

FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Time	Tuesday 28 May 2019 at 10:00 a.m.
Paikka	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 (Appendix 1).
Also present	Frank Armstrong, Chairman of the Board of Directors, Matti Manner, Vice Chairman of the Board of Directors, Markku Jalkanen (CEO and Board member) and Yrjö Wichmann (CFO and Board member) were present. The Company's auditor with principal responsibility Panu Vänskä 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 (the official language of the meeting) and partly in 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 7 May 2019. It was noted that the documents required pursuant to the Finnish Companies Act in relation to the meeting had been available to shareholders on the Company's website at the latest as of 7 May 2019. It was noted that the proposals concerning the number and election of members of the Board of Directors set out in the notice had been changed, and that change had been announced, in a stock exchange release issued on 24 May 2019.

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, the stock exchange release issued on 24 May 2019 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, 28 shareholders, either personally or through a legal representative or by proxy, participated in the meeting. It was recorded that 15,786,823 shares and votes were represented at the beginning of the meeting, constituting approximately 42.4% 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 2018; measures to remedy equity shortfall

The financial statement documents for the period from 1 January to 31 December 2018 were presented, consisting of the Company's financial statements and the Auditor's Report.

CEO Markku Jalkanen presented the CEO's review.

In connection with the CEO's review, Yrjö Wichmann, CFO, explained to the Annual General Meeting, based on Article 13 of the Articles of Association, the position of the reduction in the Company's equity and the measures taken by the Board of Directors. As the financial statements show, the equity of the Company had on the date of the financial statements been less than one half of the share capital of the Company. Mr Wichmann explained that the Company's equity had been strengthened early in the year with directed share issues under the share issue authorisation of the Board of Directors and that the Board of Directors continues to monitor the situation. It was recorded that the account had been given, and the Company's management and auditor placed themselves at the Annual General Meeting's disposal for any potential questions.

It was recorded that the financial statement documents of the Company have been published on the Company's website on 7 May 2019, 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](#)).

Panu Vänskä, the Company's auditor with principal responsibility, presented the Company's Auditor's report, which was 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 2018.

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 2018 will be paid and that the losses of the Company for the financial year, amounting to EUR 20,075,949.50 (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 2018.

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 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 Chairman of the Board of Directors. In addition, a further annual remuneration of EUR 11,000 will be paid to the Chairman of the Audit Committee, a further annual

remuneration of EUR 9,000 will be paid to the Chairman of the Remuneration Committee and a further annual remuneration of EUR 6,000 will be paid to the Chairman 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.

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:

- 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 than the member's place of residence.

In addition, 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 and updated on 24 May 2019 it was resolved that the Board of Directors comprises six (6) members.

12 §

Election of members of the Board of Directors

In accordance with the proposal made to the Annual General Meeting and updated on 24 May 2019 it was resolved that Frank Armstrong, Gregory Brown, Markku Jalkanen, Matti Manner, John Poulos and Leopoldo Zambeletti be re-elected 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 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.

14 §

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 Panu Vänskä, Authorised Public Accountant, will act as the auditor with principal responsibility, as appointed by PricewaterhouseCoopers Oy.

15 §

Authorising the Board of Directors to decide on the issuance of options or other special rights entitling to 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 options or other special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act. The authorisation consists of up to 2,000,000 shares in the aggregate, which corresponds to approximately 5.6 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 options or other special rights entitling to shares in deviation from the shareholders' pre-emptive rights. The authorisation shall be used for implementing an option plan for the employees and directors of, and persons providing services to, the group, substantially in the form of the option plan attached hereto as Appendix 6. There is a weighty financial reason for issuing options, as options are an integral part of the incentivisation system for the management and personnel of the Company.

Maximum number of options to be granted to the members of the Company's management and the Board of Directors shall be as follows:

- to the Chairman of the Board, a maximum of 180,000 options;
- to each member of the Board (excluding the Chairman of the Board and the CEO and the CFO if they would be considered as members of the Company's Board), a maximum of 90,000 options;
- to the CEO, a maximum of 360,000 options; and
- to the CFO, a maximum of 130,000 options.

The exercise of options will be subject to fulfilment of certain criteria to be resolved by the Board of Directors (the "Exercise Conditions").

Subject to fulfilment of the Exercise Conditions, the options may be exercised at the exercise price, which may not be less than the market value of a share at the grant date, as determined by the Board of Directors (the “Exercise Price”). In determining such market value, if shares are traded on the AIM market of the London Stock Exchange, the Board of Directors shall have regard to the average price per share at which shares have been so traded over a period of 90 days immediately preceding the grant date. The Exercise Price will be determined so as to create a sufficient incentive for the recipients of options. The Exercise Price shall be recorded in the Company’s reserve for invested unrestricted equity.

The Board of Directors is authorised to resolve on all other terms and conditions of the issuance of options or other special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act.

The authorisation will be effective until 30 June 2023. This authorisation shall not replace previous authorisations granted to the Board of Directors.

16 §

Authorising the Board of Directors to decide on the issuance of shares, options or other special rights entitling to 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, options or other special rights entitling to shares 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 shares in the possession of the Company. The authorisation consists of up to 7,095,000 shares in the aggregate (including shares to be received based on options or other special rights), which corresponds to approximately 19.1 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, options or other special rights entitling to 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, options or other special rights entitling to shares.

The authorisation will be effective until 30 June 2020. This authorisation shall not replace previous authorisations granted to the Board of Directors.

17 §

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 11 June 2019 at the latest.

The Chairman closed the meeting at 10:50 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 and release dated 24 May 2019
3. Agenda
4. Financial statements
5. Auditor's report
6. Option plan