 2020 and on 24 March 2023.

The options granted under Option Plan 2019 are granted to the members of the Board of Directors, the management and employees and to any person who provides services to the Company against no consideration. At the time of establishment of the Option Plan 2019, the maximum number of options that could be granted under the Option Plan 2019 was 2,000,000.

The Annual General Meeting held on 18 May 2020 resolved to amend the Option Plan 2019 so that the options may be transferred or pledged after the conditions for share subscription have been fulfilled. The Annual General Meeting held on 24 March 2023 resolved to amend the terms and conditions of the Option Plan 2019 so that a maximum total of 4,350,000 options may be granted under Option Plan 2019.

The Option Plan 2019 is administered by the Board of Directors, which may decide on the distribution of the options in accordance with the Option Plan 2019, interpret its terms and conditions and otherwise manage the Option Plan 2019.

The options have a service condition, and should the option holder's employment with, or service to, the Company terminate (other than due to the option holder's death, injury or ill health), the option holder is, unless the Board of Directors in its sole discretion decides otherwise, not allowed to exercise their options and may, without compensation, forfeit all options. After the beginning of the share subscription period, any vested options may be freely transferred or exercised. A specific option holder (CEO, CFO, Chair or a member of the Board and non-employee person) may receive only a certain maximum number of options. Each share option entitles its holder to subscribe for one share of the Company.

Certain corporate events, such as events leading to a change of control or relating to a restructuring of the Company, may have an impact on options granted under the Option Plan 2019. If an offer to acquire (i) the whole of the issued share capital of the Company, which is made on a condition such that, if it is satisfied, the acquirer will have control of the Company, or (ii) all shares in the capital of the Company is made, the Board of Directors may allow option holders to exercise all their options prior to the change of control. In any case, option holders have the right to exercise their options within 90 days of the change of control. In a merger or demerger of the Company, an option holder has the right to exercise options specified by the Board of Directors within a reasonable period, as set by the Board of Directors, before the merger or demerger. In case of redemption of shares owned by minority shareholders as set out in Chapter 18 of the Finnish Companies Act, an option holder has the right to demand redemption of their options and a person entitled to redeem the shares of minority shareholders has the right to redeem options at the redemption price. The provisions of Chapter 18 of the Finnish Companies Act are applied when determining the redemption price, redemption procedures, solving of disputes regarding the redemption price and execution of the redemption. In the event that the Company's Board of Directors decides to propose to the shareholders' meeting of the Company that the Company be placed in liquidation, option holders may exercise their options in full at any time before such resolution is passed. In the event of a distribution of the Company's assets as set out in Chapter 13 of the Finnish Companies Act, options granted under the

Option Plan 2019 are not taken into consideration and do not entitle to participate in such distribution. Such distribution further does not affect an option holder's right to exercise their options in accordance with the Option Plan 2019.

The exercise price for shares based on options granted under the Option Plan 2019 is euro equivalent of the average share price on AIM for the past 90 or 30 days prior to the grant date. For the GBP to EUR price conversion, the exchange rate of the European Central Bank on the grant date is used.

The Company's Board of Directors may, in a manner that the Board of Directors considers to be fair and reasonable, adjust the number of options or the exercise price in case of any variation of the Company's share capital that affects or may affect the value of the options granted under the Option Plan 2019. The total amount payable on exercise of any options granted under the Option Plan 2019 is not increased following such adjustment.

Key figures of the Option Plan 2019 are listed in the table below.

Key figures	**Option Plan 2019**
Maximum number of options	4,350,000
Number of outstanding options, 31 December 2023	2,613,666
Number of exercisable options, 31 December 2023	904,040
Exercise price, EUR	2.09–4.47 (2.38–4.04 under US plan)
Dividend adjustment	No
First grant date	23 July 2020
Last grant date	9 November 2023
Beginning of first subscription period	23 July 2021
End of last subscription period	9 November 2028
Vesting conditions	Service until the beginning of each subscription period

Warrants

As was announced on 28 February 2022, as part of the Warrantholder Agreement relating to the Facilities Agreement, the Company originally issued to IPF (the "**Warrantholder**") a total of 319,944 pieces of 2022 Warrants of the maximum total amount of 600,000 pieces of 2022 Warrants that may be granted to the Warrantholder in respect of Tranche A under the terms of the Warrantholder Agreement (the unissued difference of 280,056 pieces of 2022 Warrants being referred to as the "**2022 Remaining Warrants**") against no consideration. At the date of the Offering Circular, the Strike Price of the 2022 Warrants is EUR 1.50 (for a description of the Facilities Agreement as well as certain pricing-related terms and conditions relating to the 2022 Warrants, see section "*Business of the Company – Material Agreements – Funding arrangements – Loans and Warrant agreements with IPF*")*.*

The number of shares in the Company may be increased by a maximum of 319,944 shares as a result of the exercise of the 2022 Warrants issued to the Warrantholder, and should the 2022 Remaining Warrants be issued to the Warrantholder, may further be increased by 280,056 shares (totalling a maximum increase of 600,000 shares) as a result of the exercise of the 2022 Remaining Warrants. Each of the 2022 Warrants entitles its holder to subscribe for one new share in the Company and is exercisable for a period of seven years calculated from 25 March 2022.

Certain corporate events, such as events relating to a restructuring of the Company, may have an impact on the 2022 Warrants as set out in the Warrantholder Agreement. In a merger or demerger of the Company, the Warrantholder will receive corresponding 2022 Warrants in the new or surviving entity, as applicable, with similar terms and same economic benefit. In the event that the Company's Board of Directors decides to propose to the shareholders' meeting of the Company that the Company be placed in liquidation, the Warrantholder may elect to be treated as if they had exercised their 2022 Warrants or a portion thereof immediately before the date of the liquidation resolution. Should the Company decide to acquire or redeem its own shares or other securities entitling to shares in accordance with the pre-emptive rights, the Warrantholder has the right to subscribe for shares prior to such acquisition or redemption. Such Warrantholder further has the right to have a corresponding portion of the shares subscribed by the Warrantholder acquired or redeemed. Further, if the Company issues any shares or any securities or other instruments convertible, exchangeable or redeemable into shares (other than any excluded issuance) at an issuance price which is below the 2022 Strike Price, the Company shall adjust the 2022 Strike Price in respect of each 2022 Warrant held by the Warrantholder by amending the 2022 Strike Price to a price equal to the price per new share issued in connection with such adjustment event. Taking into account the adjustment mechanism for the 2022 Warrants described above, upon completion of the Offering, the 2022 Strike Price will be adjusted so that it corresponds to the per share subscription price of the shares issued in the said Offering, i.e. upon completion of the Offering at the Subscription Price of EUR 1.00 per Share, the adjusted 2022 Strike Price will be correspondingly EUR 1.00. Pursuant to the terms of the Warrantholder Agreement entered into between the Company and the Warrantholder, the 2022 Strike Price and the number of the shares to be subscribed on the basis of the 2022 Warrants may, upon and subject to agreed adjustment events, be amended in accordance with the following formula: 2022

Strike Price x (outstanding number of shares previously issued + number of shares issuable for the amount raised at the 2022 Strike Price) ÷ (outstanding number of shares previously issued + number of shares at the issuance price).

Pursuant to the Waiver regarding certain events of default under the Facilities Agreement, the Company has further agreed to grant a maximum total amount of 1,500,000 pieces of 2024 Warrants 1 to the Warrantholder, entitling it to subscribe for new shares in the Company at the 2024 Strike Price 1 as set out in the Warrantholder Agreement (for a description of the Facilities Agreement as well as certain pricing-related terms and conditions relating to the 2024 Warrants 1, see section "*Business of the Company – Material Agreements – Funding arrangements –Loans and Warrant agreements with IPF*").

The Company has on 27 March and 3 April 2024 issued a total of 667,066 pieces of 2024 Warrants 1 to the Warrantholder, and the Board of Directors has, having received the needed authorisation by the Company's Annual General Meeting held on 5 April 2024, approved the terms and conditions of the remaining 832,934 pieces of 2024 Warrants 1 that may be issued to the Warrantholder in accordance with the Warrantholder Agreement.

Each of the 2024 Warrants 1 entitles its holder to subscribe for one new share in the Company. The number of shares in the Company may be increased by a maximum of 667,066 shares as a result of the exercise of the 2024 Warrants 1 issued to the Warrantholder, and, should the remaining 2024 Warrants 1 be issued to the Warrantholder in accordance with the Warrantholder Agreement, may further be increased by 832,934 shares (totalling a maximum increase of 1,500,000 shares) as a result of the exercise of the remaining 2024 Warrants 1. The 2024 Warrants 1 may be exercised for a period of seven years calculated from 27 March 2024.

Certain corporate events, such as events relating to a restructuring of the Company, may have an impact on the 2024 Warrants 1 as set out in the Warrantholder Agreement. In a merger or demerger of the Company, the Warrantholder will receive corresponding 2024 Warrants 1 in the new or surviving entity, as applicable, with similar terms and same economic benefit. In the event that the Company's Board of Directors decides to propose to a General Meeting of the Company that the Company be placed in liquidation, the Warrantholder may elect to be treated as if they had exercised their 2024 Warrants 1 or a portion thereof immediately before the date of the liquidation resolution. Should the Company decide to acquire or redeem its own shares or other securities entitling to shares in accordance with the pre-emptive rights, the Warrantholder has the right to subscribe for shares prior to such acquisition or redemption. Such Warrantholder further has the right to have a corresponding portion of the shares subscribed by the Warrantholder acquired or redeemed. Further, if the Company issues any shares or securities or other instruments convertible into, exchangeable for or redeemable for shares (other than any excluded issuance) at an issuance price below the 2024 Strike Price 1, the Company shall adjust the 2024 Strike Price 1 in respect of each 2024 Warrant 1 held by the Warrantholder by amending the 2024 Strike Price 1 to a price equal to the price per new share issued in connection with such adjustment event. Taking into account the adjustment mechanism for the 2024 Warrants 1 described above, upon completion of the Offering, the 2024 Strike Price 1 will be adjusted so that it corresponds to the per share subscription price of the shares issued in the said Offering, i.e. upon completion of the Offering at the Subscription Price of EUR 1.00 per Share, the adjusted 2024 Strike Price 1 will be correspondingly EUR 1.00.

Pursuant to the terms of the Warrantholder Agreement entered into between the Company and the Warrantholder, the number of 2024 Warrants 1 to be issued to the Warrantholder may, upon and subject to agreed adjustment events, be further increased so that the total number of new shares in the Company as a result of the exercise of the 2024 Warrants 1 multiplied by the adjusted 2024 Strike Price 1 is equal to EUR 1,000,000 (less any amounts already paid). Taking into account the adjustment mechanism for the 2024 Warrants 1 described above, upon completion of the Offering at the Subscription Price of EUR 1.00 per Share, the number of 2024 Warrants 1 will be increased by a total of 332,934 new warrants.

In addition, as a result of the extension of the Waiver, the Company agreed to grant a maximum total amount of 750,000 pieces of 2024 Warrants 2 to the Warrantholder, entitling it to subscribe for new shares in the Company at the 2024 Strike Price 2 as set out in the Warrantholder Agreement (for a description of the Facilities Agreement as well as certain pricing related terms and conditions relating to the 2024 Warrants 2, see section "*Business of the Company – Material Agreements – Funding arrangements –Loans and Warrant agreements with IPF*"). On 17 May 2024, the Company issued to the Warrantholder a total of 333,333 2024 Warrants 2.

Each of the 2024 Warrants 2 entitles its holder to subscribe for one new share in the Company. The number of shares in the Company may be increased by a maximum of 333,333 shares as a result of the exercise of the 2024 Warrants 2 issued to the Warrantholder, and, should the remaining 2024 Warrants 2 be issued to the Warrantholder in accordance with the Warrantholder Agreement, may be further increased by 416,667 shares (totalling a maximum increase of 750,000 shares) as a result of the exercise of the remaining 2024 Warrants 2. The 2024 Warrants 2 may be exercised for a period of seven years calculated from 17 May 2024.

Certain corporate events, such as events relating to a restructuring of the Company, may have an impact on the 2024 Warrants 2 as set out in the Warrantholder Agreement. In a merger or demerger of the Company, the Warrantholder will receive corresponding 2024 Warrants 2 in the new or surviving entity, as applicable, with similar terms and same

economic benefit. In the event that the Company's Board of Directors decides to propose to a General Meeting of the Company that the Company be placed in liquidation, the Warrantholder may elect to be treated as if they had exercised their 2024 Warrants 2 or a portion thereof immediately before the date of the liquidation resolution. Should the Company decide to acquire or redeem its own shares or other securities entitling to shares in accordance with pre-emptive rights, the Warrantholder has the right to subscribe for shares prior to such acquisition or redemption. Such Warrantholder further has the right to have a corresponding portion of the shares subscribed by the Warrantholder acquired or redeemed. Further, if the Company issues any shares or securities or other instruments convertible into, exchangeable for or redeemable for shares (other than any excluded issuance) at an issuance price below the 2024 Strike Price 2, the Company shall adjust the 2024 Exercise Price 2 in respect of each 2024 Warrant 2 held by a Warrantholder by amending the 2024 Strike Price 2 to a price equal to the price per new share issued in connection with such adjustment event. Taking into account the adjustment mechanism for the 2024 Warrants 2 described above, upon completion of the Offering, the 2024 Strike Price 2 will be adjusted so that it corresponds to the per share subscription price of the shares issued in the said Offering, i.e. upon completion of the Offering at the Subscription Price of EUR 1.00 per Share, the adjusted 2024 Strike Price 2 will be correspondingly EUR 1.00.

Pursuant to the terms of the Warrantholder Agreement entered into between the Company and the Warrantholder, the number of 2024 Warrants 2 to be issued to the Warrantholder may, upon and subject to the agreed adjustment events, be further increased so that the total number of new shares in the Company as a result of the exercise of the 2024 Warrants 2 multiplied by the adjusted 2024 Exercise Price 2 is equal to EUR 500,000 (less any amounts already paid). Taking into account the adjustment mechanism for the 2024 Warrants 2 described above, upon completion of the Offering at the Subscription Price of EUR 1.00 per Share, the number of 2024 Warrants 2 will be increased by a total of 166,667 new warrants.

Key figures of the Warrants are listed in the table below.

Warrantholder	Maximum number of Warrants	Number of Warrants issued	Date of issuance	Valid until	Date of subscription	Strike Price, EUR
IPF Fund II SCA, SICAV-FIAR	600,000	319,944	28 February 2022	25 March 2029	28 February 2022	1.50
IPF Fund II SCA, SICAV-FIAR	1,500,000	613,496	27 March 2024	27 March 2031	27 March 2024	1.50
		53,570	3 April 2024	3 April 2031	3 April 2024	1.50
IPF Fund II SCA, SICAV-FIAR	750,000	333,333	17 May 2024	17 May 2031	20 May 2024	1.50

Free Shares relating to the Directed Share Issue

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 intends to resolve on the issuance of Free Shares within the scope of the authorisation granted by the Annual General Meeting on 5 April 2024 as soon as practicable in connection with or after the completion of the Offering, estimated during June 2024. See "*Business of the Company – Material Agreements – Funding arrangements – Capital loans*".

Current Authorisations

Authorisation regarding the Offering

On 5 April 2024, the annual general meeting of shareholders of the Company authorised the Board of Directors of the Company to resolve on a directed share issue pursuant to, or in deviation from, the shareholders' pre-emptive rights, by one or several decisions. The shares to be issued under the authorisation are new shares or treasury shares held by the Company.

The authorisation consists of up to of 30,000,000 new shares in the aggregate, as well as the conveyance of up to the same maximum number of 30,000,000 of treasury shares held by the Company. The Board of Directors is authorised to issue shares without consideration to the Company itself or otherwise, as well as to further convey treasury shares held by the Company. The Board is authorised to resolve on all other terms and conditions of the issuance of shares.

The authorisation may be used, *inter alia* to repay short-term financing obligations of the Company, to strengthen the balance sheet as well as the capital structure of the Company and to continue financing the Company's operations for the year 2024 as set out below.

The authorisation is effective until the close of the next Annual General Meeting of Shareholders to be held in 2025 and can only be used for the purposes of the Offering and the Company's existing bridge financing needs (i.e. converting the Company's Capital Loans and issuing Free Shares). The authorisation does not cancel the remaining authorisation given to the Board of Directors by the Annual General Meeting on 24 March 2023 to resolve on issuances of shares, option rights or other special rights entitling to shares, nor the other authorisation granted to the Board of Directors by the same annual general meeting of the Company described below under Section "*–Authorisation regarding issuance of shares as well as the issuance of options and other rights entitling to shares granted to the Board of Directors by the annual general meeting of the Company held on 5 April 2024*".

Authorisation regarding issuance of shares as well as the issuance of options and other rights entitling to shares granted to the Board of Directors by the annual general meeting of the Company held on 5 April 2024

On 5 April 2024, the annual general meeting of shareholders of the Company authorised the Board of Directors of the Company to resolve with one or more decisions, pursuant to, or in deviation from, the shareholders' pre-emptive rights on issuances of shares, option rights or other special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act, which authorisation contains the right to issue new shares or dispose of the Company's treasury shares held by the Company.The authorisation consists of up to 20,000,000 new shares in the aggregate (including shares to be received based on option rights or other special rights), as well as the conveyance of up to the same maximum number 20,000,000 of treasury shares held by the Company.

The authorisation may be used for material arrangements from the Company's point of view, such as financing (including, without limitation, issuance of 2024 Warrants 1 under the Facilities Agreement with IPF Partners announced on 28 February 2022) or implementing business arrangements, investments or for other such purposes determined by the Board of Directors in which case a weighty financial reason for issuing shares, option rights or other special rights entitling to shares, and possibly deviating from the shareholders' pre-emptive rights, would exist.

The authorisation is effective until 30 June 2025 and it does not cancel the authorisation given to the Board of Directors of the Company by the Annual General Meeting on 24 March 2023 to resolve on issuances of shares, option rights or other special rights entitling to shares.

On 4 April 2024, the Company announced that it will issue 53,570 pieces of 2024 Warrants 1 entitling to a total of 53,570 shares. The issuance was made on the basis of the authorisation granted on 5 April 2024 and in the connection thereto, the Board of Directors of the Company approved the terms and conditions of a total of 886,504 pieces of 2024 Warrants 1. Therefore, within the remaining authorisation, a total of 19,113,496 shares, option rights or other special rights entitling to shares may be issued.

Authorisation regarding issuance of shares as well as the issuance of options and other rights entitling to shares granted to the Board of Directors by the annual general meeting of the Company held on 24 March 2023

On 24 March 2023, the annual general meeting of shareholders of the Company authorised the Board of Directors of the Company to resolve by one or several decisions on issuances of shares, option rights or other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act, which authorisation contains the right to issue New Shares or dispose of the Company's own shares in the possession of the Company. The authorisation consists of up to 12,500,000 new shares in the aggregate (including shares to be received based on options or other special rights), which corresponds to approximately 20 per cent of the existing shares and votes in the Company, as well as the conveyance of up to the same maximum number 12,500,000 of treasury shares in the possession of the Company.

The authorisation is effective until 30 June 2024.

On 29 June 2023, 26 October 2023 and 4 April 2024, the Board of Directors of the Company resolved to issue a total of 2,601,510, a total of 2,491,998 and a total of 3,200,298 new shares in the Company, respectively, within the aforementioned authorisation. As was announced on 28 March 2024, the Board of Directors of the Company resolved to issue 2024 Warrants 1 entitling to shares of the Company in a total of 613,496 within the aforementioned authorisation, and as was announced on 17 May 2024, the Board of Directors of the Company resolved to issue 2024 Warrants 2 entitling to shares of the Company in a total amount of 333,333 pieces within the aforementioned authorisation. Therefore, within the outstanding authorisation, a total of 2,842,698 shares, option rights or other special rights entitling to shares may still be issued or the same maximum amount of 2,842,698 treasury shares held by the Company may be conveyed.

Shareholders' Rights

Shareholders' Pre-Emptive Subscription Rights

Pursuant to the Finnish Companies Act, the shareholders of a Finnish limited liability company have a pre-emptive right to subscribe for the company's shares in proportion to the number of shares in the company they already hold unless otherwise provided in the resolution of the General Meeting or the Board of Directors on such issue. Pursuant to the Finnish Companies Act, a resolution by the General Meeting that deviates from the shareholders' pre-emptive rights must be approved by at least two thirds of all votes cast and shares represented at the General Meeting. In addition, pursuant to the Finnish Companies Act, such a resolution requires that the company has a weighty financial reason to deviate from the pre-emptive rights of shareholders. In deviation from the Finnish Companies Act, pursuant to the Articles of Association of the Company, if the Board of Directors proposes that the General Meeting makes a resolution on a share issue, or issue of option rights, or special rights entitling to shares in deviation from the shareholders' pre-emptive rights or a share issue authorisation that does not exclude the right of the Board of Directors to resolve on a share issue in deviation from the shareholders' pre-emptive rights, such resolution shall be made by a qualified majority of three quarters (3/4) of the shares represented and votes cast at the General Meeting. In addition, pursuant to the Finnish Companies Act, a resolution on a share issue without payment deviating from the shareholders' pre-emptive also rights requires that there is an especially weighty financial reason for the company and considering the interest of all its shareholders.

Certain shareholders who reside in or have a registered address in certain jurisdictions other than Finland may not be able to exercise pre-emptive rights in respect of their shareholdings unless a registration statement, or an equivalent thereof under the applicable securities laws of their respective jurisdictions, is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available. See "*Risk Factors – Risks Relating to the Offering*".

General Meetings

Pursuant to the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings which must be held in the municipality of the company's registered office, unless the articles of association provide for a different municipality. Holding the meeting elsewhere requires a very weighty reason. The Board of Directors may also decide that a shareholder may participate in the aforementioned General Meeting in such a way that the shareholder fully exercises his/her decision-making power by means of telecommunications and technical means during the meeting, unless the Articles of Association restrict or prohibit such. According to the Finnish Companies Act, the Board of Directors may also decide that the General Meeting will be held without a physical meeting venue in such a way that the shareholders fully exercise their decision-making power in real time by means of a telecommunications connection and technical means during the meeting. The prerequisite is that, according to the Articles of Association, the General Meeting must or can be held in this way.

Pursuant to the Articles of Association of the Company, a General Meeting may be held in the city of London, United Kingdom in addition to the Company's domicile, on the basis of a resolution of the Board of Directors. In addition, the Board of Directors may decide that the General Meeting be held without a meeting venue so that the shareholders exercise their power of decision in full in real time during the meeting using a telecommunications connection or technical means (remote meeting).

Pursuant to the Articles of Association of the Company and the Finnish Companies Act, the Annual General Meeting is to be held annually within six (6) months of the end of the financial year. Pursuant to the Finnish Companies Act and the Company's Articles of Association, the Annual General Meeting must resolve on, among other things, the following matters:

- adoption of the financial statements, which in a parent company also means the adoption of the consolidated financial statements,
- use of the profit shown on the balance sheet,
- granting of discharge from liability to the members of the Board of Directors and the CEO,
- election and remuneration of the members of the Board of Directors, and
- election of auditors.

Furthermore, an authorisation for the Board of Directors to resolve on a share issue or issue of other special rights entitling to shares and amendments to the Articles of Association also require the resolution of the General Meeting. In addition to Annual General Meetings, Extraordinary General Meetings may also be held if required. Depending on the nature of the matter to be resolved, the provisions of the Finnish Companies Act regarding qualified majority, as described below,

are applied. The General Meeting handles the matters required by the Finnish Companies Act or the Articles of Association or presented to it by the Board of Directors. As a general rule, the General Meeting is convened by the Board of Directors. If a shareholder or shareholders of a company controlling at least ten (10) per cent of the shares or the company's auditor requests in writing that a certain matter be handled at the General Meeting, the Board of Directors must convene the General Meeting within two weeks from the arrival of the request. Under the Finnish Companies Act, a shareholder may submit a written request to the Board of Directors to include on the agenda for the next General Meeting any matter falling within the competence of the General Meeting, provided that the request is submitted in good time so that it can be included in the notice to the meeting.

A proposal by the Nomination Board for the composition of the Board of Directors is included in the notice to the General Meeting. A proposal by the Board of Directors for the auditors of the Company is published in connection with the notice to the General Meeting.

Pursuant to the Company's Articles of Association, the notice to the General Meeting must be delivered to shareholders not earlier than two (2) months before the Record Date (as defined below) of the General Meeting and no later than three (3) weeks prior to the date of the General Meeting but, however, always at least nine (9) days prior to the Record Date (as defined below) of the General Meeting. Shareholders shall be convened to a General Meeting, as determined by the Board of Directors, by the delivery of a notice to the shareholders, with such notice to be published on the Company's website and whilst the Company is admitted to trading on AIM, through a regulatory information service approved by the LSE for the distribution of public announcements, or otherwise in compliance with any relevant AIM Rules and/or the requirements of the LSE in force from time to time. In order to attend a General Meeting, a shareholder shall notify the Company on or before the last registration date stated in the notice of meeting, which shall not be earlier than ten (10) days prior to the meeting.

Pursuant to the Finnish Companies Act, only the shareholders who have been entered in the company's shareholders' register maintained by Euroclear Finland eight working days before a General Meeting (the "**Record Date**") have the right to attend the General Meeting. A holder of nominee-registered shares (including DI Holders) has the right to participate in the General Meeting by virtue of such shares based on which they would, on the Record Date, be entitled to be registered in the shareholders' register of the company held by Euroclear Finland. In addition, the right of a holder of nominee-registered shares to participate in the General Meeting requires that the shareholder has been registered on the basis of such shares in the temporary shareholders' register of the company held by Euroclear Finland. The notification of temporary entry into the shareholders' register must be submitted no later than on the date specified in the notice to the General Meeting, which must be after the Record Date.

Pursuant to the Finnish Companies Act, a shareholder may participate in the General Meeting in person or by way of proxy representation. A proxy representative must produce a dated proxy document or otherwise in a reliable manner demonstrate their right to represent a shareholder at the General Meeting. When a shareholder participates in the General Meeting by means of several proxy representatives representing the shareholder based on shares in different securities accounts, the shares based on which each proxy representative represents the shareholder must be identified in connection with the registration for the General Meeting. In addition, each shareholder or proxy representative may have an assistant present at the General Meeting.

A shareholder has the right to participate in the General Meeting only by means of a telecommunications connection or technical means, if he or she has announced that he or she will participate in this way and the notice mentions the binding nature of such a method of participation to be notified to the company.

Voting Rights

A shareholder may attend and vote at a General Meeting personally or by using an authorised proxy. Each share of the Company entitles its holder to cast one (1) vote at the General Meeting. If a holder of nominee-registered shares (including DI Holders) wishes to attend the General Meeting and exercise the voting rights attached to such share, the holder must register for a temporary entry in the Company's shareholders' register. A notification for the temporary entry into the shareholders' register must be submitted no later than on the date specified in the notice to the General Meeting, which must be after the Record Date. There are no quorum requirements for the General Meetings in the Finnish Companies Act or the Company's Articles of Association.

At the General Meeting, pursuant to the Finnish Companies Act resolutions generally require the approval of the majority of the votes cast. However, certain resolutions, such as amending the Articles of Association and a directed share issue require a majority of two thirds of the votes cast and of the shares represented at the General Meeting. However, a majority decision is sufficient for an amendment to the Articles of Association if, on the basis of the amendment, the shareholder must be offered the opportunity to fully exercise his or her decision-making power by means of a telecommunications connection or technical means during the meeting. In addition, certain resolutions, such as a mandatory redemption of the shares in deviation from the shareholdings of the shareholders, require the consent of all shareholders. The Company's Articles of Association include certain majority requirements which have been described under section "– *Shareholders'*

Pre-Emptive Subscription Rights" above and section "– *Acquisition and Redemption of a Company's Own Shares*" below. In addition, pursuant to the Company's Articles of Association, if the Company wishes the LSE to cancel the admission of the Company's shares to listing on AIM, the matter must be submitted to be decided by the General Meeting and the resolution by the General Meeting shall be made by a qualified majority of three quarters (3/4) of the shares represented and votes cast at the General Meeting. The Company may in the future assess which marketplaces are appropriate to the Company for the public trading of its Shares, and as a result of this assessment, the General Meeting could also amend the Company's Articles of Association in respect of the provisions relating to trading on AIM.

Dividends and Other Distribution of Funds

Under the Finnish Companies Act, dividends on shares of a Finnish company may only be paid after the General Meeting has resolved on the distribution of dividend. As a general rule, the General Meeting may not decide to distribute assets in excess of what the Board of Directors has proposed or approved. Pursuant to the Finnish Companies Act, the distribution of dividends must be based on the most recently adopted and audited financial statements. The payment of dividends requires the approval of the majority of the votes cast at the General Meeting. The General Meeting may also authorise the Board of Directors to decide on the distribution of dividend.

Pursuant to the Finnish Companies Act, equity is divided into restricted and unrestricted equity. The division between restricted equity and unrestricted equity is relevant in the determination of distributable funds. Share capital and revaluation surplus, fair value reserve, and revaluation reserve as defined in the Finnish Accounting Act are restricted equity. The share premium reserve and legal reserve established prior to the entry into force of the Finnish Companies Act are restricted equity as provided by the Finnish Act on the Implementation of the Companies Act (625/2006, as amended, the "**Finnish Act on the Implementation of the Companies Ac**t"). Unrestricted equity consists of other reserves and the profit of the current and previous financial periods. The amount of any dividend or other distribution of assets is limited to the amount of distributable funds. However, no funds may be distributed if at the time of deciding on the distribution it is known or it should be known that the company is insolvent or that the distribution would result in insolvency. Distributable funds include the profit for the financial year, retained earnings from previous years, and other unrestricted equity, less reported losses and the amount required by the Company's Articles of Association to be left undistributed. The distributable funds must be adjusted as appropriate by the amount of foundation, research, and certain development costs capitalised in the balance sheet pursuant to the Finnish Act on the Implementation of the Companies Act.

A dividend or other distribution of assets may not exceed the amount proposed or approved by the Board of Directors unless requested at the Annual General Meeting by shareholders representing at least ten (10) per cent of the issued shares of a company. If such a request is presented, and sufficient distributable funds are available as described above, the dividend paid must equal at least one half of a company's profit for the financial year, less the amount required by the Company's Articles of Association to be left undistributed. The shareholders may request dividend for a maximum amount of eight per cent of the total equity of a company. The possible distributions of profit for the financial period before the General Meeting are subtracted from the amount to be distributed.

Dividend and other distributions are paid to shareholders or their nominees who are included in the shareholders' register on the relevant record date. The shareholders' register of a company whose shares have been entered into the book-entry system is maintained by Euroclear Finland through a relevant book-entry account operator. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the registry. All shares of the Company provide their holders equal rights to dividend and other distributions of the Company (including in an event of dissolution of the Company). The date of expiry of the dividend is usually three years from the payment date of the dividend.

Acquisition and Redemption of a Company's Own Shares

Under the Finnish Companies Act a company may acquire or redeem its own shares. Decisions on the acquisition or redemption of a company's own shares must be made by the General Meeting. Under the Company's Articles of Association, the acquisition (buy back) or redemption by the Company of the Company's own shares or the acceptance by the Company of own shares as pledge requires a resolution by a General Meeting supported by more than two thirds (2/3) of the votes cast and the shares represented in a General Meeting. The General Meeting may also authorise the Board of Directors to decide on an acquisition of the Company's own shares using the unrestricted equity for a specific period of time, which cannot exceed 18 months. A company may acquire its own shares in a proportion other than that of the shares held by the shareholders only if there is a weighty financial reason for the company to do so. As a general rule, a company may redeem its own shares in a proportion other than that of the shares held by the shareholders only by the consent of all shareholders.

Notifications on the Change of Holdings in the Company pursuant to the Company's Articles of Association

As described below in section "*The First North Growth Market and the Finnish Securities Markets – Regulation of the Finnish Securities Markets*", provisions of the Finnish Securities Markets Act relating to the notification of major holdings and proportions of voting rights, apply to securities subject to trading on First North with the amendments that entered into force on 19 April 2024. Additionally, Article 17 of the Company's Articles of Association sets out specific provisions regarding notification on the change of holdings in the Company, which are complied with in addition to the provisions of the Finnish Securities Markets Act regarding the notification of holdings and proportions of voting rights when a shareholder's holding reaches, exceeds or falls below the holding threshold set out in Article 17 of the Company's Articles of Association. Article 17 has been included in the Company's Articles of Association in connection with the Company's admission to trading on AIM. As a result of legislative amendments that have entered into force, the Company will consider the need to update its Articles of Association.

Under Article 17.1 of the Company's Articles of Association, a shareholder (including, for the avoidance of doubt, a DI Holder) shall notify the Company of any holdings that he may have in the voting rights attaching to issued shares in the Company, whether directly or indirectly (including, for the avoidance of doubt, holdings of DIs or any other financial instruments as defined in the AIM Rules time to time in force in respect of such shares), when such holdings reach, exceed or decrease below three per cent (3%), and each one per cent (1%) threshold thereafter up to 100 per cent of the total voting rights in the shares in the Company registered at the Finnish Trade Register (a "**Notification**").

Under Article 17.2 of the Company's Articles of Association, in the calculation of holdings of a shareholder such holdings shall also comprise holdings of any Subsidiary Undertakings (as defined below) of the shareholder and any third parties if the exercise of voting rights attached to such holdings of any third parties may be resolved by the shareholder either alone or together with such third party on the basis of an agreement or another arrangement ("**Controlled Entities**")**.**

"**Subsidiary Undertakings**" shall include any undertaking in relation to which a shareholder:

a) holds a majority of the voting rights; or

b) is a shareholder (or any of its subsidiary undertakings is a shareholder, or a person acting on behalf of the shareholder or any of its subsidiary undertakings is a shareholder) and has the right to appoint or remove a majority of its board of directors; or

c) has the right to exercise a dominant influence, either by virtue of provisions contained in the undertaking's articles or by virtue of a control contract; or

d) is a shareholder (or any of its subsidiary undertakings is a shareholder, or a person acting on behalf of the shareholder or any of its subsidiary undertakings is a shareholder) and controls alone, pursuant to an agreement with other shareholders a majority of the voting rights; or

e) has the power to exercise, or actually exercises, dominant influence or control.

Under Article 17.3 of the Company's Articles of Association, no Notification obligation shall arise in respect of Shares that may be held by a person through his role as the Company's Depositary. "**Company's Depositary**" means a custodian or other person (or a nominee of such custodian or other person) appointed under contractual arrangements with the Company or other arrangements approved by the Board of Directors whereby such custodian or other person or nominee holds shares of the Company or rights in shares of the Company and issues securities or other documents of title or otherwise evidencing the entitlement of the holder thereof to receive such shares or rights.

Under Article 17.4 of the Company's Articles of Association, the Notification shall be made as soon as possible, but not later than four trading days, the first of which shall be date on which the person:

a) learns of the acquisition or disposal or the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or

b) is informed about any event triggering a change in the breakdown of voting rights which would lead to an obligation to disclose pursuant to Article 17.1 above.

For the purposes of Article 17.4 a) above, a person shall, in relation to a transaction to which he is a party or which he has instructed, be deemed to have knowledge of the acquisition, disposal or possibility to exercise voting rights no later than two trading days following the transaction in question or where a transaction is conditional upon the approval by public authorities of the transaction or on a future uncertain event the occurrence of which is outside the control of the parties to the agreement, the parties are deemed to have knowledge of the acquisition, disposal or possibility of exercising voting rights only when the relevant approvals are obtained or when the event happens.

Notwithstanding the time limits for disclosure set out above, the Company is required by Rule 17 of the AIM Rules for Companies to announce via a Regulatory Information Service, all the information contained in any vote holder notification "without delay".

When a Notification is made to the Company or the Company otherwise becomes aware of the reaching, exceeding or decreasing below any of above-mentioned thresholds the Company shall without delay publish information on the change of holdings in the Company and deliver such information to the markets in the Finnish and/or English language(s) and in compliance with the relevant requirements of the AIM Rules and/or the LSE from time to time in force.

Under Article 17.5 of the Company's Articles of Association, the Notification shall comprise following information:

a) The grounds for making the Notification.

b) The point of time when the holdings have reached, exceeded or decreased below any of the thresholds above.

c) The exact portion of the Shares in the Company held either directly or indirectly by the shareholder.

d) The number of the Shares concerned.

e) The complete name of the shareholder and trade register number or equivalent identification number.

f) The complete name and trade register number or equivalent identification number of each of the Controlled Entities.

g) A report on the division of the holdings between the shareholder and each of the Controlled Entities.

h) The chain of Controlled Entities through which Shares in the Company and voting rights attached to such Shares are held.

The Company's website includes template forms of Notification.

The shareholder shall make the Notification in Finnish or English language at the sole discretion of the shareholder.

Under Article 17.6 of the Company's Articles of Association, the Board of Directors may serve a notice (a "**Disclosure Notice**") on any shareholder or other person whom the Company knows or has reasonable cause to believe to have holdings in Shares in accordance with the Article 17.2 asking them to make a Notification of their holdings.

If any person fails to respond to the Board of Directors' Disclosure Notice with the information required under Article 17.5 within three (3) business days of such Disclosure Notice, then the Board of Directors may, in its absolute discretion (and after consultation with the Company's Nominated Adviser), serve a further notice (a "**Default Notice**") on such person stating that such person shall be liable to pay a penalty fee to the Company (the "**Non-Disclosure Penalty Fee**") equal to EUR 5,000.

The Board of Directors may also in its absolute discretion resolve to set off the Non-Disclosure Penalty Fee against any dividends or other distribution of funds payable to such person. Any such Non-Disclosure Penalty Fee shall be refunded (without any liability to pay interest thereon) to such person after a Notification has been made to the satisfaction of the Board of Directors.

If the Board of Directors resolves that it has reasonable cause to believe that a person has or may hold an ownership share in Shares, and that they have made reasonable enquiries to establish whether a person holds such ownership shares, then such person shall, for the purposes of Article 17 be deemed to hold an ownership share in such Shares, from the date of such resolution until any such time as the Board of Directors may otherwise resolve.

Any resolution or determination of, or exercise of any discretion or power by the Board of Directors or any member of the Board of Directors acting in good faith under or pursuant to the provisions of Article 17 shall be final and conclusive and anything done by, or on behalf of, or on the authority of, the Board of Directors or any member of the Board of Directors acting in good faith pursuant to the provisions of Article 17 shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board of Directors shall not be required to give any reasons for any resolution or determination taken or made in accordance with Article 17.

Tender Offers

As described in more detail in section "*The First North Growth Market and the Finnish Securities Markets – Regulation of the Finnish Securities Markets*", provisions of the Finnish Securities Markets Act relating to the takeover bids apply to

securities subject to trading on First North with the amendments that entered into force on 19 April 2024. Additionally, Article 18 of the Company's Articles of Association sets out specific provisions regarding the takeover bid targeting the Company, the application of which the Board of Directors of the Company is authorised to decide on, pursuant to Article 18.6 of the Articles of Association, as described below, to the extent that they do not conflict with the provisions of the Finnish Securities Markets Act. The Article in question has been included in the Company's Articles of Association in connection with the Company's admission to trading on AIM. As a result of the legislative amendments that have entered into force, the Company will consider the need to update its Articles of Association.

Under Article 18.1 of the Company's Articles of Association, except with the consent of the Board of Directors (in consultation with the Company's Nominated Adviser), for so long as the Company is listed on AIM, when:

a) any person acquires, whether by a series of transactions over a period of time or not, holdings in the voting rights attached to Shares, whether directly or indirectly, that (taken together with the voting rights of another person referred to in 18.2 below) represent thirty per cent (30%) or more of the voting rights of the Company; or

b) any person, together with a person referred to in 18.2 below, has a holding in the voting rights attached to Shares that in the aggregate represent not less than thirty per cent (30%) of the voting rights of the Company, but not more than fifty per cent (50%) of such voting rights, and such person (or any person referred to in 18.2 below) acquires additional interests which will increase his, her or its per centage share of voting rights in the Company (each of 18.1.a) and 18.1.b), a "**Relevant Acquisition**"),

then such person and any persons referred to in Article 18.2 below (each such person referred to herein as the "**Offeror**") shall be obliged to make an offer ("**Offer**") to purchase all the other Shares in the Company, or options or other special rights which entitle the holder to new Shares in the Company, from the other shareholders or holders of such options or other special rights ("**Offerees**").

The obligation to make an Offer under Article 18 shall not arise if the Board of Directors resolve otherwise. However, in the event that any member of the Board of Directors makes a Relevant Acquisition pursuant to Article 18.1, such member of the Board of Directors shall not be entitled to vote in any resolution of the Board of Directors regarding any waiver of the obligation to make an Offer under Article 18.

Under Article 18.2 of the Company's Articles of Association, in calculating the voting rights of a person for the purpose of Article 18, the following Shares that belong to the following parties shall also be taken into account:

a) Shares held by the Offeror, as well as Subsidiary Undertakings of the Offeror and pension foundations and pension funds under the control of the said parties.

b) Shares held by the Offeror and his or her spouse or registered partner, a minor whose guardian the Offeror is, or another family member of the Offeror who has lived in the same household with the Offeror for at least one year.

c) Shares held by any other private persons and entities who are acting in concert (as defined in the City Code on Takeovers and Mergers) with the Offeror in order to acquire Control in the Company.

d) Shares held by the Offeror or any other party under subsection (a) to (c) above together with any third parties.

e) Shares, the proportion of voting rights attached to which the shareholder is entitled to use or direct under a contract or other arrangement.

For the purpose of Article 18, "**Control**" means an interest, or interests, in shares carrying in aggregate thirty per cent (30%) or more of the voting rights (as defined below) of a company, irrespective of whether such interest or interests give de facto control.

Any person acting as the Company's Depositary shall not be deemed to be an Offeror for the purposes of Article 18 and its holdings shall be deemed to be excluded for the purposes of sub-paragraphs a) to e) above.

In calculating the voting rights of a person, any restrictions on the exercise of the voting rights in an agreement to which the person is a party or provisions of applicable law shall not be taken into account.

Shares held by the Company or any entity under the Control of the Company shall not be taken into account in the determining of total voting rights attached to all the Shares in the Company.

In the event that a Relevant Acquisition has occurred:

a) solely as a result of activities of the Company or another person; or

b) as a result of or pursuant to any stock borrowing arrangement which has been approved by the Board of Directors,

a person shall not be obliged to make an Offer until he purchases, subscribes for or in any other manner increases his holdings in the voting rights of the Company.

Under Article 18.3 of the Company's Articles of Association, the purchase price ("**Price**") payable by the Offeror shall be a fair market price. For the purposes of Article 18.3, fair market price shall mean:

a) the highest price paid per Share by the Offeror or any person or entity referred to in the sub-paragraphs (a) to (e) in Article 18.2 above during the twelve (12) months prior to the emergence of the obligation to make an Offer, or

b) in the event no such purchases have been made, the weighted average price per Share in trading on AIM during the preceding three (3) month period, or such other price as the Board of Directors may determine (having consulted with its Nominated Adviser).

Except with the consent of the Board of Directors (in consultation with the Company's Nominated Adviser), the Price should be in cash or be accompanied by a cash alternative. In the event that any member of the Board of Directors makes a Relevant Acquisition pursuant to Article 18.1, such member of the Board of Directors shall not be entitled to vote or participate in any resolution of the Board of Directors regarding any waiver of the obligation to make an Offer in cash or accompanied by a cash alternative.

If an acquisition to be deemed to have influence on the Price is denominated in a currency other than the Pound Sterling of the United Kingdom, in which the Shares of the Company are traded, the conversion value of such acquisition currency to the trading currency shall be calculated through the official rates of the European Central Bank for the currencies in question seven (7) days prior to the date on which the Board of Directors notified the shareholders of the Offer.

Under Article 18.4 of the Company's Articles of Association, the Offeror shall be obliged to treat all Offerees equally and pay the same price per share/DI to all Offerees willing to sell their Shares to the Offeror on the basis of the Offer irrespective of the identity of the Offeree, number of the Shares held by the Offeree or point of time when the Offeree sells his Shares to the Offeror.

In the event that the Offeror or any person or entity referred to in the subsections a) to c) in Article 18.2 above acquires Shares in the Company under better terms and conditions than what has been offered to the Offerees in the Offer and said acquisition takes place between the date on which the obligation to make an Offer has arisen and the due date by which claims for purchase shall be made, the Offeror shall be obliged to amend the Offer to correspond to the terms of said acquisition. The procedure for the amendment of the Offer is set forth below.

In the event the Offeror or any person or entity referred to in the subsections a) to c) in Article 18.2 above acquires Shares in the Company under better terms and conditions than what has been offered to the Offerees in the Offer (or the amended Offer, if any) and said acquisition takes place within nine (9) months after the due date by which claims for purchase were made to the Offeror, the Offeror shall be obliged to compensate the Offerees having accepted the Offer (or the amended Offer, if any) for the difference between the Price paid in the Offer (or the amended Offer, if any) and the purchase price paid in said acquisition.

Under Article 18.5 of the Company's Articles of Association, the Offeror shall upon submitting a Notification referred to in Article 17 (described above in section "– *Notifications on the Change of Holdings in the Company pursuant to the Company's Articles of Association*") communicate the obligation to make an Offer ("**Communication**") in writing at the Company's address to the Board of Directors of the Company.

The Communication shall contain details of the number of Shares owned by the Offeror and the number and price of the Shares acquired during the last twelve (12) months. The Communication shall also contain the address at which the Offeror may be contacted. The Communication shall be made in the Finnish or English language at the sole discretion of the Offeror.

The Board of Directors shall notify shareholders of the arising of the obligation to make an Offer within 45 days of the receipt of the Communication or, in the absence of such Communication, or where such Communication fails to arrive within the specified period, of the date on which it otherwise became aware of such obligation to make an Offer.

The Board of Directors' notice shall contain details of the date on which the obligation to make an Offer has arisen, the basis for determination of the purchase price as far as known to the Board of Directors and the due date by which acceptances shall be made. The Offeror shall be obliged to provide the Board of Directors with all information reasonably needed by the Board of Directors for it to make its notification to the shareholders. The Board of Directors' notification shall be made in compliance with the provisions of the Articles of Association concerning notice of a General Meeting of Shareholders (as described in section "– *General Meetings*" above). An Offeree who wishes to accept the Offer shall do so in writing within 30 days of the Board of Directors' notification. The notification of acceptance, which shall be sent to the Company or to a party appointed by the Board of Directors, shall indicate the number of Shares to which the acceptance relates. An Offeree who accepts the Offer shall, at the same time as making its acceptance notification, provide the Company with all necessary documentation to affect the transfer of the relevant Shares to the Offeror upon the payment of the Price.

The Offeror shall immediately inform the Board of Directors if the Offer needs to be amended in accordance with the above provisions and provide the Board of Directors with all information reasonably needed by the Board of Directors. In the event the Offer has already been notified to the Offerees, the Board of Directors shall forthwith notify the amended Offer to the Offerees in the manner set forth above together with information on the possible extension of the offer period. Such extension shall be determined by the Board of Directors and it shall not exceed seven (7) days.

If the Offer is not accepted by an Offeree by the due date in the manner described above the Offeree shall forfeit his right to accept the Offer (or the amended Offer, if any). An Offeree shall have the right to revoke his acceptance at any time until the purchase has taken place in accordance with the terms of the Offer.

Forthwith after the due date for accepting the Offer, the Company shall notify the Offeror of the total number of acceptances of the Offer. The Offeror shall, within fourteen (14) days of receipt of such a notice, in the manner prescribed by the Company, pay the Price and complete the purchase of the Shares, and any options over unissued Shares, in respect of which acceptances have been received.

The Price or any part thereof which is not paid within the specified period shall accrue default interest of 20 per cent per annum as of the date on which the purchase should have been made. If the Offeror has, in addition, failed to observe the above provisions concerning an obligation to make an Offer, default interest shall be calculated as of the date on which the notification should have been made.

The Company shall make all communication relating to notices and other information published to the shareholders of the Company set forth in Article 18.5 in the Finnish and English languages.

Any provisions relating to the application and interpretation of the obligation to purchase Shares and not explicitly stipulated in Article 18 shall be determined by applying the Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, as amended, as implemented and applied in Finland.

Under Article 18.6 of the Company's Articles of Association, the Board of Directors has full authority to determine the application of Article 18, including as to the deemed application of the whole or any part of the regulatory framework directly or analogically applicable. Such authority shall include all discretion vested in a relevant takeover panel, including, without limitation, whether the shareholding threshold has been reached, the determination of conditions and consents and the consideration to be offered.

Any resolution or determination of, or exercise of any discretion or power by the Board of Directors or any member or the Chairman of the Board of Directors of any meeting acting in good faith under or pursuant to the provisions of Article 18 shall be final and conclusive and anything done by, or on behalf of, or on the authority of, the Board of Directors or any member of the Board of Directors acting in good faith pursuant to the provisions of Article 18 shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board of Directors shall not be required to give any reasons for any resolution, determination or declaration taken or made in accordance with Article 18.

In case one half or more of the members of the Board of Directors would have a conflict of interest or are otherwise unable to resolve on any matters relating to Article 18, the Board of Directors shall:

a) for so long as the Company's Shares are traded on AIM, consult with the Nominated Adviser about the process to be adopted; or

b) where the Company's Shares are not traded on AIM, appoint an independent financial adviser to undertake the role of the Board of Directors for the purposes of this Article. Any such adviser must have relevant experience and relevant background for takeover matters. Such an adviser shall then have similar powers as set forth above in this Article relating to the Board of Directors, unless the Board of Directors otherwise decides in connection with appointing such an adviser or otherwise.

Redemption Obligation

Under the Finnish Companies Act, a party holding more than nine tenths of all the shares and votes attached to the shares in a company has the right to redeem the shares of the other shareholders of the company at fair value. The Finnish Companies Act provides detailed provisions for the calculation of shares and votes attached thereto. In addition, any minority shareholder that possesses shares that may be so redeemed by a majority shareholder under the Finnish Companies Act has the right to require such majority shareholder to redeem its shares. If a shareholding constitutes the right and obligation for redemption, the company must immediately have this entered in the Trade Register. The Redemption Committee of the Finland Chamber of Commerce appoints a requisite number of arbitrators to resolve disputes related to the redemption and the redemption price. The fair price of the share before the initiation of the arbitration serves as the basis for the determination of the redemption price.

Transfer through the Finnish Book-Entry Securities System

When selling shares incorporated in the book-entry securities system, the shares are transferred by wire transfer from the seller's book-entry account to the buyer's book-entry account. For the purpose of the sale, allocation data is entered into the Infinity T2S clearing system of Euroclear Finland and, if necessary, a reservation regarding the book-entry security is entered into the book-entry account. The transaction is recorded as a pre-trade until it has been cleared and the shares have been paid, after which the buyer is automatically entered into the company's shareholder's register. Trades are normally cleared in the Infinity T2S clearing system of Euroclear Finland on the second banking day after the trade date unless otherwise agreed by the parties. If the shares are nominee registered and the shares of both the seller and the buyer are held in the same custodial nominee account, the sale of shares does not cause any entries to the book-entry system unless the custodial nominee account holder changes or the shares are transferred from the custodial nominee account as a result of a sale.

Foreign Exchange Control

The shares of a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may also receive dividends without separate Finnish exchange control consent, but the company is generally required to withhold tax on the transfer of assets out of Finland unless an agreement for avoiding double taxation whose provisions prevent the withholding of tax applies. Non-residents who have acquired shares in a Finnish limited liability company may receive shares pursuant to a bonus issue or through participation in a rights issue without separate Finnish exchange control consent. The shares of a Finnish company may be sold in Finland by non-residents, and the proceeds of such sales may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations restricting the sale of shares in a Finnish company by non-residents to other non-residents.

PLAN OF DISTRIBUTION IN THE OFFERING

Placing Agreement

On 3 June 2024, Faron and the Lead Managers have entered into a placing agreement (the "**Placing Agreement**"), which sets out Carnegie's and Peel Hunt LLP'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 Faron, 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 Faron, the Shares of Faron, and the contents of this Offering Circular. In addition, Faron has agreed to indemnify the Lead Managers against certain liabilities in connection with the Offering.

Restriction on the Transfer of Shares (Lock-up)

Faron 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 (including possible New Shares to be issued to Subscription Guarantors against setting off the subscription fee), 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 2022 Warrants, 2024 Warrants 1 and the 2024 Warrants 2, 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 approximately EUR 30.7 million, the Lead Managers have agreed not to unreasonably withhold their consent during the lock-up period 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 issuance authorisations granted to the Board.

Subscription Commitments

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 that 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 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.

Based on the Subscription Commitments received by the Company, Christine Roth, member of the Board of Directors of the Company, intends to subscribe for New Shares in the Offering. In addition, if the Offering would be completed in its minimum amount (EUR 15 million), Varma Mutual Pension Insurance Company and Tom-Erik Lind would both subscribe for more than 5 per cent of the Offer Shares in the Offering.

The addresses of the investors who have made a Subscription Commitment are:

Name	Address	Subscription Commitment amount (EUR)
Fjärde AP-fonden	PO Box 3069 / Jakobsbergsgatan 16, 103 61 Stockholm, Sweden	677,723
Varma Mutual Pension Insurance Company ..	PO Box 1, 00098 Varma, Finland	1,500,000
Danske Invest	Kasarmikatu 21 B, 00130 Helsinki,	450,000

	Finland	
Tom-Erik Lind	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	1,150,000
OP-Finland Fund	Gebhardinaukio 1, 00510 Helsinki, Finland	343,401
OP-Finland Small Cap Fund	Gebhardinaukio 1, 00510 Helsinki, Finland	177,003
Veritas Pension Insurance Company Ltd	Lemminkäisenkatu 34, 20101 Turku, Finland	169,522
Yleisradion eläkesäätiö	PO Box 88, 00024 Yleisradio, Finland	300,000
SP-Fund Management	Teollisuuskatu 33, 00510 Helsinki, Finland	225,000
Markku Kaloniemi	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	200,000
Christine Roth	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	46,075
Holdix Oy Ab	Eteläranta 6 A 3, 00130 Helsinki, Finland	200,000
Turret Oy Ab	Eteläranta 6 A 3, 00130 Helsinki, Finland	200,000
Toni Hänninen	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	30,000
Borealito GmbH	Engimattstrasse 26, 8002 Zürich, Switzerland	40,000
Grizzly Hill Capital Ab	Bergmansgatan 5 lok. 2, 00140 Helsinki, Finland	200,000
Umo Invest Oy	Aleksanterinkatu 21 H, 00100 Helsinki, Finland	160,000
Umo Capital Oy	Aleksanterinkatu 21 H, 00100 Helsinki, Finland	150,000
Haavest Oy	Aleksanterinkatu 21 H, 00100 Helsinki, Finland	10,000
Paavo Koivisto	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	10,000

Subscription Guarantee Undertakings

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 to subscribe for any New Shares that may not be subscribed for in the Offering up to a maximum amount of EUR 8.8 million. However, the subscription guarantees are limited to cover any unsubscribed New Shares only up to the minimum amount of gross proceeds of EUR 15 million in the Offering. If the minimum gross proceeds of EUR 15 million

are reached without guarantors, no Offer Shares will be subscribed based on the subscription guarantees. Thus, the size of the Offering cannot increase beyond the minimum gross proceeds of EUR 15 million through subscription guarantees.). 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 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.

The Subscription Guarantors will be paid fees totalling EUR 1.1 million for the subscription guarantees under the Subscription Guarantee Undertakings. Before the Board of Directors of the Company has decided on the completion of the Offering, each Subscription Guarantor may decide whether they will accept the fee in full or in part in euros or in New Shares in the Company at the Subscription Price. The aggregate amount of the Subscription Price to be paid for such New Shares will be set off against a fee in accordance with each Subscription Guarantee Undertaking that is due to be paid in connection with the share subscription.

Should the Offering be completed in its minimal amount (EUR 15 million in gross proceeds) so that only the issuers of the Subscription Commitments subscribed for New Shares in the Offering, Anavio Capital Partners LLP, Fredrik Lundgren and Wilhelm Risberg would each subscribe for more than 5 per cent of the Offer Shares in the Offering.

The addresses of the Subscription Guarantors are:

Name	**Address**	**Subscription Guarantee Undertaking amount (EUR)**
Anavio Capital Partners LLP.....	Southwest House, 11a Regent Street, London SW1Y 4LR, United Kingdom	1,600,000
Fenja Capital I A/S	Østre Alle 102, 4. sal, 9000 Aalborg, Denmark	766,896
Buntel AB.....	Ingmar Bergmans Gata 2, 114 34 Stockholm, Sweden	766,896
Munkekullen 5 förvaltning Ab	Munkekullsvägen 5, 429 43 Särö, Sweden	766,896
Fredrik Lundgren.....	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	1,725,516
Wilhelm Risberg.....	c/o Faron Pharmaceuticals Oy, Joukahaisenkatu 6, 20520 Turku, Finland	1,725,516
Hamilton Stuart Capital LTD	101 Wigmore Street, London W1U 1QU, United Kingdom	500,000
Schonfeld IR Master Fund Pte. Ltd.	12 Marina View, #21-01/02, Asia Square Tower 2, Singapore 018961	400,000
VB Capital Management AG.....	Kreuzstrasse 26, 8008 Zürich, Switzerland	191,724
IG Group Holdings Plc	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA United Kingdom	134,207
Indigo Capital LP	89 Nexus Way, Camana Bay, Grand Cayman KY1-1009, Cayma Islands	230,069

Interests of the Lead Managers

The fees of the Lead Managers are partly linked to the proceeds raised in the Offering and the UK Offering.

The Lead Managers and/or their related parties have provided and may in the future provide advisory, consulting and/or banking services to Faron as a part of their normal business activities for which they have received, or will receive, customary fees and reimbursement of expenses.

Fees and Expenses

Faron expects to pay approximately EUR 4.0 million in fees and expenses in connection with the Offering, assuming that the Company completes the Offering in the amount of EUR 30.7 million[75]. This amount of fees and expenses includes the total fees of EUR 1.1 million payable to the Subscription Guarantors for the subscription guarantees. Before the Company's Board of Directors has resolved on the completion of the Offering, each Subscription Guarantor may decide whether they will accept the fee in whole or in part in euros or in Shares at the Subscription Price. The total amount of the Subscription Price paid for such New Shares will be set off against the fee for each Subscription Guarantee Undertaking, which is due in connection with the share subscription.

Dilution of Ownership

The number of Shares in the Company may as a result of the Offering rise from 72,007,497 Existing Shares without the Upsize Option to a maximum of 102,722,089 Shares, in which case the Offer Shares would correspond to approximately 29.9 per cent of all the Offer Shares after the completion and 42.7 per cent of the Existing Shares. The maximum number of Offer Shares to be offered in the Offering (including the Upsize Option) corresponds to approximately 35.0 per cent of all Shares following the completion of the Offering. As a result of the Offering, the number of outstanding shares in the Company may rise to a maximum of 110,722,089 Shares, assuming that the Offer Shares are fully subscribed for, and the Upsize Option is used in full. This would result in approximately 35.0 per cent dilution of the total shareholding of current shareholders, assuming that none of the current shareholders (excluding the shareholders who gave the Subscription Commitments or Subscription Guarantee Undertakings) subscribe for the Offer Shares. The number of outstanding shares in the Company may rise with a maximum of 41,371,666 Shares (i.e. to a total maximum of 113,379,163 Shares) when, in addition to the previous, also the Free Shares to be issued as a result of the completion of the Offering are taken into account and 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, assuming that none of the current shareholders (excluding the shareholders who gave the Subscription Commitments or Subscription Guarantee Undertakings) subscribe for the Offer Shares.

As at 31 December 2023, the Company's net asset value per Share was approximately EUR -0.23. The Subscription Price is EUR 1.00 per share.

[75] Part of the fees and expenses paid by the Company in connection with the Offering may relate to the separate UK Offering arranged at the same time as the Offering.

SELLING AND TRANSFER RESTRICTIONS

European Economic Area

In relation to each relevant member state of the EEA (each, a "**Relevant Member State**"), this Offering Circular is only addressed to, and is only directed at, investors (including existing shareholders of the Company) in that Relevant Member State that fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Regulation as implemented in each such Relevant Member State.

This Offering Circular has been prepared on the basis that all offers of Offer Shares, other than the offer contemplated in Finland, will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Company or the Lead Managers to produce a prospectus for such offer. Neither the Company nor the Lead Managers have authorised, nor does neither of the Company or the Lead Managers authorise, the making of any offer of Offer Shares through any financial intermediary, other than offers made by the Lead Managers which constitute the final placement of Offer Shares contemplated in this Offering Circular.

The Offer Shares have not been, and will not be, offered to the public in any Relevant Member State, other than Finland. Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State: (i) to any qualified investor as defined in the Prospectus Regulation; (ii) to fewer than 150 natural or legal persons per Relevant Member State (other than qualified investors as defined in the Prospectus Regulation subject to obtaining the prior consent of the Lead Managers); (iii) to investors who acquire Offer Shares for a total consideration of at least EUR 100,000 per investor, for each separate offer; (iv) in any other circumstances falling within Article 1(4) of the Prospectus Regulation; provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase or subscribe for Offer Shares.

United Kingdom

The Finnish Prospectus is not being made available to persons who are resident in the United Kingdom. In the United Kingdom, this Offering Circular is only being made available to, and the Offer Shares may only be acquired in the Institutional Offering by, persons who are UK Relevant Persons. Any person subscribing for Offer Shares in the United Kingdom in the Institutional Offering will be required to represent, warrant and agree that they are a UK Relevant Person. Holders of DIs that are resident in the United Kingdom and elsewhere as of the applicable record date may be entitled to participate in the separate UK Open Offer and should refer to the separate UK Open Offer Circular published by the Company for further information. The Company is also making the REX Retail Offer to retail investors in the United Kingdom through intermediaries using Peel Hunt LLP's Retail Capital Markets Platform.

United States of America

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States, and the securities may not be offered, sold, pledged or otherwise transferred in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), absent registration under the U.S. Securities Act or pursuant to an available exemption from such registration and applicable State or local securities laws. There will be no public offering of the Offer Shares in the United States. The Offer Shares will be offered within the United States only on a private placement basis to a limited number of U.S. persons that are QIBs or accredited investors in reliance on Section 4(a)(2) of the Securities Act in an offering exempt from registration under the U.S. Securities Act.

THE FIRST NORTH GROWTH MARKET AND THE FINNISH SECURITIES MARKETS

The following is an overview of the Finnish securities markets, including a brief summary of certain Finnish laws and regulations in effect as at the date of this Offering Circular, affecting the Company as a company listed on First North. The summary is not intended to provide a comprehensive description of all laws and regulations affecting the Company and should not be considered exhaustive. Moreover, the laws, rules, regulations, and procedures summarised below may be amended or reinterpreted.

The First North Growth Market

First North is Nasdaq Helsinki's Nordic growth market, designed for small and growing companies. Companies listed on First North are subject to less extensive rules than companies listed on a regulated market, such as the Official List of Nasdaq Helsinki. This is intended to allow smaller companies to enjoy the benefits of being publicly traded companies without excessive administrative burden. Unlike on the regulated markets, companies listed on First North must engage a Certified Adviser whose role is to ensure that companies comply with applicable requirements and rules.

First North is regulated as a multilateral trading facility as opposed to a regulated market. "Multilateral trading facility" and "regulated market" are classifications for trading venues of securities set out in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended, the ("**Directive on Markets in Financial Instruments**"). Multilateral trading facilities and the holders and issuers of securities listed on a multilateral trading facility are subject to less stringent rules than regulated markets and the holders and issuers of securities listed on a regulated market. Companies that have applied for their shares to be listed on First North are subject to the First North Rulebook but not the requirements for admission to trading on a regulated market. For more information, see "– *Trading on the First North Growth Market*" and "– *Regulation of the Finnish Securities Markets*" below.

Trading on the First North Growth Market

First North is maintained by Nasdaq Helsinki, a member of the Nasdaq group, which owns, and maintains First North Growth Markets also in Stockholm, Copenhagen, and Iceland. Pursuant to the First North Rulebook, the trading rules of Nasdaq Helsinki apply on First North as set out in further detail in the First North Rulebook (including Supplement C – Finland).

Trading in the equities market on First North takes place in the automated INET Nordic trading platform in which orders are matched as trades when the price, volume and other conditions match. The main trading sessions in the equities market of First North are pre-trading session, continuous trading session and post-trading session. The currency for trading in, and clearing of, securities on First North is euro, with the tick size for trading quotations depending on the share price. All price information is produced and published only in euros. Trades are normally cleared in Euroclear Finland's Infinity T2S clearing system on the second business day after the trade date (T+2) unless otherwise agreed by the parties.

Regulation of the Finnish Securities Markets

The securities market in Finland is supervised by the FIN-FSA. The principal statutes governing the Finnish securities markets are the Finnish Securities Markets Act, which contains provisions with respect to, among other things, company and shareholder disclosure obligations and public tender offers, and the Prospectus Regulation, which contains provisions relating to, among others, the duty to prepare a prospectus and its contents. Furthermore, the Market Abuse Regulation regulates, among others, insider dealing, the unlawful disclosure of inside information, market manipulation, and the public disclosure of inside information. The Market Abuse Regulation establishes a uniform regulatory framework for the market abuse regime in the EU. The FIN-FSA may issue more detailed regulations pursuant to the Finnish Securities Markets Act and other acts. The FIN-FSA monitors compliance with the Finnish Securities Markets Act and regulations and orders issued under the Finnish Securities Markets Act.

The Finnish Securities Markets Act and the Market Abuse Regulation specify the minimum disclosure requirements for Finnish companies applying to be listed on a multilateral trading facility or making a public offering of securities in Finland. The information provided must be sufficient to enable a potential investor to make a sound evaluation of the securities being offered and the issuing company as well as of matters that may have a material effect on the value of the securities. The issuer of securities subject to trading on First North has an obligation to disclose any matters likely to have a significant effect on the value of the securities. The First North Rulebook also includes an obligation to regularly publish financial information concerning the company and other requirements regarding continuous disclosure obligations. Information disclosed must be kept accessible to the public. Pursuant to the Market Abuse Regulation, the issuer of a publicly traded security has the obligation to disclose any matters concerning the company that, if made public, would be likely to have a material effect on the prices of the financial instruments of the company. Insider information must be made public in a manner that enables fast access and complete, correct and timely assessment of the information by the public.

Provisions of the Finnish Securities Markets Act regarding the notification of major holdings and proportions of voting rights as well as takeover bid and obligation to launch a bid were amended by the Act amending the Finnish Securities Markets Act (163/2024) on 19 April 2024, so that they also apply to multilateral trading facilities in addition to regulated markets. Pursuant to the Finnish Securities Markets Act, a shareholder of a Finnish company listed on a regulated market or a multilateral trading facility is required, without undue delay, to notify said company and the FIN-FSA when its voting interest in or its percentage ownership of the total number of shares in said company reaches, exceeds, or falls below 5 per cent, 10 per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 50 per cent, 66.67 per cent (2/3), or 90 per cent, calculated in accordance with the Finnish Securities Markets Act, or when it has on the basis of a financial instrument the right to receive an amount of shares that reaches, exceeds, or falls below any such threshold. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded, or fallen below any of these thresholds, it must, without undue delay, publish such information and disclose it to Nasdaq Helsinki and to the main media. If a shareholder violates its obligation to notify the relevant parties of a voting interest or ownership, the FIN-FSA may, based on a weighty reason, prohibit the shareholder from using its right to vote and be presented at the General Meeting for the shares to which the violation relates. The Finnish Securities Markets Act includes more detailed provisions regarding the notification of proportions of voting rights or holdings and grants authority for the FIN-FSA to determine in more detail the content, presentation, and methods of calculation of the notification obligation. In addition to the provisions of the Finnish Securities Markets Act, Article 17 of the Articles of Association of the Company contains provisions specific to the Company regarding notifications on the change of holdings in the Company, which are complied with in addition to the provisions of the Finnish Securities Markets Act regarding the notification of holdings and proportions of voting rights when a shareholder's holding reaches, exceeds or falls below the holding threshold set out in the Article 17 of the Company's Articles of Association (see in more detail above under "*Shares and Share Capital – Shareholders' Rights – Notifications on the Change of Holdings in the Company pursuant to the Company's Articles of Association*"). Due to the transitional period provided in connection with the amendments to the Finnish Securities Markets Act (the "**Transitional Period**"), a shareholder and a person comparable to a shareholder must notify their holdings and proportions of voting rights to the offeree company and to the FIN-FSA no later than two (2) months after the entry into force of the act, if the proportion in the offeree company, whose shares are traded on a multilateral trading facility upon application or with the consent of the issuer, is at least five (5) per cent at the entry into force of the act, and such holding has not been previously disclosed. In addition, any reaching, exceeding, or falling below the flagging thresholds during the Transitional Period must also be disclosed within the Transitional Period of two (2) months.

Pursuant to the Finnish Securities Markets Act, a shareholder whose proportion of voting rights in a listed company exceeds three tenths (3/10) or one half (1/2) of the total voting rights attached to the shares of the company, calculated in accordance with the Finnish Securities Markets Act, after the commencement of a public quotation of such shares must make a public tender offer for all the remaining shares and securities with an entitlement to its shares issued by the company for fair value. If the securities exceeding the thresholds referred to above have been acquired through a public tender offer on all shares and securities with an entitlement to the shares issued by the target company, no obligation to make a tender offer will arise. If a company has two or more shareholders whose holdings of voting rights exceed the above-mentioned limit, only the shareholder with the most voting rights is required to make a tender offer. If the proportion of votes described above is exceeded solely due to measures taken by the target company or other shareholders, the shareholder will not be obligated to make a tender offer until they acquire or subscribe for more shares in the target company or otherwise increase their proportion of votes in the target company. If the above-mentioned limit is exceeded due to the shareholders acting in concert when making a voluntary tender offer, the obligation to make a tender offer is not triggered if the acting in concert is limited to such tender offer only. There is no obligation to make a tender offer if a shareholder or another party who is acting in concert with such shareholder gives up its voting rights in excess of the above-mentioned limit within one month after such limit is exceeded, provided that the shareholder publishes its intention and voting rights are not used during such time. In addition to the provisions of the Finnish Securities Markets Act, Article 18 of the Articles of Association of the Company contains provisions specific to the Company regarding tender offers targeting the Company, the application of which the Board of Directors of the Company is authorised to decide on pursuant to the Articles of Association, to the extent that they do not conflict with the provisions of the Finnish Securities Markets Act (see in more detail above under "*Shares and Share Capital – Shareholders' Rights – Tender Offers*"). Due to the Transitional Period, the obligation for a shareholder to launch a bid will enter into force three (3) months after the entry into force of the act, to the extent as it applies to issuers whose shares are traded on a multilateral trading facility upon application or with the consent of the issuer. In this situation, any overruns of the bid limits that have occurred before the obligation entered into force shall not be considered. A shareholder whose proportion of voting rights of the offeree company exceeds 30 per cent at the time that the obligation enters into force shall not be obligated to launch a takeover bid until their proportion of the voting rights in the offeree company exceeds 50 per cent.

The provisions of the Finnish Companies Act on the redemption of minority shares are applicable to shares subject to trading on First North. For more information on the redemption right and obligation to purchase shares, see "*Shares and Share Capital – Shareholders' Rights – Redemption Obligation*".

Net short positions relating to shares tradable on First North must be disclosed to the FIN-FSA in accordance with the Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and

certain aspects of credit default swaps, as amended. The obligation to disclose net short positions applies to all investors and market participants. A net short position regarding shares admitted to trading on a multilateral trading facility must be disclosed when the position reaches, exceeds or falls below 0.1 per cent of the issued share capital of the target company. A new notification must be disclosed for each 0.1 per cent exceeding the above thresholds. The FIN-FSA publishes the notified net short positions on its website if the net short position reaches, exceeds or falls below 0.5 per cent of the issued share capital of the target company.

The Finnish Criminal Code (39/1889, as amended) contains provisions relating to the misuse of inside information, the unlawful disclosure of inside information, market manipulation, and the breach of disclosure requirements. A breach of these provisions constitutes a criminal offense. Pursuant to the Market Abuse Regulation, the Finnish Securities Markets Act, and the Finnish Act on the Financial Supervisory Authority (878/2008, as amended), the FIN-FSA has the right to impose administrative sanctions to the extent the offense does not fall within the scope of the Finnish Criminal Code. The FIN-FSA may, for example, issue a public warning or impose an administrative fine or penalty payment for the breach of disclosure requirements insider register, or market abuse provisions. The disciplinary board of Nasdaq Helsinki may give a warning or note or impose a disciplinary fine or order a company to be removed from the stock exchange list. Nasdaq Helsinki may also issue disciplinary sanctions for breaches of the First North Rulebook.

Finnish Book-Entry Securities System

General

Any issuer established in the EU that issues or has issued transferable securities which are admitted to trading or traded on trading venues must arrange for such securities to be represented in book-entry form. The issuer has the right to choose the central securities depository where the securities are recorded. The central securities depository maintains the book-entry system. In Finland, the central securities depository is Euroclear Finland, which provides national clearing and settlement as well as registration services for securities. Euroclear Finland maintains a centralised book-entry securities system for both equity and debt securities. The registered address of Euroclear Finland is Urho Kekkosen katu 5 C, FI-00100, Helsinki, Finland.

Euroclear Finland keeps, on behalf of the issuers, issuer-specific shareholders' registers of companies entered into the book-entry system. The account operators, consisting, for instance, of credit institutions, investment service firms, and other institutions licensed to act as clearing parties by the central securities depository, administer the book-entry accounts and are entitled to make entries in the book-entry accounts.

Shareholders' registers must be maintained for issuers in the Finnish central securities depositary. Pursuant to Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, as amended, the central securities depositories are not obliged to offer shareholders book-entry accounts sponsored by issuers free of charge, but a central securities depository may offer such free accounts sponsored by issuers based on a voluntary business decision.

Registration procedures

In order to hold entries in the book-entry system, a shareholder or such holder's nominee must establish a book-entry account with an account operator or register its shares through a nominee registration process in order to effect share entries. Finnish shareholders are not allowed to hold their shares through nominee registration in Finland. For shareholders who have not transferred their shares into book-entries, a joint book-entry account is opened with the central securities depository, and the issuer is entered as the account holder. All transactions in securities registered with the book-entry securities system are executed as computerised book-entry transfers to the extent they are executed in the book-entry securities system. The account operator confirms book-entry transfers by sending notifications of all transactions to the holder of the respective book-entry account. Account holders also receive an annual statement of their holdings at the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder and other holders of rights to the book-entries entered into the account and information on the account operator administering the book-entry account. In addition to this, the book-entry account must contain information with respect to the type and number of securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A nominee account is identified as such on the entry. Euroclear Finland and the account operators are bound by strict confidentiality requirements, although certain information (for example the name and address of each account holder) contained in the register is public, except in the case of nominee registration. The FIN-FSA is entitled to receive certain information on nominee registrations upon request. However, a company must keep the shareholders' register accessible to everyone at the head office of the company or, if the company's shares are incorporated in the book- entry system, at the registered office of the central securities depository in Finland, except in the case of nominee registration.

Each account operator is liable for errors and omissions in the registers it maintains and for any unauthorised disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or other mistake or defect relating to the entries and the account operator has not compensated such loss, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund must be at least 0.0048 per cent of the average of the total market value of the book-entries kept in the book-entry securities system during the last five calendar years and it must be at least EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered from a single account operator subject to a maximum amount of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each individual incident is limited to EUR 10 million.

Custody of Shares and Nominee Registration

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organisation approved by the central securities depository) to act as a custodial nominee account holder on its behalf. The book-entry securities of a foreigner, foreign entity or trust may be deposited in a custodial nominee account, where the book-entry securities are registered in the name of a custodial account holder in the company's register of shareholders. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, the shares owned by a foreigner, foreign entity or trust may be registered in a book-entry account opened in the name of such foreigner, foreign entity or trust, but the holding may be registered in the name of a nominee in the company's register of shareholders.

A custodial nominee account holder is entitled to receive dividends on behalf of the shareholder. A holder of nominee-registered shares wishing to attend and vote at General Meetings must be notified for a temporary entry in the shareholders' register no later than the date set out in the notice to convene the meeting, which date must be subsequent to the Record Date of the relevant General Meeting. A holder of nominee-registered shares temporarily registered in the shareholders' register will be deemed to have registered for the meeting and no further registration is required provided that such holder of nominee-registered shares would be entitled, by virtue of such shares, to be registered in the shareholders' register of the company held by Euroclear Finland on the Record Date.

When the holder of nominee-registered shares is known, a custodial nominee account holder is required, on request, to disclose to the FIN-FSA and the relevant company the identity of the holder of the shares registered in its name and the number of shares owned by such holder of nominee-registered shares. If the identity of the holder of nominee-registered shares is not known, the custodial nominee account holder is required to disclose the identity of the representative acting on behalf of the holder of nominee-registered shares and the number of shares held and to submit a written declaration to the effect that the holder of the nominee-registered shares is not a Finnish natural person or legal entity.

Shareholders who wish to hold their shares in the book-entry securities system in their own name and who do not maintain a book-entry account in Finland are required to open a book-entry account through an account operator in Finland and a convertible euro account at a bank.

Compensation Fund for Investors and Deposit Insurance Fund

The Finnish Act on Investment Services (747/2012, as amended) (the "**Finnish Act on Investment Services**") sets forth a compensation fund for investors. Under such act, investors are divided into professional and non-professional investors. The fund does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which are deemed to understand the securities markets and the associated risks. An investor may also provide notice in writing that, on the basis of their professional skills and experience in securities markets, they are a professional investor, however, natural persons are generally presumed to be non-professional investors.

Investment firms and credit institutions must belong to the compensation fund. The compensation fund safeguards payment of clear and indisputable claims of investors when an investment company or credit institution has been declared bankrupt, is undergoing restructuring proceedings, or otherwise, for a reason other than temporary insolvency, is not able to pay claims within a determined period of time. For valid claims, the compensation fund will pay 90 per cent of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses attributable to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions.

Pursuant to the Act on the Financial Stability Authority (1195/2014, as amended), depositary banks must belong to a deposit guarantee scheme, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit

insurance fund up to a maximum of EUR 100,000. An investor's assets may be safeguarded either by the deposit insurance fund or the compensation fund. However, an investor's funds may not be safeguarded by both funds at the same time.

TAXATION

The following summary is based on the tax laws, case law and tax practice of Finland as in effect on the date of this Offering Circular. Any changes in tax laws, or case law and tax practice may affect taxation and they may also have a retroactive effect on tax consequences. The following summary is not exhaustive and does not take into account or deal with the tax laws, case law or tax practice of any country other than Finland. The following summary does not address the taxation of the Company itself or any tax consequences applicable to shareholders that may be subject to special tax rules, including, among others, different restructurings of corporations, controlled foreign corporations (CFC), non-business carrying entities, income tax-exempt entities, investment funds, or general or limited partnerships. Furthermore, this description addresses neither Finnish inheritance nor gift tax consequences, nor minimum tax.

In addition to the tax laws of the issuer's state of incorporation, the tax treatment of income received from securities is subject to the tax laws of the investor's state of residence. Prospective investors are advised to consult their own tax advisors in order to obtain information about tax consequences resulting from the purchase, ownership and disposition of the Offer Shares in Finland or elsewhere. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax consequences applicable to their particular individual circumstances.

Finnish Taxation

Background

The following is a general description of certain Finnish tax consequences that may be relevant with respect to the Offering. The described tax consequences relate to the purchase, ownership and disposal of Offer Shares by Finnish resident and non-resident shareholders. This description is based primarily on the following acts:

- the Finnish Income Tax Act (1535/1992, as amended, the "**Finnish Income Tax Act**");
- the Finnish Business Income Tax Act (360/1968, as amended, the "**Finnish Business Income Tax Act**");
- the Finnish Act on the Taxation of Non-residents' Income (627/1978, as amended);
- the Finnish Tax Prepayment Act (1118/1996, as amended);
- the Finnish Transfer Tax Act (931/1996, as amended, the "**Finnish Transfer Tax Act**"); and
- the Finnish Tax Assessment Procedure Act (1558/1995, as amended, the "**Finnish Tax Assessment Procedure Act**")

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available on the date of this Offering Circular have been taken into account.

All of the foregoing is subject to change. The changes could affect the tax consequences described below and may also be applicable retroactively.

General

The scope of taxation in Finland is defined by the tax liability position of a taxpayer. Finnish residents are subject to Finnish taxation on their worldwide income (unlimited tax liability). Non-residents are taxed only on Finnish source income (limited tax liability). In addition, any income received by a non-resident from a permanent establishment located in Finland is subject to taxation in Finland. Tax treaties binding on Finland may restrict the applicability of Finnish domestic tax legislation and the taxation of non-resident's Finnish source income.

Generally, a natural person is deemed a resident of Finland for tax purposes if the person stays in Finland for more than six consecutive months or if the permanent home and abode of the person is in Finland. A Finnish citizen is deemed a resident of Finland for tax purposes during the year he or she has emigrated from Finland and three subsequent years unless he or she proves that no essential ties to Finland existed during the relevant tax year. Earned income is taxed at progressive tax rates. Capital income up to EUR 30,000 per calendar year is taxed at a rate of 30 per cent and, if the overall capital income exceeds EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 per cent. Corporate entities established under the laws of Finland and foreign corporate entities having their place of effective management in Finland are regarded as tax residents of Finland and thus subject to corporate income tax on their worldwide income. The current corporate income tax rate is 20 per cent.

Distribution of funds from the reserve for unrestricted equity (Chapter 13 Section 1 Subsection 1 of the Finnish Companies Act) by a listed company as referred to in Section 33 a Subsection 2 of the Finnish Income Tax Act ("**Listed Company**") is taxed as distribution of dividends. Therefore, the following description on taxation of dividends also applies to distribution of funds from the reserve for unrestricted equity.

Taxation of Dividends

Resident individuals

85 per cent of dividends received by a natural person resident in Finland from a Listed Company is taxable as capital income, whereas 15 per cent is tax exempt income. The current applicable tax rate is 30 per cent for capital income of up to EUR 30,000 per calendar year and 34 per cent for any amount exceeding EUR 30,000 per calendar year. If the shares form part of the resident individual shareholder's business activities, 85 per cent of dividends paid by a Listed Company is considered business income, the remaining 15 per cent being tax-exempt. These dividends are taxed partly as earned income at progressive rates and partly as capital income at the rate of 30 per cent for capital income of up to EUR 30,000 per calendar year and 34 per cent for any amount exceeding EUR 30,000.

A Listed Company distributing dividends is obligated to withhold tax from dividends paid to resident individuals. Currently, the tax withheld is 25.5 per cent of the paid dividend. The tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. However, tax is withheld at a rate of 50 per cent on dividends that are paid on nominee-registered shares in case the dividend paying company or registered custodian closest to the dividend recipient does not receive or the custodian cannot provide the Tax Administration with the final recipient information of the beneficiary recipient referred to in the Finnish Tax Assessment Procedure Act, if the dividend recipient is subject to unlimited tax liability in Finland.

Resident individuals must review their pre-completed tax form to confirm that the received dividend income and amount of withholding during the tax year are correct and, if necessary, correct the information on the tax form.

Dividends paid for shares kept on a share savings account constitute proceeds of the share savings account, which are partially regarded as taxable capital income upon withdrawal from the share savings account. For further information on the taxation of the proceeds of share savings accounts, see "– *Taxation of Capital Gains*" below.

Resident Limited Liability Companies

The tax treatment of dividends distributed by a Listed Company varies depending on whether the Finnish company receiving the dividend is a listed company or a non-listed company.

Dividends received by a Listed Company from another Listed Company are generally tax-exempt. However, in case the shares are included in the investment assets of the shareholder, 75 per cent of the dividend is taxable income, the remaining 25 per cent being tax-exempt. Only financial, insurance, and pension institutions may have investment assets referred to in this context.

Dividends received by a non-listed resident company from a Listed Company are, in principle, taxable income in full. However, in cases where a non-listed company owns 10 per cent or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax-exempt provided that such shares are not included in the investment assets of the shareholder. However, in case the shares belong to the investment assets of such a shareholder, 75 per cent of the dividend received by the shareholder is taxable income and 25 per cent is tax exempt income, regardless of the size of the shareholding.

However, tax is withheld at a rate of 50 per cent on dividends that are paid on nominee-registered shares in case the dividend paying company or registered custodian closest to the dividend recipient does not receive or the custodian cannot provide the Tax Administration with the final recipient information of the beneficiary recipient referred to in the Finnish Tax Assessment Procedure Act, if the dividend recipient is subject to unlimited tax liability in Finland.

Non-Residents

Dividends paid by a resident company to non-residents are generally subject to Finnish withholding tax. The company distributing the dividend is liable to withhold the withholding tax as a final tax at the time of dividend payment. The withholding tax rate for dividends received by a non-resident individual shareholder is 30 per cent whereas the withholding tax rate for dividends received by a non-resident company is 20 per cent, unless otherwise set forth in an applicable income tax treaty for the avoidance of double taxation ("**Tax Treaty**"). However, tax is withheld at a rate of 35 per cent on dividends that are paid on nominee-registered shares if the dividend paying company or registered custodian does not have the final recipient information of the beneficiary recipient referred to in the Finnish Tax Assessment Procedure Act.

Finland has entered into Tax Treaties with many countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of treaties with the following countries, Finnish withholding tax regarding dividends of portfolio shares is generally reduced to the following rates: Austria: 10 per cent; Belgium: 15 per cent; Canada: 15 per cent; Denmark: 15 per cent; France: zero per cent (likely 15 per cent at the earliest as of the beginning of 2025, following the renegotiation of the tax treaty); Germany: 15 per cent; Ireland: zero per cent; Italy: 15 per cent; Japan: 15 per cent; the Netherlands: 15 per cent; Norway: 15 per cent; Spain: 15 per cent; Sweden: 15 per cent; Switzerland: 10 per cent; the United Kingdom: zero per cent; and the United States: 15 per cent (0 per cent for certain pension funds). This list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for dividend distributions on qualifying holdings (usually ownership of at least 10 or 25 per cent of the share capital or voting rights of the distributing company). However, the reduced withholding tax rate of a Tax Treaty could be applied already at the time of dividend payment only if the distributing company or possible registered custodian can already at the time of payment ascertain that a Tax Treaty can be applied to the dividend recipient in accordance with the applicable tax laws and Tax Administration's guidance.

Any Finnish withholding tax withheld in excess can be applied to be refunded by the Finnish Tax Administration by the non-resident shareholder. The refund of the tax requires that the shareholder can prove to be entitled to a lower withholding tax rate under the Finnish tax laws or applicable Tax Treaty.

Rulings of the European Court of Justice (Joined Cases C-116/16 and C-117/16 and Joined Cases C-115/16, C-118/16, C-119/16, C-299/16) regarding the concept of beneficial owner for EU law purposes may have implications on Finnish tax legislation going forward, which may result in, *inter alia*, additional criteria to obtain a lowered dividend withholding tax rate.

Generally, no withholding tax is levied on dividends paid to non-resident individuals for shares kept on a foreign investment or share savings account, if it is sufficiently comparable to a Finnish share savings account, however, based on the current taxation praxis, the foreign investment or share savings accounts are rather rarely equated with the Finnish share savings accounts. For the taxation of the proceeds of share savings accounts, see "– *Taxation of Capital Gains*" below.

Foreign Companies Residing in the EU member states

No withholding tax is levied under Finnish tax laws on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended by the Council Directive 2013/13/EU and 2014/86/EU ("**Parent-Subsidiary Directive**") and that directly hold at least 10 per cent of the capital of the dividend distributing resident company.

Foreign Companies Residing in the EEA

Dividends paid to certain foreign companies residing in the EEA are either tax-exempt in full or a lowered rate of withholding tax is applied to them depending on how the dividend would be taxed if paid to a corresponding Finnish corporate entity.

No withholding tax will be levied on dividends paid by a resident company to a non-resident entity, if (i) the entity receiving the dividend resides in the EEA; (ii) the Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation and Repealing Directive 77/799/EEC, as amended by the Council Directive (EU) 2015/2376 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation ("**Mutual Assistance Directive**") or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the recipient of the dividend; (iii) the company receiving dividend is equivalent to a Finnish entity defined in Section 33 d Subsection 4 of the Finnish Income Tax Act or in Section 6 a of the Finnish Business Income Tax Act; (iv) the dividend would be tax-exempt in full if paid to a corresponding Finnish limited liability company (see "– *Resident Limited Liability Companies*" above); and (v) the entity provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the Tax Treaty applicable in the home state of the recipient of dividends, the withholding tax cannot be credited in full.

Notwithstanding the above, the dividends will be only partly tax exempt if the shares of the company paying dividends belong to the investment assets of the company receiving the dividends and the company receiving the dividends is not an entity defined in the Parent-Subsidiary Directive, which directly owns at least 10 per cent of the capital of the company paying the dividend. In such situations, the applicable withholding tax rate is 15 per cent. A prerequisite for this tax treatment is that the recipient corporate entity has its registered office in a state fulfilling the conditions (i) and (ii) above and that the entity fulfils the conditions set out under (iii) above. Depending on the applicable Tax Treaty, the applicable withholding tax rate can also be lower than 15 per cent (see "– *Non-Residents*" above).

Foreign Individuals Residing in the EEA

The dividends paid to a foreign non-resident individuals can upon request by the individual in question be taxed, not in accordance with rules concerning withholding tax (see "– *Non-Residents*" above), but instead in accordance with the Finnish Tax Assessment Procedure Act, and thus, as resident individuals in Finland are taxed (see above "– *Resident individuals*"). This requires, however, that (i) the individual receiving the dividend resides in the EEA; (ii) the Mutual Assistance Directive or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the dividend recipient; and (iii) the dividend recipient provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the Tax Treaty applicable in the home state of the recipient of dividends, the withholding tax cannot be credited in full.

Taxation of Capital Gains

Resident Individuals

Capital gain or loss arising from the sale of securities, such as Offer Shares, is taxable in Finland as capital income, or as capital loss deductible from capital income of resident individuals. The current tax rate applied to capital gains is 30 per cent for capital income of up to EUR 30,000 per calendar year and 34 per cent for any amount exceeding EUR 30,000. If the disposition of shares is connected to business activities (business income source) of the seller, any gain arising from the sale is deemed to be the seller's business income, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income at a rate of 30 per cent (however, should the overall capital income exceed EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 per cent).

Any capital gain or loss is calculated by deducting from the transfer price the original acquisition cost and expenses related to the sale. Alternatively, individuals may, instead of deducting the actual acquisition cost, choose to apply a so-called presumptive acquisition cost, which is equal to 20 per cent of the transfer price or, if the shares have been held for at least ten years, 40 per cent of the transfer price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any expenses related to the sale are deemed to be included therein and, therefore, may not be separately deducted from the transfer price.

A capital loss arising from the sale of securities, such as Offer Shares, is deductible primarily from the resident individual's capital gains and secondarily from other capital income arising in the same year and the following five calendar years. Capital losses will not be taken into account when calculating the capital income deficit for the calendar year in question and it does not hence entitle to a deficit credit.

Notwithstanding the above, capital gains arising from the sale of assets, such as the Offer Shares, are exempt from tax, provided that proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000 (not including proceeds of assets the sale of which is tax-exempt pursuant to the Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the calendar year do not, in the aggregate, exceed EUR 1,000, and proceeds of all assets sold by the resident individual during the same calendar year do not, in the aggregate, exceed EUR 1,000.

The profit gained on the disposal of the securities kept on a share savings account is not taxable income at the time of disposal. The proceeds of a share savings account are considered taxable capital income when the proceeds are withdrawn from the share savings account. The current capital tax rate is 30 per cent for capital income of up to EUR 30,000 per calendar year and 34 per cent for any amount in excess of EUR 30,000.

The loss resulting from the disposal of securities kept on a share savings account is not deductible at the time of disposal or when the assets are withdrawn from the share savings account. The losses of a share savings account are deductible from the taxable capital income only in the year during which the share savings account is closed. The losses of a share savings account are deducted from the net capital income after the capital losses and before other deductions from the capital income. To the extent that the losses have not been deducted from the taxable capital income in the tax year, it will be taken into account when calculating the capital income loss. The losses of a share savings account are not taken into account when calculating the capital income deficit for the calendar year in question and therefore do not affect the amount of deficit credit. The capital income loss is deductible from capital income over the course of the subsequent 10 calendar years.

Resident individuals in Finland must review their pre-completed tax form to confirm that information regarding the sale of securities, such as Offer Shares, is correct and, if necessary, correct the information.

Resident Limited Liability Companies

The following applies only to resident limited liability companies taxed in accordance with the Finnish Business Income Tax Act.

Any capital gains from the transfer of the Offer Shares are generally regarded as taxable income of Finnish resident corporations. The assets of Finnish resident corporations which are taxed according to the Finnish Business Income Tax Act may be classified as fixed assets, current assets, investment assets, financial assets, or other assets (however, only financial, insurance and pension institutions may have investment assets as referred to in this context). The taxation of a disposal and value increase of shares may vary according to the asset type for which the shares qualify.

The capital gains from the sale of the shares are taxed generally as the business income of resident corporations, and the acquisition cost of the shares sold is deductible cost. However, a participation exemption for capital gains on share disposals is available for resident companies, provided that certain strict requirements are met. Apart from companies carrying out private equity business, capital gain arising from sale of shares that are part of fixed assets of the selling company is not considered taxable business income and, correspondingly, a capital loss incurred on sale of such shares is not tax deductible, provided, among others, that (i) the seller has continuously owned at least 10 per cent of the share capital in the company whose shares are sold and such sold shares have been owned for at least one year, which period has ended no later than one year prior to the sale; (ii) the company whose shares are sold is not a real estate or residential housing company or a limited liability company whose activities, on a factual basis, mainly consist of ownership or possession of property; and (iii) the company whose shares are sold is resident in Finland or a company defined in Article 2 of the Parent-Subsidiary Directive or resident in a country with which Finland has entered into a Tax Treaty applicable to dividends. In recent case law, when assessing the fixed asset nature of the shares, particular weight has been given to the way the shares have served the seller's business. Sales proceed is, however, taxable to the extent the difference on the sales proceed and non-tax depreciated acquisition cost relates to the tax depreciation made on the shares or certain other items defined in the Business Income Tax Act.

Tax deductible capital losses arising from sale of shares (other than shares sold under the participation exemption) that are part of fixed assets of the selling company can only be deducted from capital gains arising from sale of shares part of fixed assets during the same tax year and five subsequent tax years. Capital losses arising from sale of shares that belong to current assets, investment assets or financial assets are tax deductible from taxable income in the same tax year and the subsequent ten tax years in accordance with the general rules concerning losses carried forward. Should the capital loss result from sale of shares belonging to other assets, the capital loss can be deducted from capital gains accruing from sale of assets belonging to other assets in the same tax year and five subsequent tax years. However, in accordance with a transitional provision, capital losses which have been calculated according to the Finnish Income Tax Act and have not been offset before tax year 2020 are primarily deductible from capital gains on disposals of other assets, and secondarily from capital gains on disposal of shares or real property belonging to fixed assets, in the loss year and five subsequent tax years.

Non-Residents

Non-residents are generally not liable to tax in Finland on capital gains realised on disposal of Offer Shares, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland according to the Finnish Income Tax Act and the applicable Tax Treaty, and the shares are considered as assets of that permanent establishment, or more than 50 per cent of the assets of the company whose shares are disposed comprises one or multiple real properties located in Finland. From 1 March 2023 onwards, Finland is entitled to tax non-residents with or without the abovementioned permanent establishment in Finland on income arising from sale of shares, either in a Finnish or a non-Finnish entity, provided that more than 50 per cent of the value of such shares derives directly or indirectly from real property located in Finland and that the shares are not listed in a stock exchange. However, tax treaties may limit Finland's right to tax such income.

If a non-resident individual has a share savings account in Finland, the proceeds withdrawn from the Finnish share savings account may, however, be taxed in Finland as the non-resident's income, if there is no Tax Treaty in place preventing the taxation of the income in Finland. If there is no Tax Treaty in place preventing the levying of the withholding tax, the profit withdrawn from the share savings account will be subject to withholding tax at the rate of 30 per cent.

The loss resulting from the closing of a share savings account cannot be deducted from a non-resident's income subject to withholding tax. The loss of a share savings account can, however, be deducted from the capital income generated in Finland which is subject to taxation under the Finnish Tax Assessment Procedure Act, if the non-resident has such income. However, the loss of a share savings account cannot be deducted from capital income and will not be taken into account when calculating the capital income loss if a Tax Treaty prevents the taxation of the proceeds withdrawn from a share savings account in Finland.

Transfer Tax

Transfer tax is not payable in connection with the issuance or subscription of new shares in Finland.

Transfer tax is generally not payable in Finland on the transfer of shares subject to public trading on a regularly functioning regulated market or multilateral trading facility against fixed cash consideration on the condition that the broker or other

party to the transaction is an investment firm, a foreign investment firm or other investment services provider as defined in the Finnish Act on Investment Services or the transferee has been approved as a trading party in the market where the transfer is executed. If the transferee's broker or other party is not a Finnish investment firm or credit institution, or a Finnish branch or office of a foreign investment firm or credit institution, the precondition for the tax exemption is that the transferee notifies the Finnish Tax Administration of the transfer within two months of the transfer or that the broker submits an annual notification to the tax authorities pursuant to the Finnish Tax Assessment Procedure Act.

The exemption does not apply to certain specifically defined disposals, such as transfers of shares by means of a capital contribution or distribution, or transfers of shares in which the consideration consists partially or completely of employment or work. Also, the exemption does not apply to transfers of shares where the consideration is determined by arbitration in accordance with the provisions of Chapter 18 of the Finnish Companies Act (squeeze-out rules) concerning the handling of redemption disputes. Furthermore, the exemption does not apply to transfer of shares if it is based on an offer made after the public trading with the share in question has ended or before it has begun. However, such transfer may qualify for the exemption if it takes place in the context of a sale of shares that is part of a combined public offer to sell existing shares and subscribe for new shares of the company, in which the shares transferred are specified only after the public trading has begun and in which the sales price is equal to the subscription price of the new shares. This means, among others, that a sale of shares taking place as part of an initial public offering and that has been agreed before the trading has commenced in public trading on a regulated market or multilateral trading facility, may under certain circumstances be exempt from transfer tax, provided that, *inter alia*, new shares are being issued in the same initial public offering.

The purchaser is liable to pay transfer tax amounting to 1.5 per cent of the transaction price and other possible compensation in share transfers that do not fulfil the above criteria for tax-exempt transfer. If the purchaser in that case is neither a tax resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm, fund management company or EEA alternative investment fund manager, the seller is liable to collect the tax from the purchaser. Notwithstanding aforesaid, the foreign purchaser often declares and pays the transfer tax on the transfer itself, in which case for declaring and paying the transfer tax, a foreign investor must register with the Finnish Tax Administration in order to obtain a taxpayer-specific transfer tax reference number. If the broker is a Finnish stockbroker or credit institution or the Finnish branch or office of a foreign stockbroker or credit institution, it is liable to collect the transfer tax from the purchaser and execute the payment on behalf of the purchaser to the Finnish Tax Administration.

If neither party to the transaction is tax resident in Finland or a Finnish branch or office of a foreign credit institution, investment firm, fund management company or EEA alternative investment fund manager, no transfer tax is payable on the transfer of shares (excluding transfers of shares in real estate company, as defined in the Finnish Transfer Tax Act). No transfer tax is payable if the amount of transfer tax is less than EUR 10.

DOCUMENTS ON DISPLAY

Copies of the following documents are available during the period of validity of this Offering Circular on weekdays during normal business hours between 9 a.m. and 4 p.m. (Finnish time) at the registered address of the Company at Joukahaisenkatu 6, FI-20520, Turku, and on the website of the Company at www.faron.com:

1. the Articles of Association of the Company valid as at the date of this Offering Circular;

2. the documents incorporated by reference to this Offering Circular;

3. this Offering Circular; and

4. the Finnish Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been incorporated by reference into this Offering Circular in accordance with Article 19 of the Prospectus Regulation, and they form a part of the financial information of the Company. Should any of the documents incorporated by reference into this Offering Circular themselves refer to or incorporate by reference any further information, such information is not incorporated by reference into and does not form a part of this Offering Circular. The documents incorporated by reference are available at the Company's website at www.faron.com and at the registered office of the Company located at Joukahaisenkatu 6, FI-20520 Turku, Finland on weekdays during normal business hours.

Document	Link	Sections incorporated by reference	Pages
Annual Report 2023 of the Company	Link to document	The Company's audited consolidated financial statements as at and for the year ended 31 December 2023 and the auditor´s report	44–76
Annual Report 2022 of the Company	Link to document	The Company's audited consolidated financial statements as at and for the year ended 31 December 2022 and the auditor´s report	44–75

GLOSSARY

AML	Acute myeloid leukemia – a cancer of the myeloid line of blood cells characterised by the rapid growth of abnormal cells that build up in the bone marrow and blood and interfere with normal blood cell production;
Antigen	A substance causing the body to produce antibodies or that activates cell mediated immune response;
AOC3 inhibitor	Amine oxidase, copper containing inhibitor – reduces leukocyte recruitment and is predicted to decrease the production of reactive oxygen species useful in the treatment of a variety of diseases;
ARDS	Acute respiratory distress syndrome – a type of respiratory failure characterised by rapid onset of widespread inflammation in the lungs;
Azacytidine	A medication used for the treatment of specific haematological malignancies;
B cells	A type of white blood cell responsible for antibody production mediating the adaptive immune system;
BEXMAB	The BEXMAB trial is an open-label Phase I/II clinical trial investigating *bexmarilimab* in combination with standard of care in the aggressive hematological malignancies of acute myeloid leukemia and myelodysplastic syndrome;
Biomarker	A measurable indicator, either predictive, diagnostic or prognostic of a biological state or condition;
Biomedical	Branch of medical science that applies biological and physiological principles to clinical practice;
Biopharmaceutical	Any pharmaceutical drug product manufactured in, extracted from, or semisynthesized from biological sources;
Biotechnology	The use of biological systems and organisms to solve problems and make useful products;
Blasts	Partially differentiated, immature cells;
CAR-T therapy	A type of cancer treatment that utilises a patients' own, engineered T cells;
CD47	A transmembrane protein expressed widely in human cells and involved in a range of cellular processes;
CD47-SIRPα -axis	The CD47-SIRPα -axis refers to the interaction between CD47 on one cell and the SIRPα protein on another cell. This interaction can inhibit the immune response and prevent immune cells from attacking and destroying the target cell;
CD8+ T-cells	Cluster of Differentiation 8 positive T cells - Cytotoxic T cells, part of immune defence against intracellular pathogens, including viruses and bacteria, and for tumour surveillance;

Checkpoint inhibitor	A form of cancer immunotherapy that blocks immune checkpoint proteins, leading to enhanced immune responses;
Chemotherapy	Common cancer treatment used to destroy cancer cells and prevent tumor growth;
Chronic	An illness persisting for a long time or constantly recurring;
Clever-1	An immunosuppressive cell receptor involved in scavenging, angiogenesis and cell adhesion;
Clinical development	Human testing (healthy volunteers and patients) of a (potential) pharmaceutical product;
CMC	Chemistry, manufacturing and controls;
Cytokine	A broad category of important cell signalling proteins;
Cytokine release syndrome	An acute systemic inflammatory syndrome characterised by fever and multiple organ dysfunction;
GxP requirements	A collection of quality guidelines and regulations created to ensure that bio/pharmaceutical products are safe, meet their intended use, and adhere to quality processes during manufacturing, control, storage and distribution;
Hematological cancer	Cancer that begins in blood-forming tissue, such as the bone marrow, or in the cells of the immune system;
HMA	Hypomethylating agents – a form of chemotherapy used as the standard of care for treating certain types of blood cancers, such as higher-risk myelodysplastic syndrome. They work by inhibiting DNA methylation;
HMA-failed	Refers to a situation where MDS -patient does not respond to treatment with hypomethylating agents or the disease returns after the treatment;
HR	High-Risk – Classification of risk according to risk factors affecting the outlook of disease;
Humanised antibody	Antibodies from non-human species modified to increase their similarity to antibody variants produced naturally in humans;
Hyperinflammatory conditions	Diseases or disorders characterised by excessive inflammation;
IFNγ	Interferon gamma – a cytokine that plays an important role in inducing and modulating an array of immune responses;
IL-10	Interleukin-10 – An anti-inflammatory cytokine;
IL-4	Interleukin-4 – A immunoregulatory cytokine;
Immune response	Immune system’s reaction to an antigen;
Immunological	Relating to the structure and function of the immune system;
Immunosuppression	Reduction of the activation or efficacy of the immune system;

Immunotherapy	A type of cancer treatment that utilises the patients' immune system to fight cancer;
IND	Investigational New Drug Application – A request to obtain authorisation from the FDA to administer an investigational drug or biological product to humans;
Inflammatory	Relating to or causing inflammation, the immune system's response to harmful stimuli, of a part of the body;
Interferon beta-1a	An immunomodulating cytokine;
Intratumoral	Occurring within a tumor;
Intravenous	Administered into a vein or veins;
Leukemia	A broad term for cancer of the body's blood-forming tissues, including the bone marrow and the lymphatic system;
Lyophilized formulation	Sterile powder for injection made by freeze-drying method;
M1 macrophage	A classically activated, pro-inflammatory macrophage;
M2 macrophage	An alternatively activated, immunesuppressive macrophage;
Macrophage	Specialised cells involved in the detection, phagocytosis and destruction of bacteria and other harmful organisms;
MATINS	The MATINS trial is an open label Phase I/II adaptive clinical trial in selected metastatic or inoperable solid tumours to investigate the safety and efficacy of *bexmarilimab*;
Medical biochemistry	Study of the chemical processes and substances within living organisms;
Metastasis	Cancer that has spread from the initial or primary site to a different or secondary site within the body;
Monoclonal antibody	A type of protein that is made in the laboratory and can bind to certain targets in the body, such as antigens on the surface of cancer cell;
Monomyelocytic	Refers to blood cells that have the characteristics of both monocytes and granulocytes;
Monocyte	Defence cell present in blood stream, which transforms into a macrophage once entering a tissue. Monocytes participate in observing bacteria, and other harmful organisms, phagocytosis and presenting antigens.
Myelodysplastic syndrome (MDS)	A group of bone marrow disorders characterised by abnormal production of blood cells;
Myeloid cells	A heterogeneous population of cells derived from the bone marrow;
Myeloid malignancies	A group of diseases that affect the blood and bone marrow, characterised by the overproduction of abnormal white blood cells known as myeloid cells;

Oncology	Branch of medicine that deals with the prevention, diagnosis, and treatment of cancer;
Organic chemistry	Branch of chemistry that deals with the structure, properties, and reactions of organic compounds;
Overall response rate (ORR)	The proportion of treated patients who have a partial or complete response to therapy;
Pathogen	Organism or substance that can cause disease;
PD-1 / Anti-PD-1	Protein found on the surface of immune cells that helps regulate the immune response. Anti-PD-1 refers to drugs that block the PD-1 protein, allowing the immune system to attack cancer cells;
Pharmacology	Study of the effects of drugs and chemicals on living organisms;
Phase I clinical trial	A clinical trial which assesses the safety of a drug and usually includes a small number of volunteers. The trial is designed to determine the effects of a drug in humans including how it is absorbed, metabolised, and excreted. This phase also investigates the side effects that occur as dosage levels are increased;
Phase I/II clinical trial	In a Phase I/II trial a drug is first time administered to real patients. The first study phase is usually referred as phase I/II if a trial can provide information not only on safety and tolerability, but also efficacy in that indication, automatically expanding to a Phase II study to determine preliminary efficacy so as to achieve a clinical proof of concept in an expedited manner;
Phase II clinical trial	A clinical trial with a small number of patients (usually 20–30) to determine safety and efficacy of a new medicine and the nature of any side effects;
Phase III clinical trial	The final stage of clinical trials prior to seeking regulatory approval. The trial is designated to determine efficacy and safety of a drug in a large number of patients (usually several hundred);
Pre-clinical development	Stage of drug development that occurs before testing in humans;
Receptor	Proteins either inside a cell or on its surface which receive signals;
Refractory cancer/tumor	Cancer/tumor that is not responding to treatment;
Relapsed/refractory AML	Relapsed/Refractory AML – Leukemia that has come back after treatment and remission;
Remission	The recovery phase of a disease, i.e. the temporary cessation or significant reduction of symptoms in an incurable disease;
Single nucleotide polymorphism	A variation at a single position in a DNA sequence;
Solid tumor	Tumor that forms a solid mass of tissue;
Specialist medical doctor	Physician who has completed additional training and certification in a specific area of medicine;

Target molecules	Molecules that are the focus of a drug or treatment;
TNFα	Tumor Necrosis Factor alpha – A cytokine that has a role in the regulation of immune cells;
Tumor	Abnormal growth of cells that can be benign (not cancerous) or malignant (cancerous);
Tumor-associated macrophage	Type of white blood cell, that are found in and around tumors. TMAs can either help the immune system fight the tumor or support the growth and spread of the tumor;
VAP-1	Vascular Adhesion Protein 1, also known as AOC3;
Venetoclax	A Bcl-2 inhibitor used to treat certain types of haematological malignancies.