

FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Time	Monday 18 May 2020 at 10:00 a.m.
Place	Company's premises at Joukahaisenkatu 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	Markku Jalkanen (CEO and Board member) and Matti Manner (Deputy Chairman of the Board) were present at the meeting venue. In addition, persons acting as meeting officers were present. The Chairman of the Board of Directors, the Company's CFO Toni Hänninen, and the key audit partner Panu Vänskä followed the meeting through remote connection. The absences were due to the restrictions and special measures related to the COVID-19 pandemic.

1 §

Opening of the meeting

Frank Armstrong, Chairman of the Board of Directors, opened the meeting with remote connection 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 Pessi Honkasalo, General Counsel of the Company, to act as secretary.

It was noted that due to the current COVID-19 situation, the Annual General Meeting will be kept short and concise. The duration of the presentations is limited to minimum. The Chairman reminded the participants of hand hygiene and keeping sufficient distance.

The Chairman gave her greetings from the meeting venue to the shareholders following the meeting with a remote connection and thanked them for their co-operation and understanding, which enables the Annual General Meeting to be held under these exceptional circumstances, where special legislation and authorities' regulations restrict or prevent complying with and applying procedures and practices otherwise applied.

The Chairman presented measures taken in relation to prevention of the COVID-19 pandemic. Among other things, the following was noted:

- The Annual General Meeting will be held in compliance with regulations imposed by the Finnish authorities in relation to prevention of the pandemic.
- The Company has taken and adopted several pre-emptive measures for the Annual General Meeting. The purpose of the measures is to ensure the safety and health of the Company's shareholders, representatives, personnel as well as other stakeholders and persons at the meeting.
- The Company has also urged all shareholders to follow authorities' guidance and recommendations, to carefully consider abstaining from the meeting, as well as to utilise the webcast, proxy representation and preliminary questions.
- By using the aforementioned measures, the shareholders are able to follow the meeting live. In addition, the shareholders have been able to ensure their voting possibilities in accordance with voting instructions given by themselves, and to present questions. The presented preliminary questions will be answered primarily in connection with the CEO's report.
- The meeting material and the presentations will be available on the Company's website after the meeting

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 generally 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

Virve Nurmi was elected to scrutinise the minutes and, if necessary, 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 14 April 2020. 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 14 April 2020.

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, 22 shareholders, either personally or through a legal representative or by proxy, participated in the meeting. It was recorded that 12,106,349 shares and votes were represented at the beginning of the meeting, constituting approximately 25.9% of all shares and votes in the Company. In total six shareholders or representatives were physically present at the meeting. The list of votes was available in the meeting.

It was noted that the Company had been provided with proxy documents prior to the meeting and the voting instructions included therein had been provided to the Chairman of the meeting. It was noted that necessary information will be recorded in the minutes under the relevant agenda items, and the authorised proxy acting as the secretary of the meeting shall confirm the validity of the entries.

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.

The Chairman noted that the Company's shareholders, who have given notice of attendance to the meeting before the last date of registration and provided their email address, can follow the Annual General Meeting by webcast. It was noted that also members of the Company's Board of Directors and management as well as meeting officials are present at the meeting. The Chairman of the Board of Directors, the CFO and the key audit partner of the Company were following the meeting with a remote connection.

6 §

Presentation of the financial statements, the Board's report and the Auditor's Report for 2019

The financial statement documents for the period from 1 January to 31 December 2019 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, Toni Hänninen, CFO, using remote connection, explained the financial information and measures taken due to the situation in accordance with the Article 13 of the Articles of Association. Mr Hänninen explained that the Company's equity had been strengthened in the spring 2020 with directed share issues under the share issue authorisation of the Board of Directors and that the management holds that no other measures are necessary. It was recorded that the account had been given.

It was recorded that the financial statement documents of the Company have been published on the Company's website on 25 March 2020, 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 Chairman read the auditor's report's opinion section. The auditor's report 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 2019.

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 2019 will be paid and that the losses of the Company for the financial year, amounting to EUR 13,261,911.93 (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 2019.

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 it was resolved that the Board of Directors would comprise six (6) 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, Gregory Brown, Markku Jalkanen, Matti Manner, John Poulos and Leopoldo Zambelletti 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 key audit partner, as appointed by PricewaterhouseCoopers Oy.

15 §

Resolution on the amendment of the option programmes

A. It was noted that the Company's extraordinary general meeting has on 15 September 2015 adopted the terms and conditions of an option programme which have later been amended by the decision of the AGM held on 16 May 2017 (the "**Option Plan 2015**"). It was noted that the options cannot currently be transferred or pledged before the subscription of shares without the consent of the Board. It was noted that the Board had proposed, on the basis of the proposal of the remuneration committee, that the Annual General Meeting resolves to amend the terms and conditions of the Option Plan 2015 so that the options may be transferred or pledged after the conditions for share

subscription have been fulfilled under the terms and conditions of the Option Plan 2015. The Board deemed that the proposed amendment will enhance the usability of the options and thereby significantly increase the desired benefits of the incentivisation system for the management and personnel of the Company. It was noted that the consolidated terms and conditions of the Option Plan 2015, incorporating the amendments proposed herein, were attached to the notice to the meeting.

B. It was further noted that the Company's AGM has on 28 May 2019 decided to authorise the Board to resolve 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. Pursuant to the decision of the AGM, the authorisation may 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 rules attached to that decision (the "**Share Option Plan 2019**"). It was noted that the options cannot currently be transferred or pledged before the subscription of shares. It was noted that the Board had proposed, on the basis of the proposal of the remuneration committee, that the Annual General Meeting resolves to approve implementing a change corresponding the aforementioned in the rules of the Share Option Plan 2019 so that the options may be transferred or pledged after the conditions for share subscription have been fulfilled. The Board deemed that the proposed amendment will enhance the usability of the options and thereby significantly increase the desired benefits of the incentive system for the management and personnel of the Company. It was noted that the consolidated rules of the Share Option Plan 2019, incorporating the amendments proposed herein, were attached to the notice to the meeting.

In accordance with the proposals made to the Annual General Meeting it was resolved to amend the terms and conditions of the Option Plan 2015 and Share Option Plan 2019.

16 §

Authorising the Board 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 8,650,000 shares in the aggregate (including shares to be received based on options or other special rights), which corresponds to approximately 18.5 per cent of the existing shares and votes in the Company.

The authorisation does not exclude the Board's 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 in which case a weighty financial reason for issuing shares, options or other special rights entitling to 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 2021. This authorisation shall not replace the authorisation granted to the Board of Directors mentioned above in item 15.B.

**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 1 June 2020 at the latest.

The Chairman closed the meeting at 10:47 a.m.

In Fidem

RIIKKA RANNIKKO

Riikka Rannikko
Chairman

PESSI HONKASALO

Pessi Honkasalo
Secretary

Reviewed and confirmed

VIRVE NURMI

Virve Nurmi
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