

FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Time	Tuesday 16 May 2017 at 10 a.m.
Place	BioCity building, Mauno Conference Center Tykistökatu 6, 20520 Turku, Finland
Present	Shareholders were present at the meeting, in person or represented by proxy, in accordance with the list of votes adopted at the meeting (<u>Appendix 1</u>).
Also present	Frank Armstrong, Chairman of the Board of Directors, Matti Manner, Vice Chairman of the Board of Directors, as well as Board members Juho Jalkanen, Markku Jalkanen (CEO and Board member) and Yrjö Wichmann (CFO and Board member) were present. The Company's main responsible auditor Kalle Laaksonen was also present. In addition, other members of the Company's management and other meeting officers were present.

1 §

Opening of the meeting

Frank Armstrong, Chairman of the Board of Directors, opened the meeting and welcomed all shareholders to the meeting.

2 §

Calling the meeting to order

The Annual General Meeting elected Riikka Rannikko, Attorney at Law, as Chairman, who asked Yrjö Wichmann, CFO, to act as secretary.

The Chairman presented the practical arrangements and proceedings related to the meeting, as well as the course of procedure.

It was noted that the meeting will be held in Finnish and English.

3 §

Election of a person to scrutinise the minutes and to supervise the counting of votes

Rolf Lind was elected to scrutinise the minutes and to supervise the counting of the votes in the Annual General Meeting.

4 §

Recording the legality of the meeting

It was noted that, according to the Articles of Association, the Notice of the Annual General Meeting shall be announced on the Company's website and through a regulatory information service approved by the London Stock Exchange not earlier than two months before the record date of the meeting, and no later than three weeks prior to the date of the meeting but, however, always at least nine days prior to the record date for the meeting.

It was noted that the Notice of the Annual General Meeting had been published on the Company's website and through the regulatory information service on 19 April 2017.

It was noted that the Annual General Meeting had been summoned in accordance with the Articles of Association and the Finnish Companies Act, and that the meeting had a quorum.

The Notice of the Annual General Meeting and the agenda were attached to the minutes (Appendices 2 and 3).

5 §

Recording the attendance at the meeting and adoption of the list of votes

A list of attendees at the beginning of the meeting and the list of votes (Appendix 1) were presented. According to the list, 27 shareholders, either personally or through a legal representative or by proxy, participated in the meeting. It was recorded that 13,312,483 shares and votes were represented at the beginning of the meeting, constituting 47.9% of all shares and votes in the Company. The list of votes was available in the meeting.

It was noted that the list of votes would be confirmed to correspond to the attendance at the beginning of any voting.

The list of votes was confirmed.

6 §

Presentation of the financial statements, the Report of the Board of Directors and the Auditor's Report for 2016

The financial statement documents for the period from 1 January to 31 December 2016 were presented, consisting of the Company's financial statements and the Auditor's Report.

CEO Markku Jalkanen presented the CEO's review.

It was recorded that the financial statement documents of the Company have been published on the Company's website on 19 April 2017, as of which date they had also been available at the Company's head office. The financial statement documents were available in the Annual General Meeting.

The financial statement documents were attached to the minutes (Appendix 4).

The Auditor's report was presented and attached to the minutes ([Appendix 5](#)).

7 §

Adoption of the Financial Statements

The Annual General Meeting resolved to adopt the financial statements for the period from 1 January to 31 December 2016.

8 §

Resolution on the use of the profit shown on the balance sheet and the payment of dividend

In accordance with the Board of Directors' proposal, the Annual General Meeting resolved that no dividend for the financial year 2016 will be paid and that the losses of the Company for the financial year, amounting to EUR 9,293,930.28 (IFRS), will be carried forward to the reserve for invested unrestricted equity.

9 §

Resolution on the discharge of the members of the Board of Directors and the CEO of the Company from liability

The Annual General Meeting resolved to discharge the Board members and the CEO from liability for the financial period from 1 January to 31 December 2016.

10 §

Resolution on the remuneration of the members of the Board of Directors

In accordance with the proposal made to the Annual General Meeting, it was resolved that an annual remuneration of EUR 32,000 will be paid to the Board members, in addition to which an annual remuneration of EUR 33,000 will be paid to the Chairman of the Board of Directors. In addition, a further annual remuneration of EUR 5,000 will be paid to the Chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee, respectively.

In accordance with the proposal of the Board of Directors it was also resolved that meeting fees will be paid to the Board members as follows:

- Board members who are resident outside of the European Union or the European Economic Area: EUR 2,000 per Board meeting where the Board member was physically present;
- Board members who are resident within the European Union or the European Economic Area: EUR 1,000 per Board meeting where the Board member was physically present;
- The meeting fees will be reduced by 50 per cent per Board meeting where the Board member was attending but not physically present.

Finally, all reasonable and properly documented expenses incurred in the performance of duties of the members of the Board of Directors will be compensated.

In accordance with the proposal, the Annual General Meeting also resolved 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 of Directors

In accordance with the proposal made to the Annual General Meeting it was resolved that the Board of Directors would comprise nine (9) members.

12 §

Election of members of the Board of Directors

In accordance with the proposal made to the Annual General Meeting it was resolved that Frank Armstrong, Markku Jalkanen, Jonathan Knowles, Matti Manner, Huaizheng Peng, Yrjö Wichmann and Leopoldo Zambetti be re-elected and that Gregory Brown and John Poulos be elected as new members to the Board of Directors for a term that ends at the end of the next Annual General Meeting.

It was recorded that the proposed Board members had informed the Company that in the event they are re-elected, they intend to elect Frank Armstrong as Chairman of the Board and Matti Manner as Deputy Chairman of the Board.

13 §

Resolution on the amendment of the Articles of Association

In accordance with the proposal made to the Annual General Meeting it was resolved that the following article will be added as the new Article 11 of the Company's Articles of Association and that the numbering of the Articles following said Article and the references to such Articles will be amended accordingly:

“11. Meeting venue

A General Meeting may in addition to the Company's domicile be held in the city of London, United Kingdom on the basis of a resolution by the Board of Directors.”

Furthermore, in accordance with the proposal of the Board of Directors it was resolved that Article 15 (previously Article 14) of the Company's Articles of Association will be amended to read as follows:

“15. Auditor

The Company shall have one (1) auditor, which shall be an auditing entity approved by the Finnish Patent and Registration Office. The term of office of the auditor shall expire upon the closing of the next Annual General Meeting following the election of the auditor.”

14 §

Resolution on the remuneration of the Auditor

In accordance with the proposal made to the Annual General Meeting it was resolved that the Auditor be remunerated in accordance with the invoice presented.

15 §

Election of the Auditor

In accordance with the proposal made to the Annual General Meeting it was resolved that PricewaterhouseCoopers Oy, Authorised Public Accountants, continue to act as the Company's auditor.

It was recorded that Kalle Laaksonen, Authorised Public Accountant, will act as the Auditor with principal responsibility, as appointed by PricewaterhouseCoopers Oy.

16 §

Resolution on the amendment of the option programme

In accordance with the proposal made to the Annual General Meeting it was resolved to amend the terms and conditions of the option programme adopted by the Extraordinary General Meeting of the Company on 15 September 2015, so that a maximum total of 500,000 C options and a maximum total of 500,000 D options would be offered under said terms and conditions as follows:

- to the Chairman of the Board: 40,000 C options and 40,000 D options;
- to each member of the Board (excluding the Chairman of the Board and the CEO and the CFO if they would be considered members of the Company's Board): 20,000 C options and 20,000 D options (a maximum total of 120,000 C options and a maximum total of 120,000 D options);
- to the CEO: 80,000 C options and 80,000 D options;
- to the CFO: 30,000 C options and 30,000 D options;
- to management, officers and employees to be nominated by the Board: a maximum total of 230,000 C options and a maximum total of 230,000 D options.

The terms and conditions of the option programme remain otherwise unchanged (Appendix 6).

17 §

Authorising the Board of Directors to decide on the issuance of shares

In accordance with the proposal made to the Annual General Meeting it was resolved to authorise the Board of Directors to resolve by one or several decisions on issuances of shares which authorisation contains the right to issue new shares or

dispose of the shares in the possession of the Company. The authorisation consists of up to 5,577,000 shares in the aggregate, which corresponds to approximately 20 per cent of the existing shares and votes in the Company.

The authorisation does not exclude the Board of Directors' right to decide on the issuance of shares in deviation from the shareholders' pre-emptive rights. The authorisation shall be used for material arrangements from the Company's point of view, such as financing 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, and possibly deviating from the shareholders' pre-emptive rights, would exist.

The Board of Directors is authorised to resolve on all other terms and conditions of the issuance of shares.

The authorisation will be effective until 30 June 2018.

18 §

Closing of the meeting

It was recorded that the resolutions in the Annual General Meeting had been made without voting.

The Chairman stated that all issues included in the meeting agenda had been concluded and that the minutes of the Annual General Meeting would be available on the Company's website as well as at the Company's head office as of 30 May 2017 at the latest.

The Chairman closed the meeting at 11.12 a.m.

In Fidem

RIIKKA RANNIKKO
Riikka Rannikko
Chairman

YRJÖ WICHMANN
Yrjö Wichmann
Secretary

Reviewed and confirmed

ROLF LIND
Rolf Lind
Examiner of the minutes

Appendices

1. List of shareholders present or represented in the Annual General Meeting
2. Notice of the Annual General Meeting
3. Agenda
4. Financial statements
5. Auditor's report
6. Amended terms and conditions of the option programme