

## **NOTICE OF FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING**

Shareholders of Faron Pharmaceuticals Ltd (the “**Company**”) are notified of the Annual General Meeting (the “**AGM**”) to be held on 5 April 2024 at 10:00 a.m. EEST (Finnish time) at Biocity, meeting room “Presidentti” at Tykistökatu 6, FI-20520 Turku, Finland. The registration of attendees and the distribution of voting slips will commence at the meeting venue at 9:30 a.m. EEST (Finnish time).

The Company’s Annual Report 2023 is available for review and downloading on the Company’s website at <https://www.faron.com/>.

### **A. MATTERS ON THE AGENDA OF THE ANNUAL GENERAL MEETING**

- 1. Opening of the meeting**
- 2. Calling the meeting to order**
- 3. Election of persons to scrutinise the minutes and to supervise the counting of votes**
- 4. Recording the legality of the meeting**
- 5. Recording the attendance at the meeting and adoption of the list of votes**
- 6. Presentation of the financial statements, the report of the Board of Directors and the auditor’s report for 2023**

Review by the CEO.

- 7. Adoption of the financial statements**
- 8. Resolution on the use of the profit shown on the balance sheet and the payment of dividend**

The Board of Directors (the “**Board**”) proposes that no dividend for the financial year 2023 will be paid and that the losses of the Company for the financial year, amounting to EUR 30.9 million (IFRS), will be carried forward to the reserve for invested unrestricted equity.

- 9. Resolution on the discharge of the members of the Board and the CEO of the Company from liability**
- 10. Resolution on the remuneration of the members of the Board**

The Board proposes, on the basis of the proposal of the remuneration committee, that the annual remuneration of the members of the Board remain unchanged and that EUR 35,000 will be paid to the Board members, in addition to which an annual remuneration of EUR 35,000 will be paid to the chair of the Board. In addition, a further annual remuneration of EUR 11,000 will be paid to the chair of the audit committee, a further annual remuneration of EUR 9,000 will be paid to the chair of the remuneration committee and a further annual remuneration of EUR 6,000 will be paid to the chair of the nomination committee. In addition, a further annual remuneration of EUR 6,000 will be paid to the audit committee members, a further annual remuneration of EUR 5,000 will be paid to the remuneration committee members and a further annual remuneration of EUR 3,000 will be paid to the nomination committee members.

The Board furthermore proposes that meeting fees will be paid to the Board members as follows:

- a meeting fee of EUR 1,000 will be paid to Board members per Board meeting where the Board member was physically present, and which was held on another continent than the member's place of residence; and
- no meeting fees will be paid to Board members who were attending a Board meeting but not physically present or for Board meetings held on the same continent as the member's place of residence.

In addition, it is proposed that all reasonable and properly documented expenses incurred in the performance of duties of the members of the Board would be compensated.

The Board also proposes, on the basis of the proposal of the remuneration committee, that no remuneration will be paid based on the Board membership of the CEO of the Company or a person serving the Company under a full-time employment or service agreement.

#### **11. Resolution on the number of members of the Board**

The Board proposes, on the basis of the proposal of the nomination committee, that five (5) members be elected to the Board.

#### **12. Election of members of the Board**

The Board proposes, on the basis of the proposal of the nomination committee, that John Poulos, Markku Jalkanen, Tuomo Pätsi, Christine Roth and Marie-Louise Fjällskog be re-elected to the Board for a term that ends at the end of the next AGM.

Frank Armstrong and Erik Ostrowski have informed the Board that they are not available for re-election.

All proposed Board member candidates have given their consent for the election. The proposed Board members have informed the Company that in the event they are elected, they intend to elect Tuomo Pätsi as chair of the Board.

Information on the Board member candidates proposed to be re-elected are available on the Company's website at <https://www.faron.com/faron/leadership/board-directors>.

#### **13. Resolution on the remuneration of the auditor**

The Board proposes, on the basis of the proposal of the audit committee, that the auditor be remunerated in accordance with the invoice approved.

#### **14. Election of the auditor**

The Board proposes, on the basis of the proposal of the audit committee, that PricewaterhouseCoopers Oy ("PwC"), a firm of authorised public accountants, be re-elected as the Company's auditor.

PwC has informed the Company that it will appoint Panu Vänskä, authorised public accountant (KHT), as the key audit partner.

## 15. Resolution on the establishment of Shareholder's Nomination Board

The Board proposes that a Shareholders' Nomination Board be established for the Company and its Charter is adopted.

According to the proposal, the main duty of the Shareholders' Nomination Board would be to prepare the proposals on the number, composition and remuneration of the members of the Board to the Annual General Meeting and, if needed, to the Extraordinary General Meeting. In accordance with the proposal, the Shareholders' Nomination Board is established until further notice until otherwise decided by the General Meeting of shareholders.

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

The election process, as well as the composition, tasks and activities of the Shareholders' Nomination Board are defined in more detail in its Charter. The proposal for the Charter is available on the Company's website at <https://www.faron.com/investors/general-meetings>.

## 16. Authorising the Board to decide on the issuance of shares, option rights or other special rights entitling to shares

The Board proposes that the AGM authorise the Board to resolve by one or more decisions 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 would consist of up to twenty million (20,000,000) new shares in the aggregate (including shares to be received based on option rights or other special rights), which corresponds to approximately twenty nine (29) per cent of the existing shares and votes in the Company (as of the date of this notice), as well as the conveyance of up to the same maximum number (twenty million (20,000,000)) of treasury shares held by the Company.

In practise, the above authorisation includes that the Board may first resolve on one or more share issues (up to the maximum number of twenty million (20,000,000) new shares) without consideration to the Company itself and then further convey such treasury shares (up to the maximum number of twenty million (20,000,000) shares) against consideration.

The authorisation would not exclude the Board's right to decide on the issuance of shares, option rights or other special rights entitling to shares in deviation from the shareholders' pre-emptive rights.

The authorisation is proposed to be used for material arrangements from the Company's point of view, such as financing (including, without limitation, issuance of warrants under the funding agreement with IPF Partners announced on 28 February 2022) or implementing business arrangements, investments or for other such purposes determined by the Board 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' preemptive rights, would exist.

For the sake of clarity, it is noted that in no circumstances can the total number of new shares to be registered under this authorisation exceed twenty million (20,000,000) new shares in aggregate.

The Board would be authorised to resolve on all other terms and conditions of the issuance of shares, option rights or other special rights entitling to shares.

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

## **17. Authorising the Board to resolve on the issuance of shares**

### *Background to the proposal*

The Company previously announced on 4 March 2024 that it is continuing active endeavours and is in discussions to secure its short and longer-term financing needs. In connection hereto, it was announced that the Board of the Company intends to propose to the AGM an authorisation for a larger share issue to cover the Company's financing needs for the year 2024, contemplated to be launched as a public offering (with, in the event of an over-subscription, planned allocation preferences to existing shareholders and bridge finance lenders, and in compliance with the relevant securities markets regulation) (the "Offering") as soon as practicable once the required preparations and approvals are in place. Subject to the AGM approving the authorisation for the contemplated Offering, the required approvals being obtained and observing the market conditions, the subscription period is currently expected to commence and end during the first half of 2024.

The authorisation is proposed to 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. If further authorisations, in addition to those proposed by the Board to the AGM, would be required, these would be separately proposed to and handled at an Extraordinary General Meeting.

The authorisation is sought for a contemplated directed share issue and otherwise with broad discretion for the Board to allow flexibility for the Company to arrange the contemplated Offering also in a manner involving the Company's shareholders, in a timely manner and at the most beneficial terms available, as well as to facilitate the Company's bridge financing requirements. Due to the Company's AIM listing, arranging a rights issue post-Brexit would involve separate regulatory approval processes in Finland and the UK which would be challenging, time consuming and expensive. Hence, as currently contemplated, the most likely structure for the contemplated Offering would include (i) a public offering of shares in Finland with private placements in the EEA, and (ii) a separate UK "open offer" of shares (or depositary interests) to current UK shareholders (or holders of depositary interests) always capped at a total consideration of less than EUR 8 million. A limited number of other non-EEA investors could also be included in the Finnish public offering subject to and under applicable rules and exemptions, all as and subject to the final terms of the contemplated Offering. Further, the Finnish public offering could be structured in a way, where the subscription price (or price range) and a maximum number of shares would be determined before the launch of the contemplated Offering by the Board. Shareholders would not be granted subscription rights, but they could make subscriptions in accordance with the terms and conditions of the contemplated Offering, when available. The Finnish public offering could include separate retail and institutional tranches, with allocation preferences to existing shareholders and bridge financing lenders in the event of

an over-subscription, to be determined in more detail, along with the other terms and conditions. The UK open offer would be made to UK-resident holders of shares or depositary interests and could include an “excess application facility” allowing UK holders to apply for more than their pro rata allocation in the UK open offer, although the total consideration under the UK open offer would always be capped below EUR 8 million.

#### Authorisation for a directed share issue

The Board proposes that the AGM authorise the Board to resolve on a directed share issue by one or several decisions as follows:

The shares to be issued under the authorisation are new shares or treasury shares held by the Company. The authorisation would consist of up to of thirty million (30,000,000) new shares in the aggregate, which corresponds to approximately 43.6 per cent of the existing shares and votes in the Company (as of the date of this notice), as well as the conveyance of up to the same maximum number of thirty million (30,000,000) of treasury shares held by the Company.

The Board is authorised to decide on the issuance of shares in deviation from the shareholders’ pre-emptive rights and 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. A directed share issue always requires a weighty financial reason for the Company and a directed share issue without consideration requires an especially weighty financial reason for the Company, also taking into account the interests of all the Company’s shareholders.

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 contemplated public offering and the Company’s existing bridge financing needs.

In practise, the above authorisation includes that the Board may first resolve on one or more share issues (up to the maximum number of thirty million (30,000,000) new shares) without consideration to the Company itself and then further convey such treasury shares (up to the maximum number thirty million (30,000,000) shares). For the sake of clarity, it is noted that in no circumstances can the total number of new shares to be registered under this authorisation exceed thirty million (30,000,000) new shares in aggregate.

The authorisation does not cancel the remaining authorisation given to the Board 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 authorisation proposed to the AGM in agenda item 16, if said authorisation is approved by the AGM.

## **18. Closing of the meeting**

### **B. DOCUMENTS OF THE ANNUAL GENERAL MEETING**

The above-mentioned resolution proposals to the AGM, the Company’s Annual Report 2023 including the financial statements, the report of the Board of Directors and the auditor’s report and this notice are available on the Company’s website at <https://www.faron.com/investors> as of the date of publication of this notice. The



Board's proposals and the other above-mentioned documents will also be available at the AGM. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the AGM will be available on the Company's website as of 19 April 2024 at the latest.

## **C. INSTRUCTIONS FOR THE PARTICIPANTS OF THE ANNUAL GENERAL MEETING**

### **1. The right to participate and registration**

Each shareholder who on the record date of the AGM, being 22 March 2024 is registered in the Company's shareholders' register held by Euroclear Finland Oy has the right to participate in the AGM. A shareholder whose shares are registered on their personal Finnish book-entry account is registered in the Company's shareholders' register. If you do not have a Finnish book-entry account, see section C.3 "*Holder of nominee-registered shares (including depositary interest holders)*".

A shareholder who is registered in the Company's shareholders' register and who wants to participate in the AGM should register for the meeting by no later than 10:00 a.m. EEST (Finnish time) on Tuesday, 2 April 2024 by giving a prior notice of participation. The notice must be received before the end of the registration period. Notice of participation can be given:

- by email to [general.meeting@faron.com](mailto:general.meeting@faron.com) or
- by mail to Faron Pharmaceuticals Ltd, attn. Kaisa Kyttä, Joukahaisenkatu 6, FI-20520 Turku, Finland.

When registering, a shareholder shall state their name, personal identification number / business identity code, address, telephone number and the name of a possible proxy representative, legal representative or assistant and the personal identification number of the proxy representative or legal representative. The personal data given by shareholders to the Company are used only in connection with the AGM and the necessary processing of related registrations.

Shareholders, and their authorised representatives or proxy representatives should be able to prove their identity and/or right of representation at the meeting venue upon request.

### **2. Proxy representative and powers of attorney**

Shareholders may participate in the AGM and exercise their rights at the meeting by way of proxy representation. A proxy representative must present a dated power of attorney or other reliable proof of their authority to represent the shareholder.

If a shareholder participates in the AGM by means of several proxy representatives, who represent the shareholder with shares held in different book-entry accounts, the shares represented by each proxy representative shall be identified when registering for the AGM.

The Company offers the possibility for shareholders to designate Yrjö Wichmann, VP, Financing & IR, as their proxy representative, to represent them at the AGM in accordance with shareholder's voting instructions. Authorizing the designated proxy representative will not accrue any costs for the shareholder, excluding possible postal fees for proxy documents.

Possible proxy documents should be sent by email to [general.meeting@faron.com](mailto:general.meeting@faron.com) and in originals to Faron Pharmaceuticals Ltd, attn. Kaisa Kyttä, Joukahaisenkatu 6, FI-20520 Turku, Finland before the end of registration period by which time the proxy documents must be received.

In addition to providing proxy documents, the shareholder or their proxy representative must take care of registering for the AGM in the manner described in this notice.

### **3. Holder of nominee-registered shares (including depositary interest holders)**

A holder of nominee-registered shares (including depositary interest holders) has the right to participate in the AGM by virtue of such shares based on which the holder would be entitled to be registered in the Company's shareholders' register held by Euroclear Finland Oy on the AGM's record date of 22 March 2024.

Additionally, participation requires that the holder of nominee-registered shares is on the basis of such shares temporarily registered in the Company's shareholders' register held by Euroclear Finland Oy by 10:00 a.m. EEST (Finnish time) on Tuesday, 2 April 2024. As regards nominee-registered shares, this constitutes due registration for the AGM.

A holder of nominee-registered shares is advised to request the necessary instructions regarding temporary registration in the shareholders' register, issuing of proxy documents and registration for the AGM from their custodian bank without delay. A holder of nominee-registered shares shall note that custodian banks may apply deadlines for the registration and the providing of voting instructions of holders of nominee-registered shares. The account management organisation of the custodian bank must register a holder of nominee-registered shares who wants to participate in the AGM to be temporarily entered into the Company's shareholders' register by the above-mentioned time.

### **4. Other instructions and information**

Pursuant to Chapter 5, Section 25 of the Finnish Limited Liability Companies Act, shareholders who are present at the AGM are entitled to request information regarding the matters on the agenda of the AGM.

Changes in shareholding occurred after the record date of the AGM do not affect the right to participate in the AGM or the number of votes held by a shareholder.

On the date of this notice, 13 March 2024, the total number of shares and votes in the Company is 68,807,199.

The AGM shall be held in Finnish, partially translated into English.

Turku, 13 March 2024

FARON PHARMACEUTICALS LTD

Board of Directors