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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE EU REGULATION 596/2014 ("MAR") AND ARTICLE 7 OF MAR AS INCORPORATED INTO UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("UK MAR").

THIS ANNOUNCEMENT IS ONLY DIRECTED AT PERSONS IN THE UNITED KINGDOM THAT ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION 2017/1129/EU AS INCORPORATED INTO UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 THAT ARE ALSO (I) INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") AND/OR (II) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (E) OF THE ORDER (EACH SUCH PERSON BEING REFERRED TO AS A "RELEVANT PERSON"). ACCORDINGLY, THIS ANNOUNCEMENT AND ITS CONTENTS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. PERSONS INTO WHOSE POSSESSION THIS ANNOUNCEMENT COMES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

Faron Pharmaceuticals Oy

("Faron" or the "Company")

Results of Placing and Issue Price

*Capitalised terms used in this announcement have the meanings given to them in the announcement made on 11 February 2021 regarding the proposed issue and placing of new ordinary shares in the Company (the "**Launch Announcement**"), unless the context provides otherwise.*

Company announcement, 12 February 2021 at 7:00 a.m. GMT / 9:00 a.m. EET

Inside information

TURKU – FINLAND – Faron Pharmaceuticals Oy (First North: FARON, AIM: FARN), the clinical stage biopharmaceutical company, announces today that the Bookbuild, announced on 11 February 2021, is now closed. The Placing comprises the issue of 3,521,127 Placing Shares at an Issue Price of €4.26 per Placing

Share, which represents a 5% discount to the 30 day volume weighted average price on NASDAQ Helsinki First North Growth.

The Placing Shares to be issued amount to approximately 7.5 per cent of the issued shares and votes in the Company, immediately prior to the Placing. The Company raised aggregate gross proceeds of EUR 15 million in the Placing. Several new high-quality Continental European institutional investors participated in the Placing, expanding Faron's investor base, along with existing investors, as planned. The European Investment Council Fund, EIC, which had given a pre-commitment, was the largest of the new investors. Faron is the first publicly listed company that the EIC Fund has invested in.

Commenting on the successful Placing, Dr Markku Jalkanen, Chief Executive Officer of Faron, said: *"We are delighted to have received this significant support from our existing and new investors in this successful financial round. In particular we would like to welcome the European Innovation Council Fund, a breakthrough initiative from the European Commission. With these additional resources we can further accelerate our pipeline projects, especially in the fight against cancer with our Clever-1 targeting precision immunotherapy, bexmarilimab. The recent discovery of free, soluble Clever-1 as an immune suppressive agent capable of directly restricting T-cell activation in all locations of the body may help us to control cancer-induced immune suppression in remote locations such as distant organs. Cancer clinicians have, for years, sought the ability to measure and control immune suppressive elements in their patients. Soluble Clever-1 is a prime candidate for this, with bexmarilimab offering significant potential as a breakthrough therapy."*

Commenting on the participation of the EIC in the Placing, Stéphane Ouaki, Head of Unit for Financial Instruments, DG Research and Innovation – European Commission, said: *"I am glad to announce that the EIC Fund is supporting Faron via this successful investment. This unique form of financing – combining grants and equity – is a signature feature of the European Innovation Council. It will bridge the funding gap for highly innovative companies, unlock additional private investments and enable the companies to scale up in Europe."*

Commenting on the successful Placing, Toni Hänninen, Chief Financial Officer of Faron, said: *"We are extremely pleased with the results of this Placing conducted on a very competitive market. This allows us to accelerate our development programmes and significantly strengthens our balance sheet."*

Use of Proceeds

The primary reason for conducting the Fundraise was to accelerate and expand the clinical development of the Company's main drug candidates, *bexmarilimab* and Traumakine® (intravenous interferon beta). In summary:

Bexmarilimab

- testing higher frequency of dosing to investigate potential for enhanced clinical responses;
- three new trials to study *bexmarilimab* treatment in a neoadjuvant setting, in combination with a PD(L)-1 checkpoint inhibitor and in haematological malignancies; and
- continuation of the MATINS trial, where five solid tumour cohorts have demonstrated early signs of clinical benefit in the first two stages (Part I and II) of the study.

Traumakine

- launch of the phase II/III HIBISCUS study in the US; and
- preparations to expand into additional clinical indications.

General corporate

- establishment of an operational unit in the US;
- investment in the manufacturing of both *bexmarilimab* and intravenous interferon beta; and
- strengthening of the Company's balance sheet.

The Placing Shares will confer a right to dividends and other shareholder rights from their registration with the trade register kept by the Finnish Patent and Registration Office (the "**Trade Register**") which is expected to be on or about 12 February 2021 (the "**Registration**"). Following the Registration, the Placing Shares will subsequently be entered in the book-entry system maintained by Euroclear Finland Oy and registered in the book-entry accounts of each investor. Trading in the Placing Shares is expected to commence on NASDAQ First North Growth and the AIM market of the London Stock Exchange latest on or around 16 February 2021.

Following issue and Registration of the Placing Shares, the number of shares in the Company will be 50,417,874 ordinary shares with voting rights attached. The Company has no shares in treasury; therefore, the total number of voting rights in Faron will be 50,417,874 (the "**New Number of Shares and Votes**"). This figure may be used by shareholders as the denominator for the calculations by which they will determine

whether they are required to notify an interest in, or a change to their interest in, the New Number of Shares and Votes of the Company.

Related party transaction

Timo Syrjälä, an existing shareholder in the Company, has subscribed for 46,948 Placing Shares in aggregate (subscribed for through Acme Investments SPF Sarl ("**Acme**"), an entity wholly owned by Mr Syrjälä), for an aggregate subscription value of EUR 200,000 at the Issue Price. Following the Placing, Mr Syrjälä's total holding in the Company's shares, which includes his indirect holding through Acme, will be 6,839,239 shares, representing 13.57 per cent of the New Number of Shares and Votes. Mr Syrjälä is a "Substantial Shareholder" in the Company for the purposes of the AIM Rules for Companies (the "**AIM Rules**"). His subscription for Placing Shares pursuant to the Placing is a related party transaction for the purposes of the AIM Rules. The Directors of the Company, all of whom are independent of Mr Syrjälä, having consulted with Cairn Financial Advisors LLP, the Company's nominated adviser for the purposes of the AIM Rules, consider the terms of the participation by Mr Syrjälä in the Placing to be fair and reasonable insofar as shareholders are concerned.

The information contained within this notice constitutes inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014.

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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. The Company currently has a pipeline based on the receptors involved in regulation of immune response in oncology and organ damage. *Bexmarilimab* is its investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid 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. With the ability to switch immune suppression to immune activation in various conditions, *bexmarilimab* has potential across oncology, infectious diseases and vaccine development. Currently in phase I/II clinical development as a potential therapy for patients with untreatable solid tumours, *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. In addition to its profound antiviral effect, Traumakine upregulates the cell surface protein Cluster of Differentiation 73 (CD73), an enzyme that suppresses pro-inflammatory responses in endothelial cells. Using an IV administration of interferon beta-1a provides optimal exposure to the lung vasculature, increasing protection against serious lung complications and helping to prevent vascular leakage by enhancing endothelial barrier

function. Traumakine is currently being evaluated in global trials as a potential treatment for hospitalised patients with COVID-19. As part of a working relationship established with Faron, the 59th Medical Wing of the US Air Force and the US Department of Defense are also evaluating Traumakine's role in preventing multiple organ dysfunction syndrome (MODS) after ischemia-reperfusion injury caused by a major trauma. Faron is based in Turku, Finland. Further information is available at www.faron.com.

About the European Innovation Council Fund

Established in June 2020, the European Innovation Council ("**EIC**") Fund is a breakthrough initiative of the Commission to make direct equity and quasi-equity investments (between €500.000 and €15 million) in the capital of start-ups and SMEs. The EIC Fund aims to fill a critical financing gap faced by innovative companies when bringing their technologies to the commercialisation stage. The Fund helps to fill this financing gap at the start-up stage where the EU venture capital market still underperforms compared to the global venture capital market. Its main purpose is not to maximise the return on the investments, but to have a high impact by accompanying companies with breakthrough and disruptive technologies in their growth as patient capital investor.

IMPORTANT INFORMATION

Market Abuse Regulation

Market soundings, as defined in Regulation (EU) No 596/2014 ("**MAR**"), were taken in respect of the proposed Placing with the result that certain persons became aware of inside information, as permitted by MAR. That inside information in relation to the Placing is set out in this announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information in such market sounding are no longer in possession of inside information relating to the Company and its securities.

This announcement contains inside information for the purposes of Article 7 of MAR and Article 7 of UK MAR.

MiFID II

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission

Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of: (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties (each as defined in MiFID II); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer.

Caution regarding forward-looking statements

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

A number of factors could cause actual results to differ materially from the results and expectations discussed in the forward-looking statements, many of which are beyond the control of the Company. In addition, other factors which could cause actual results to differ materially include the ability of the Company to successfully

licence its programmes, risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets or other sources of funding, reliance on key personnel, uninsured and underinsured losses and other factors. Although any forward-looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.