

FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Time	Thursday 26 May 2016 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 (Appendix 1).
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, Huaizheng Peng, as well as 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 persons to scrutinise the minutes and to supervise the counting of votes

Katja Wallenlind and Tiina Lummevuola were 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 4 May 2016.

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, 11 shareholders, either personally or through a legal representative or by proxy, participated in the meeting. It was recorded that 10,281,900 shares and votes were represented at the beginning of the meeting, comprising 44.49% 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.

Voting list was confirmed.

6 §**Presentation of the financial statements, the Report of the Board of Directors and the Auditor's Report for 2015**

The financial statements for the period from 1 January to 31 December 2015 were presented, consisting of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and notes to the financial statements, as well as the Report(s) of the Board of Directors.

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 10 March 2016, 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 2015.

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 2015 will be paid and that the losses of the Company for the financial year, amounting to EUR 6.2 million (IFRS), will be carried forward to 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 CEO from liability for the financial period from 1 January to 31 December 2015.

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 the fees payable to the members and the Chairman of the Board will remain unchanged from 2015 and be as follows: an annual remuneration of EUR 35,000 will be paid to the Board members, in addition to which 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 Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee. 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 Markku Jalkanen as the Company's CEO and Yrjö Wichmann as the Company's CFO will not receive such remuneration as a member of the Board of Directors.

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 of eight 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, Juho Jalkanen, Jonathan Knowles, Matti Manner, Huaizheng Peng, Yrjö Wichmann and Leopoldo Zambelletti be re-elected to the Board of Directors until the close 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.

In addition, the proposed Board members had advised that the members of the Board committees would remain unchanged and would therefore be as follows: Leopoldo Zambelletti would be the Chairman and Frank Armstrong and Huaizheng Peng members to the Audit Committee, Frank Armstrong would be the Chairman and Leopoldo Zambelletti and Huaizheng Peng members to the Remuneration Committee, and Matti Manner would be the Chairman and Frank Armstrong and Jonathan Knowles members to the Nomination Committee.

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

15 §**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 option programme adopted by the Extraordinary General Meeting of the Company on 15 September 2015 in respect of the total of 150,000 A options that have remained unallocated and unsubscribed for, confirmed the validity of the said 150,000 A options and that they are available to be allocated to key management and personnel and that the said A options may be subscribed during a term ending on 9 June 2016. Otherwise the terms and conditions remain unchanged and apply also to the said A options ([Appendix 6](#)). Following the amendment, any A options that have not been subscribed at the latest on 9 June 2016 will lapse.

16 §**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 4,622,340 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 will be authorised to resolve on all other terms and conditions of the issuance of shares.

The authorisation will be effective until 30 June 2017. The authorisation supersedes the authorisation granted by the Extraordinary General Meeting held on 15 September 2015.

17 §**Authorisation to make communication to shareholders in electronic form and to communicate by means of a website**

In accordance with the proposal made to the Annual General Meeting it was resolved that in future the Company shall be permitted to fulfil its obligations in respect of communication to its shareholders (including the Company's annual accounts) through the use of the Electronic Communication methods as defined in the AIM Rules for Companies (as amended from time to time). It was recorded that any such methods of communication will be established and operated in accordance with the requirements of the AIM Rules for Companies, the Company's articles of association and any legal requirements in its jurisdiction of incorporation, Finland.


18 §**Closing of the meeting**

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

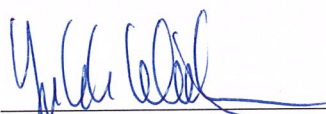
The Chairman stated that all issues included in the meeting agenda had been concluded and that the minutes of the Annual General Meeting would be available on the Company's website as of 9 June 2016 at the latest.

The Chairman closed the meeting at 10.45 a.m.

In Fidem




Riikka Rannikko
Chairman




Yrjö Wichmann
Secretary

Reviewed and confirmed



Katja Wallenlind
Examiner of the minutes



Tiina Lummevuo
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 Option Plan