Faron Pharmaceuticals Ltd.
("Faron or Company")

Faron Obtains Up to EUR 30 Million Debt Funding from IPF Partners to Advance and Accelerate Pipeline

- Financing of up to EUR 30 million through a loan from IPF Partners
- Initial tranche consists of EUR 10 million
- Proceeds from first tranche provide the Company with sufficient working capital through Q4 2022
- The utilization of two additional tranches of EUR 5 million and EUR 15 million, respectively, is subject to certain conditions precedent
- IPF Partners will also be granted warrants entitling them to subscribe for ordinary shares and have the right to appoint a board observer

Company announcement, February 28, 2022 at 02:00 AM (EST) / 07:00 AM (GMT) / 09:00 AM (EET)
Inside information

TURKU, FINLAND / BOSTON, MA - Faron Pharmaceuticals Ltd. (AIM: FARN, First North: FARON), a clinical stage biopharmaceutical company focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer and inflammation, announces that it has entered into a secured debt agreement ("Funding Agreement") with IPF Partners ("IPF") to advance and accelerate its pipeline programs. The first tranche of EUR 10 million is agreed to be drawn today and is to be repaid quarterly over a five year term. Subject to certain conditions being met, Faron may have access to an additional EUR 20 million in funding until mid-2023 on a four and one-half year term under the Funding agreement. The Funding Agreement is subject to minimum cash and gross gearing covenants.

"This funding agreement strengthens our financial position and adds flexibility to our funding strategy by adding a debt instrument into our funding tools," said Toni Hänninen, Chief Financial Officer of Faron. "We are excited to be working with IPF Partners, one of the leading alternative financing providers focused on the healthcare sector, and thank them for their partnership."

The Funding Agreement is for up to EUR 30 million in three tranches. The first tranche of EUR 10 million will be drawn down on the date of this announcement. The second tranche of EUR 5 million may be drawn down on or before June 30, 2023 if Faron raises at least EUR 15 million of new gross equity, has sufficient funding until March 31, 2023 and has received an approval from the Food and Drug Administration of the U.S. Department of Health and Human Services regarding the protocol for a pivotal clinical trial of *bexmarilimab* in an oncology indication. The third, yet uncommitted tranche of up to EUR 15 million could be utilized after the drawdown of tranche two, subject to the IPF investment committee's prior approval on or before June 30, 2023. Each tranche carries an annual cash interest of three-month EURIBOR + 9.00% in addition to customary structuring and legal fees. The total cash cost of the arrangement is dependent on whether the debt is repaid on each maturity date or earlier.

As part of the arrangement, IPF will also be granted special rights which entitle them to subscribe for new ordinary shares in the Company against payment ("Warrants") for a period of seven years following the drawdown of each tranche except for the first drawdown, for which the subscription period will commence on March 25, 2022 and end on the date falling seven years after such date. The subscription price per share on the basis of these Warrants will equal the 30-day volume-weighted average price of an ordinary share of Faron on the Nasdaq Helsinki First North exchange immediately preceding the drawdown date of the respective tranche. The number of shares to be subscribed for under the Warrants will be calculated by dividing 10.0% of each tranche amount by the strike price defined above, subject to standard adjustments. For the first tranche the subscription price is calculated to be EUR 3.126 per share. Accordingly, IPF will have 319,944 Warrants giving them the right to subscribe for up to 319,944 ordinary shares in Faron following the drawdown of the first tranche. The issuance of Warrants in connection with the drawdown of the first tranche is carried out within the authorization granted to the Board by shareholders at the Company's Annual General Meeting held on April 23, 2021. Additionally, according to the Funding Agreement, IPF has the right to appoint a board observer in Faron.

"This year will be critical for the *bexmarilimab* development program as we expect updated survival and biomarker data from our Phase I/II MATINS trial, the initiation of our first hematologic Phase I/II trial, enrollment of patients in the first study evaluating *bexmarilimab* in combination with an anti-PD-1 molecule, and a meeting with the US FDA to discuss our data and path towards a regulatory filing," said Dr. Markku Jalkanen, Chief Executive Officer of Faron. "This financing agreement will notably help us continue to accelerate our ambitious *bexmarilimab* development program, which has the potential to bring the promise of

immunotherapy to a much broader patient population compared to the relatively small percentage of cancer patients benefiting from checkpoint inhibitor therapies today."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 ("MAR").

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About *Bexmarilimab*
Bexmarilimab is Faron's wholly-owned, investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid cell function. A novel anti-Clever-1 humanised antibody, bexmarilimab targets Clever-1 positive (Common Lymphatic Endothelial and Vascular Endothelial Receptor 1) tumour associated macrophages (TAMs) in the tumour microenvironment, converting these highly immunosuppressive M2 macrophages to immune stimulating M1 macrophages. In mouse models, *bexmarilimab* has successfully blocked or silenced Clever-1, activating antigen presentation and promoting interferon gamma secretion by leukocytes. Additional pre-clinical studies have proven that Clever-1, encoded by the Stabilin-1 or STAB-1 gene, is a major source of T cell exhaustion and involved in cancer growth and spread. Observations from clinical studies to date indicate that Clever-1 has the capacity to control T cell activation directly, suggesting that the inactivation of Clever-1 as an immune suppressive molecule could be more broadly applicable and more important than previously thought. As an immuno-oncology therapy, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. Beyond immuno-oncology, it offers potential in infectious diseases, vaccine development and more.

About MATINS
The MATINS (Macrophage Antibody To INhibit immune Suppression) study is a first-in-human open label phase I/II clinical trial investigating the tolerability, safety and efficacy of *bexmarilimab* in ten different hard-to-treat metastatic or inoperable solid tumour cohorts - cholangiocarcinoma, colorectal cancer, cutaneous melanoma, ER+ breast cancer, gastric cancer, hepatocellular carcinoma, ovarian cancer, uveal melanoma, pancreatic cancer and anaplastic thyroid carcinoma - which are all known to host a significant number of Clever-1 positive tumour-associated macrophages (TAMs). The completed Part I of the trial dealt with tolerability, safety and dose escalation. The ongoing Part II is focused on identifying patients who show an increased number of

Clever-1 positive TAMs and exploring safety and efficacy. Part III will be focused on assessing efficacy. Data from MATINS have shown that bexmarilimab has the potential to be the first macrophage immune checkpoint therapy. To date, the investigational therapy has been shown to be safe and well-tolerated, making it a low-risk candidate for combination with existing cancer therapies, and has demonstrated early signs of clinical benefit in patients who have exhausted all other treatment options.

About Faron Pharmaceuticals Ltd

Faron (AIM: FARN, First North: FARON) is a clinical stage biopharmaceutical company developing novel treatments for medical conditions with significant unmet needs caused by dysfunction of our immune system. The Company currently has a pipeline based on the receptors involved in regulation of immune response in oncology, organ damage and bone marrow regeneration. *Bexmarilimab,* a novel anti-Clever-1 humanized antibody, is its investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid function. Currently in Phase I/II clinical development as a potential therapy for patients with untreatable solid tumors, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. Traumakine is an investigational intravenous (IV) interferon beta-1a therapy for the treatment of acute respiratory distress syndrome (ARDS) and other ischemic or hyperinflammatory conditions. Traumakine is currently being evaluated in global trials as a potential treatment for hospitalized patients with COVID-19 and with the 59th Medical Wing of the US Air Force and the US Department of Defense for the prevention of multiple organ dysfunction syndrome (MODS) after ischemia-reperfusion injury caused by a major trauma. Faron is based in Turku, Finland. Further information is available at www.faron.com.

Forward Looking Statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as ''believe'', ''could'', "should", "expect", "hope", "seek", ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''potentially'', ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results and expectations discussed in the forward-looking statements, many of which are beyond the control of the Company. In particular, the early data from initial patients in the MATINS trial may not be replicated in larger patient numbers and the outcome of clinical trials may not be favourable or clinical trials over and above those currently planned may be required before the Company is able to apply for marketing approval for a product. In addition, other factors which could cause actual results to differ materially include the ability of the Company to successfully licence its programmes within the anticipated timeframe or at all, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets or other sources of funding, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.