



FARON
PHARMACEUTICALS LTD

APPROVED BY THE ANNUAL GENERAL MEETING ON [DATE] 2026

STOCK OPTION TERMS AND CONDITIONS

STOCK OPTIONS 2026

The Annual General Meeting of Faron Pharmaceuticals Ltd (**Company**) has at its meeting on xx.xx 2026 resolved to issue stock options to the personnel of the Company and its subsidiaries (all jointly, **Group**) and to the members of the Board of Directors of the Company (**Board**), on the following terms and conditions.

1 STOCK OPTION TERMS AND CONDITIONS

1.1 Number of stock options

The maximum total number of stock options 2026 issued is 9,000,000, and they entitle their owners to subscribe for a maximum total of 9,000,000 new or existing ordinary shares in the Company (**Share**). The Board resolves whether new Shares or existing Shares held by the Company are given to subscribers.

1.2 Stock options

- (1) Of the stock options,
 - (a) 3,000,000 are marked with the symbol 2026A;
 - (b) 3,000,000 are marked with the symbol 2026B; and
 - (c) 3,000,000 are marked with the symbol 2026C.
- (2) The Board has the right to convert stock options held by the Company from one stock option class into another.

1.3 Right to stock options

The stock options are issued gratuitously to the personnel of the Group and the members of the Board. The Company has a weighty financial reason for the issue of stock options, since the stock options are intended to form part of the incentive and commitment program for the Group personnel and members of the Board.

1.4 Distribution of stock options

- (1) The Annual General Meeting of the Company resolves the grant of stock options to the members of the Board as follows:
 - (a) Stock options 2026A at the Annual General Meeting 2026;
 - (b) Stock options 2026B at the Annual General Meeting 2027; and
 - (c) Stock options 2026C at the Annual General Meeting 2028.

- (2) Distribution of stock options to the members of the Board outside Finland may be restricted or it may be subject to additional terms on the basis of local laws and other regulations.
- (3) The Board resolves the distribution of stock options to the personnel employed by or to be recruited by a company belonging to the Group (**Group Company**). The Board may resolve on particular additional provisions concerning the receipt of stock options. The Board resolves the further distribution of the stock options returned later to the Company. Distribution of stock options to the employees outside Finland may be restricted or it may be subject to additional terms on the basis of local laws and other regulations.
- (4) The personnel, to whom stock options are distributed, will be notified in writing by the Board about the offer of stock options. The stock options will be delivered when the Board has confirmed that the recipient has accepted the offer of the Board.
- (5) The stock options are regarded as a discretionary and nonrecurring part of compensation. The stock options are not regarded as a part of a stock option recipient's employment or director contract, and they are not regarded as a salary or fringe benefit.
- (6) A stock option recipient has no right to receive compensation for stock options on any grounds.
- (7) A stock option recipient is liable for all taxes and tax-related consequences arising from receiving or exercising stock options.
- (8) The Company pays the transfer tax connected to the receipt of Shares on the basis of stock options, when applicable. The transfer tax paid by the Company may be taxable income for the stock option owner.

1.5 Transfer of stock options

- (1) The Company holds the stock options on behalf of the stock option owner until the commencement of the Share subscription period. The stock options may freely be transferred and pledged after the Share subscription period has commenced. The Board may, however, permit the transfer or pledge of stock options also before such date. If the stock option owner transfers or pledges their stock options, they will be obliged to inform the Company about the transfer or pledge in writing, without delay.
- (2) The Board may, at its discretion, resolve to restrict the transfer of stock options in certain countries, e.g. for legal or administrative reasons.

1.6 Termination of employment or service before Share subscription period

1.6.1 Termination or cancellation of employment or director contract

- (1) If a stock option owner or a Group Company terminates or cancels the stock option owner's employment or director contract, such stock option owner will, without delay, forfeit to the Company or its designee, without compensation, such stock options for which the Share subscription period specified in Section 2.2 has not commenced, on the day on which the notice of termination or cancellation of employment or director contract has been given. As an exception to the above, the Board may resolve that the stock option owner may keep the stock options, or a part of them.
- (2) In these terms and conditions, termination of a stock option owner's employment or director contract refers to the day when the notice of termination or cancellation has been given.

1.6.2 Termination of employment or director contract on Good Leaver grounds

- (1) **Good Leaver** grounds are the following:
 - (a) a corporate re-arrangement,
 - (b) a transfer of business,
 - (c) a Group Company's ceasing belonging to the Group,
 - (d) a stock option owner's permanent disability,
 - (e) a stock option owner's retirement for a statutory pension, retirement for a pension as defined in the stock option owner's employment or director contract or stock option owner's retirement for a pension as determined by the Company, or
 - (f) a stock option owner's decease.
- (2) If a stock option owner's employment or director contract in a Group Company terminates on a Good Leaver ground, the Board will resolve whether the stock option owner or their estate or heir or beneficiary is entitled to keep such stock options that the Board has distributed to the stock option owner, or a part of them, for which the Share subscription period specified in Section 2.2 has not commenced on the last day of validity of the employment or director contract. When resolving on the stock options, the Board may take into account, e.g. the duration of the employment or director contract before for the commencement of the Share subscription period.
- (3) In these terms and conditions, termination of a stock option owner's employment or director contract on Good Leaver grounds refers to the last day of validity of the employment or director contract.

1.7 Termination of position as the member of the Board before Share subscription period

If a stock option owner's position as a member of the Board is terminated during a Board term, whether by the stock option owner or the Company, the member of the Board will immediately forfeit, without compensation, any stock options for which the share subscription period specified in Section 2.2 has not yet commenced. The forfeiture will take effect on the date the termination notice is given.

1.8 Termination of position as the member of the Board on Good Leaver Grounds

(1) **Good Leaver** grounds are the following:

- (a) the member of the Board has declared that they're available for re-election to the Board, but the Annual General Meeting does not elect them to the Board reason other than negligence or other cause attributable to such member of the Board;
- (b) a Board member notifies that they are not available for re-election to the position of a member of the Board for a new term;
- (c) a Board member's permanent disability, or
- (d) a Board member's decease.

(2) If a stock option owner's position as a member of the Board terminates on Good Leaver ground, the stock option owner or their estate or heir or beneficiary is entitled to keep such stock options that the Annual General Meeting has distributed to the stock option owner.

1.9 Incorporation of stock options into book-entry securities system

The Board may resolve incorporation of the stock options into the book-entry securities system. If the stock options are incorporated into the book-entry securities system, the Company will have the right to request and get transferred all forfeited stock options, from the stock option owner's book-entry account to the book-entry account appointed by the Company, without the consent of the stock option owner. In addition, the Company will be entitled to register transfer restrictions and other respective restrictions concerning the stock options on the stock option owner's book-entry account, without the consent of the stock option owner, until the commencement of the share subscription period.

2 SHARE SUBSCRIPTION TERMS AND CONDITIONS

2.1 Right to subscribe for Shares

Each stock option entitles its owner to subscribe for one (1) new Share in the Company or an existing Share held by the Company. The Share subscription price will be credited to the reserve for the Company's invested unrestricted equity.

2.2 Share subscription and payment

- (1) The Share subscription period for the stock options is
 - (a) 1 June 2029 – 31 May 2033 for stock options 2026A;
 - (b) 1 June 2030 – 31 May 2034 for stock options 2026B; and
 - (c) 1 June 2031 – 31 May 2035 for stock options 2026C.
- (2) If the last day of the Share subscription period is not a banking day, the Share subscription may be made on a banking day following the last Share subscription day.
- (3) Share subscriptions take place at the head office of the Company or possibly at another location and in a manner determined later. Upon subscription, payment for the Shares subscribed for is made to the bank account designated by the Company. The Board resolves all measures concerning the Share subscription.

2.3 Share subscription price

- (1) The Share subscription price for stock options is
 - (a) the subscription price is EUR 0.50 per option right 2026A, which corresponds to the share subscription price in the share issue where shareholders have pre-emptive subscription rights carried out in April 2026;
 - (b) the volume weighted average price (VWAP) in March 2027 for stock options 2026B; and
 - (c) the volume weighted average price (VWAP) in March 2028 for stock options 2026C.
- (2) The Share subscription price of the stock options may be decreased in certain cases mentioned in Section 2.7 below. The Share subscription price, nevertheless, always amounts to at least EUR 0.01.

2.4 Registration of Shares

Shares subscribed for and fully paid are registered in the book-entry account of the subscriber.

2.5 Shareholder rights

- (1) The dividend rights of the new Shares and other shareholder rights commence upon the entry of the Shares into the Trade Register.
- (2) If existing Shares, held by the Company, are given to the subscriber of Shares, the subscriber will be given the right to dividend and other shareholder rights once the Shares are registered on their book-entry account.

2.6 Share issues, stock options and other special rights entitling to Shares before Share subscription

- (1) If the Company, before the Share subscription, resolves on an issue of shares or an issue of new stock options or other special rights entitling to shares so that the shareholders have pre-emptive rights to subscription, a stock option owner will have the same right as, or an equal right to, that of a shareholder. Equality is reached in the manner determined by the Board by adjusting the number of Shares available for subscription, the Share subscription price or both of these.
- (2) A directed issue of shares or a directed issue of new stock options or other special rights entitling to shares has no impact on the rights of the stock option owner.
- (3) If, before the Share subscription, the Company resolves to increase the existing number of Shares by a pre-determined multiplier through a share issue without payment in a way that the shareholders have pre-emptive subscription rights (**Share Split**), the number of Shares available for subscription will be adjusted accordingly by increasing the number of Shares available for subscription and adjusting the Share subscription price.

2.7 Rights in certain cases

2.7.1 Distribution of assets

- (1) If the Company distributes dividends and/or assets from reserves of unrestricted equity, the Share subscription price of the stock options, will be deducted by the amount of the dividend and/or the amount of the distributable unrestricted equity per share resolved after the Board's resolution on the issue of stock options but before Share subscription, on each dividend record date and/or each record date of the repayment of equity.
- (2) If the Company reduces its share capital by distributing share capital to the shareholders, the Share subscription price of the stock options, will be deducted by the amount of the distributable share capital per share resolved after the Board's resolution on the issue of stock options but before Share subscription, on the record date of the repayment of share capital.

2.7.2 Acquisition or redemption of own Shares and acquisition of stock options and other special rights entitling to Shares

- (1) Acquisition or redemption of the Company's own shares or acquisition of stock options or other special rights entitling to shares will have no impact on the rights of the stock option owner. Should the Company, however, resolve to acquire or redeem its own shares from all shareholders, the stock option owners will be made an equivalent offer.
- (2) If, before the Share subscription, the Company resolves to redeem a given proportion of the Shares of all shareholders (**Reverse Share Split**), in accordance with Chapter 15 Section 9 of the Finnish Limited Liability Act, the number of Shares available for subscription will be adjusted accordingly by decreasing the number of Shares available for subscription and adjusting the Share subscription price.

2.7.3 Placing the Company in liquidation, or deregistration of the Company

If the Company is placed in liquidation before the Share subscription, the stock option owner will be given an opportunity to exercise their Share subscription right, within a period of time determined by the Board. If the Company is deregistered, before the Share subscription, the stock option owner will have the same right as, or an equal right to, that of a shareholder.

2.7.4 Merger, demerger or transfer of domicile

- (1) If, before the Share subscription,
 - (a) the Company resolves to merge with another company as a merging company or merge with a company to be formed in a combination merger; or
 - (b) the Company resolves to be demerged entirely;

the stock option owners will, prior to the registration of the execution of a merger or a demerger, be given the right to subscribe for Shares with their stock options, within a period of time determined by the Board. Alternatively, the Board may give a stock option owner the right to convert the stock options into stock options issued by the other company, in the manner determined in the draft terms of merger or demerger, or in the manner otherwise determined as equitable by the Board, or the Board may give a stock option owner the right to sell stock options prior to the registration of the execution of a merger or a demerger. After such period, no Share subscription right or conversion right exists.

- (2) The same proceeding applies to cross-border mergers or demergers, or if the Company, after having registered itself as a European Company (Societas Europae), or otherwise, registers a transfer of its domicile from Finland into another member state of the European Economic Area.
- (3) The General Meeting resolves the impact of potential partial demerger on the stock options.
- (4) In the above situations, the stock option owners have no right to require that the Company redeems the stock options from them at fair value.

2.7.5 Redemption right and obligation

If a redemption right and obligation to all of the Company's shares, as referred to in Chapter 18 Section 1 of the Finnish Limited Liability Companies Act, arises to any of the shareholders, prior to the expiry of the Share subscription period, on the basis that a shareholder possesses over 90 per cent of the shares and the votes of the shares of the Company, the stock option owners will be given a possibility to use their right of Share subscription by virtue of the stock options, within a period of time determined by the Board, or the stock option owners will have an equal obligation to that of shareholders to transfer their stock options to the redeemer, despite the transfer restriction defined in Section 1.5 above.

3 OTHER MATTERS

3.1 Amendment and interpretation of terms and conditions

- (1) The Board is authorized to resolve the implementation and administration of the stock options 2026 in accordance with the resolution of the Annual General Meeting. Subject to the limitations set out below, the Board has the authority to interpret the terms and conditions of the stock options 2026 and to adopt necessary rules and administrative procedures, provided that such measures are consistent with the resolution of the Annual General Meeting and do not materially amend the rights or obligations of the stock option owners.
- (2) The Board's authority to interpret the stock options 2026 terms will not apply to stock options granted to the members of the Board for other purposes than considering the Good Leaver status of a member of the Board. A member of the Board to whom the decision regarding Good Leaver status relates will not participate in the decision-making process. Such stock options will be applied strictly in accordance with their wording and the resolution of the Annual General Meeting. Any interpretation or determination concerning options granted to members of the Board will be made by the General Meeting of shareholders or by independent and non-conflicted members of the Board who are not recipients of such options.

3.2 Administration of stock options 2026

- (1) The Board may resolve technical or administrative adjustments required due to changes in applicable laws, regulations or stock exchange rules, or for practical implementation purposes, provided that such adjustments do not materially alter the substance of the stock options 2026 or the position of the stock option owners.
- (2) If the stock option owner acts against these terms and conditions, or against the instructions given by the Company, on the basis of these terms and conditions, or against applicable law, or against the regulations of the authorities, the Company will be entitled to gratuitously withdraw the stock options which have not been transferred, or with which Shares have not been subscribed for, from the stock option owner.

3.3 Data protection

- (1) The Company processes the stock option owners' personal data for the purpose of operating the stock option plan in accordance with applicable data protection laws and the Company's privacy notice. By participating in the stock option plan, the stock option owner acknowledges that the Company and/or any third party appointed by the Company to administer the plan processes personal data for the purpose of operating the stock option plan. More information on the processing of personal data and the rights of the data subject can be obtained from the Company's personnel department.
- (2) Any notices regarding the stock option plan may be delivered to the stock option owners by e-mail.

3.4 Applicable law and settlement of disputes

- (1) These terms and conditions are governed by the laws of Finland. Any dispute, controversy or claim arising out of or relating to these stock options, or the breach, termination or validity thereof, will be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Chamber of Commerce. The number of arbitrators will be one. The seat of arbitration will be Helsinki, Finland, and the language of the arbitration will be Finnish or English.
- (2) Stock options may be distributed to individuals who are located outside Finland. The stock option plan will be operated in a way which complies with the law wherever the individuals are located. If the stock option plan needs to be completed or amended in any way in order to comply with local law (whether in general or in relation to any particular stock option allocation, including stock option allocations already made) then the Board may make such additions and/or amendments as it considers reasonably necessary and desirable, within the requirements of the laws of Finland.

3.5 Determining language

These terms and conditions have been prepared in English. In the case of any discrepancy between the English version and potential translations, the English will prevail.