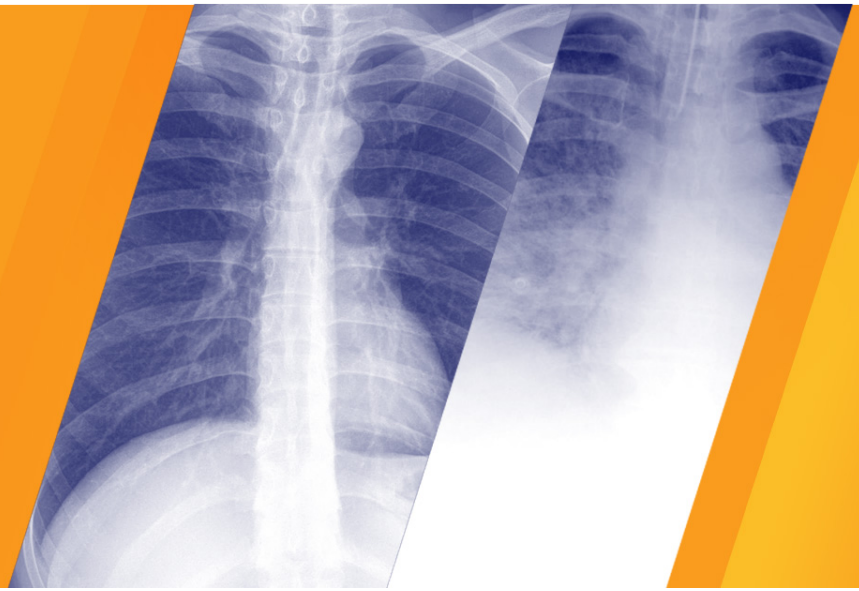
FARON
Pharmaceuticals

CONQUERING ACUTE RESPIRATORY DISTRESS SYNDROME (ARDS) AND CANCER IMMUNITY



Faron Pharmaceuticals Oy/Ltd

CEO Review / Annual General Meeting

26 May 2016

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INTRODUCTION TO FARON

Late Stage Clinical Development Pipeline Targeting Significant Unmet Medical Needs

- Successful IPO November 2015, raising €14.2 million (£10 million)
- Lead drug Traumakine® in Phase III INTEREST trial in Acute Respiratory Distress Syndrome (ARDS)
  - Generated strong results in UK-based Phase I/II trial, including a 81% reduction in the odds of mortality; data published in The Lancet Respiratory Medicine 2014
  - European Orphan Drug Designation status granted; 10 years market exclusivity from marketing approval +2 years subject to making a paediatric application
  - Two pharma licensing deals: Maruishi in Japan and China Medical Systems in Greater China
- Pipeline includes novel cancer immunotherapy – Clevegen®, to remove immune suppression around tumours caused by tumour associated macrophages (TAM)
- Experienced Management Team and Board with successful track record in Drug Development

EXECUTIVE DIRECTORS & SENIOR MANAGEMENT TEAM

Experienced Team with Successful Track Record in Drug Development

EXECUTIVE DIRECTORS

Dr Markku Jalkanen, Chief Executive Officer & Founder

- Over 25 years' experience in biomedical research, biotech development and the biopharmaceutical industry
- Former CEO of Biotie Therapies Corp., NASDAQ-listed life science company. Adviser to Finnish Life Sciences Fund, Inveni Capital
- PhD in Medical Biochemistry and Docent (lecturer) in Biochemistry and Molecular and Cell Biology

Yrjö Wichmann, Chief Financial Officer

- Over 20 years' experience in financing and investment banking in the life science and biotechnology sector
- Member of Investment Committee at Dasos Timberland Fund I and the Innovation Board of Helsinki University which oversees the venture capital portfolio of Helsinki University Funds
- Public company experience with London, Stockholm and Helsinki stock exchanges. Masters in Economics

SENIOR MANAGEMENT

Dr Ilse Piippo, VP Drug Development, Chief Medical Officer

- MD with expertise in Pharmaceutical Medicine and holds a MSc in Pharmaceutical Chemistry
- Over 30 years' experience in drug development both with NCEs and biologics
- Numerous drugs to different stages of development

Dr Mikael Maksimow, VP Operations

- Expert in autoimmune diseases and T cell biology
- Manages Faron's scientific network, collaborators and out-sourcing operations

Dr Matti Karvonen, VP Medical Director

- Background in clinical neurology
- Held several positions in international pharmaceutical organisations, including Roche, Biogen Idec and Novartis

NON-EXECUTIVE DIRECTORS

Dr Frank Armstrong, Non-Executive Chairman

- Significant industry experience at big pharma including Bayer and Zeneca as well as CEO roles with five biotechnology companies (public and private). Also holds several Chairmanships and Non-Executive positions
- Member of the Scientific Advisory Board of Healthcare Royalty Partners, a Fellow of the Royal College of Physicians

Matti Manner, Vice-Chairman

- Significant experience in national and international business deals, corporate law and M&A
- Holds several trustee posts including Presidency of the Finnish Bar Association during 2001-04

Dr Juho Jalkanen, Non-Executive Director

- Consultant in vascular surgery at Turku University Hospital
- Degree in International Marketing

Leopoldo Zambeletti, Non-Executive Director

- Long standing career in investment banking having led the European Healthcare Investment team at JP Morgan and Credit Suisse
- Non-Executive Director of Summit, Nogra Pharma

Dr Huaizheng Peng, Non-Executive Director

- General Manager of China Medical System Holdings
- Former global investor and investment banker specialising in life science, biotechnology and pharmaceuticals

Dr Jonathan Knowles, Non-Executive Director

- Former President of Group Research and a Member of the Executive Committee at Roche for 12 years
- Chairman of Adaptimmune and Immunocore, and a Director of several public and private companies
- Distinguished Professor in Personalized Medicine at the University of Helsinki, Finland

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ANNUAL RESULTS 2015

Total New Equity Raised in 2015 was €19.3 Million

KEY OPERATIONAL HIGHLIGHTS

Traumakine®

- First patient recruited in Phase III INTEREST trial following a successful regulatory establishment of the 55 ICU sites in seven European countries
- Entered into agreements with A&B (HK) Company Limited and CMS Pharma Co. Ltd in mainland China, Hong Kong, Macau and to license Traumakine
- Progress milestone (initiation of the Japanese clinical trial) for €0.5 million from Maruishi
- Reported second contract period on the EU FP7 grant programme for Traumakine, triggering next period payment

Clevegen®

- Collaboration agreement with Turku PET Centre on the development of Clevegen for tumour bio-imaging
- Agreement with Swiss-based Selexis SA for SUREtechnology Platform™ and SURE CHO-M Cell Line™ for use in the development and production of Clevegen
- Key publication on Novel Cancer Immunotherapy Mechanism Related to Clevegen function in generating immune suppression and published in Journal of Immunology
- Granted €1.5 million in funding by Tekes to progress the preclinical development of Clevegen

KEY FINANCIAL HIGHLIGHTS

Investments in High Priority Lead Projects – Traumakine® and Clevegen®

- Successful AIM IPO raising €14.2 million
- €5.1 million pre-IPO funding from A&B (HK) Company Limited in conjunction with Traumakine agreement for Greater China
- Total equity raised of €19.3 million (net €16.9 million) to fund initial pan-European Phase III INTEREST trial and to progress Clevegen
- Generated €0.5 million (2014: €0.9 million) revenues from milestone payments (Maruishi)
- Faron recorded grant income of €0.7 million (2014: €0.1 million) from the EU FP7 grant
- Tekes granted a €1.5 million R&D loan to progress the Clevegen programme
- Cash balance of €11.1 million (2014: €0.2 million)
- Operating loss was €6.2 million (2014: €1.4 million loss)

INCOME STATEMENT

EUR 000s	FY 2015	FY 2014
Revenues	520	906
Cost of Sales	(25)	(425)
GROSS PROFIT	496	481
Administrative expenses	(3 061)	(349)
Research and development expenses	(3 971)	(1 471)
Other operating income	701	111
OPERATING RESULT	(5 835)	(1 228)
NET FINANCIAL COSTS	(311)	(130)
Loss before income taxes	(6 146)	(1 358)
Income tax expense	(42)	(6)
TOTAL COMPREHENSIVE INCOME	(6 188)	(1 364)
Loss per share attributable to equity holders of the Company Basic and diluted loss per share, euro	(0,30)	(0,09)

BALANCE SHEET

EUR 000s	FY 2015	FY 2014
Property, plant and equipment	28	0
Intangible assets	1 001	1 184
NON-CURRENT ASSETS	1 029	1 184
Inventories	649	699
Trade and other receivables	2 074	40
Cash and cash equivalents	11 068	242
CURRENT ASSETS	13 791	980
TOTAL ASSETS	14 821	2 165
CURRENT LIABILITIES	2 197	1 662
NON-CURRENT LIABILITIES	1 446	1 691
TOTAL LIABILITIES	3 643	3 352
NET ASSETS	11 178	(1 188)

POST-PERIOD END HIGHLIGHTS

Focus on Commercial Success of Traumakine®

- January 2016, Faron announced positive results from the Phase II Japanese study for Traumakine conducted by Maruishi Pharmaceutical Co., Ltd.
- March 2016, Faron announced a patent application to further strengthen protection for its novel Traumakine formulation reinforcing Faron's global patent protection strategy
- April 2016, Faron announced two new patent filings to further strengthen Clevegen IP position
- May 2016, Faron announced Clevegen related technology platform called **TIET** (Tumour Immunity Enabling Technology), which Company offers in the future for licensing by number of biotech/ pharma companies involved in immune checkpoint drug development
- Phase III INTEREST trial on-going as planned

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ACUTE RESPIRATORY DISTRESS SYNDROME (ARDS)

Traumakine®

TRAUMAKINE

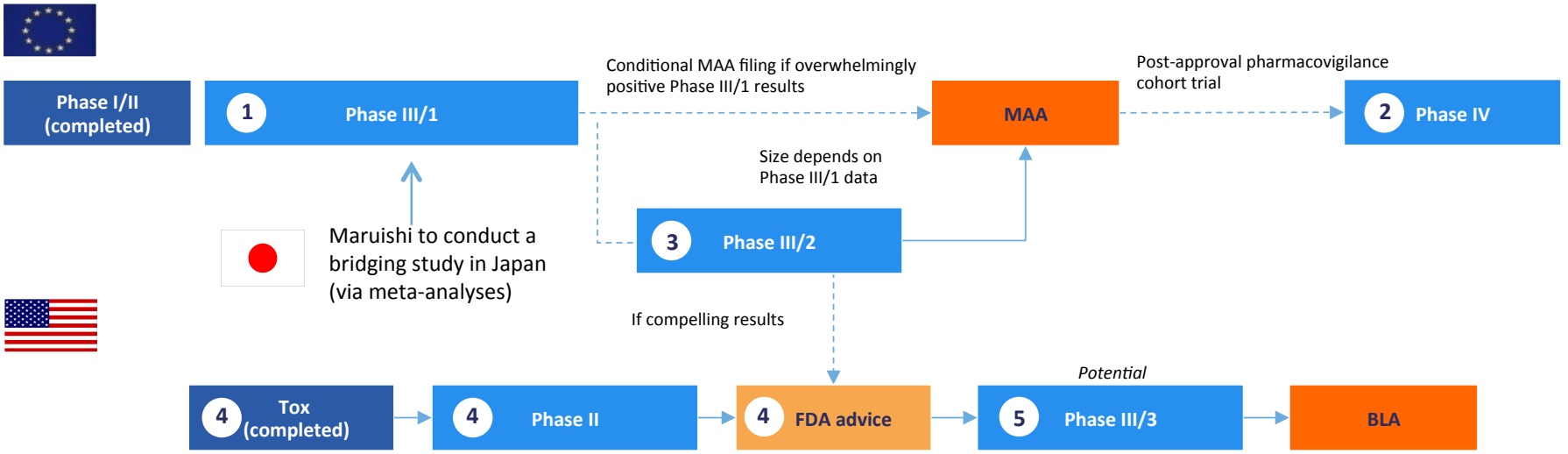
INTEREST - PAN-EUROPEAN PHASE III TRIAL ONGOING

Targeting Conditional MA in Europe 2017-18 and Progressing as Planned

- Randomised, double-blinded, 300 moderate/severe ARDS patients in seven countries across 55 hospital sites
- Seeking a reduction of all-cause mortality and days on ventilator
- Targeting 50% reduction in all-cause mortality at D28 and improvement of quality of life at 6 months
- Recruitment anticipated 12-18 months from 1st patient with 6 month follow-up and extended follow-up at 12 months
- Compelling results from first Phase III trial should allow filing of conditional application for marketing approval in Europe
- Guiding other territorial development, e.g. through meta-analysis combination

TRAUMAKINE® PHASE III TRIALS – ROAD TO COMMERCIALISATION

Trials Phased According to Regions – Enables a Cost Controlled Approach



1. Pivotal pan-European trial with 300 patients. CRO appointed and first patient recruited in December 2015. If statistically significant 28 day reduction of mortality then a conditional MAA filing will be pursued as advised by the EMA
2. If conditional MAA granted, a post-approval pharmacovigilance study will take place (Phase IV) in order to collect additional data relating to the safety of Traumakine
3. The size of the Phase III/2 trial is expected to be determined following interim analysis of the Phase III/1 trial (28 day mortality). The Phase III/2 trial includes an interim stop for early efficacy
4. Primate tox trial completed. Small Phase II safety trial in the US. Seek FDA advice in the US if the Phase III/1 provides positive indications in order to clarify the need and structure of a Phase III/3 trial to obtain a BLA, which if granted, provides 12 years of data exclusivity
5. Potential for trials following the pan-European Phase III/1 to become a global trial combining several territories at the same time via meta-analyses

THIRD PARTY VALIDATION THROUGH PARTNERSHIP AGREEMENTS

Two Territorial Agreements with Milestone Revenue, Equity & Development Funding

Maruishi Pharmaceutical Co.,Ltd.

- Japanese specialty pharma company with core focus on critical care medicines
- Japanese rights to Traumakine in return for €5.0 million in milestones and revenues
- Company is to receive approximately 30% of Traumakine net profits in Japan
- Maruishi will fund all Japanese clinical development
- 18 patients Phase II trial completed - demonstrating initial efficacy and good safety

CMS 康哲药业控股有限公司
CHINA MEDICAL SYSTEM HOLDINGS LTD.

- Strategic agreements with China Medical Systems (CMS) and A&B (HK) Ltd for the clinical development and commercialisation of Traumakine in Greater China*
- CMS and A&B (HK) Ltd will fund all development costs in Greater China
- Faron is entitled to a profit per treatment and low double-digit royalties above a certain minimum treatment price

*Greater China: Mainland China, Hong Kong, Macao and Taiwan

TRAUMAKINE® SUMMARY

- Most advanced treatment globally in development for ARDS
- Life saving treatment with no significant competitors in development
- Compelling data from Phase I/II trial was published in The Lancet Respiratory Medicine
- Strong market position with clear regulatory pathway
  - European Orphan Drug Designation status granted; 10 years market exclusivity from marketing approval +2 years subject to making a paediatric application
  - In US BLA, if granted, provides 12 years data exclusivity, orphan application under review
- Two licensing deals: Maruishi in Japan and China Medical Systems in Greater China
- Pivotal pan-European Phase III INTEREST trial has commenced
  - 1st patient recruited in Q4 2015
  - €6.0 million European Grant* for development of Traumakine obtained
  - Targeting commercial launch in Europe in 2018
- European/US distribution options under consideration
- Manufacturing arrangement secured with low COGS

*EU/FP7 grant received by consortium, including Faron, University College London Hospital, University of Turku and University of Rome

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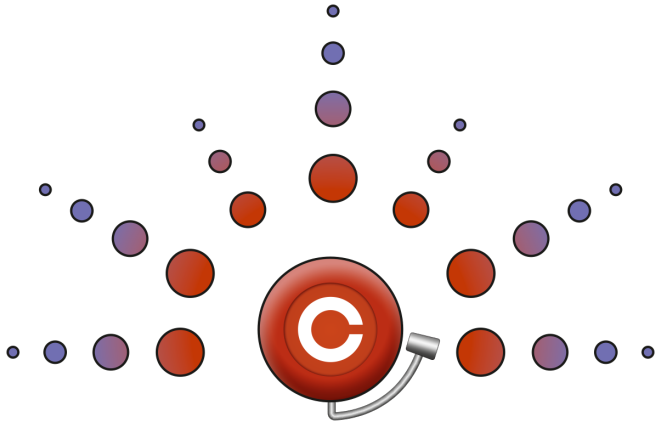
CANCER IMMUNOTHERAPY

Clevegen®

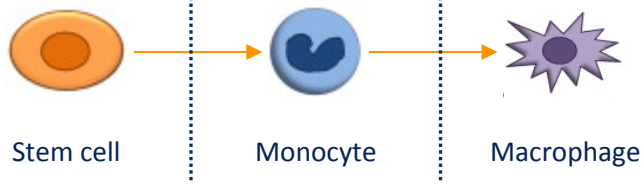


CLEVEGEN

MACROPHAGES

Two Types of Macrophages, Anti-tumour M1s and Pro-tumour Type M2s

How macrophages are produced and their role in adaptive immunity

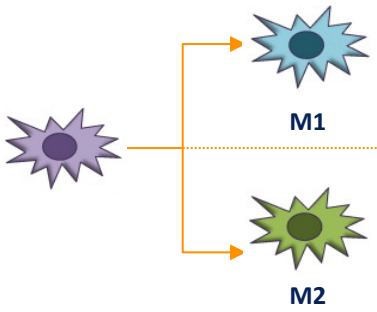


Monocytes are produced in the bone marrow from hematopoietic stem cell precursors. Macrophages are, in turn, produced by the differentiation of monocytes in tissues

Role in adaptive immunity

- As scavengers, macrophages rid the body of worn-out cells and other debris
- Macrophages are among the cells that "present" antigen, a crucial role in initiating an immune response
- Depending on the activation macrophages may have anti-tumour or pro-tumour characteristics

Two type of macrophages: M1 with anti-tumor characteristics and pro-tumour M2

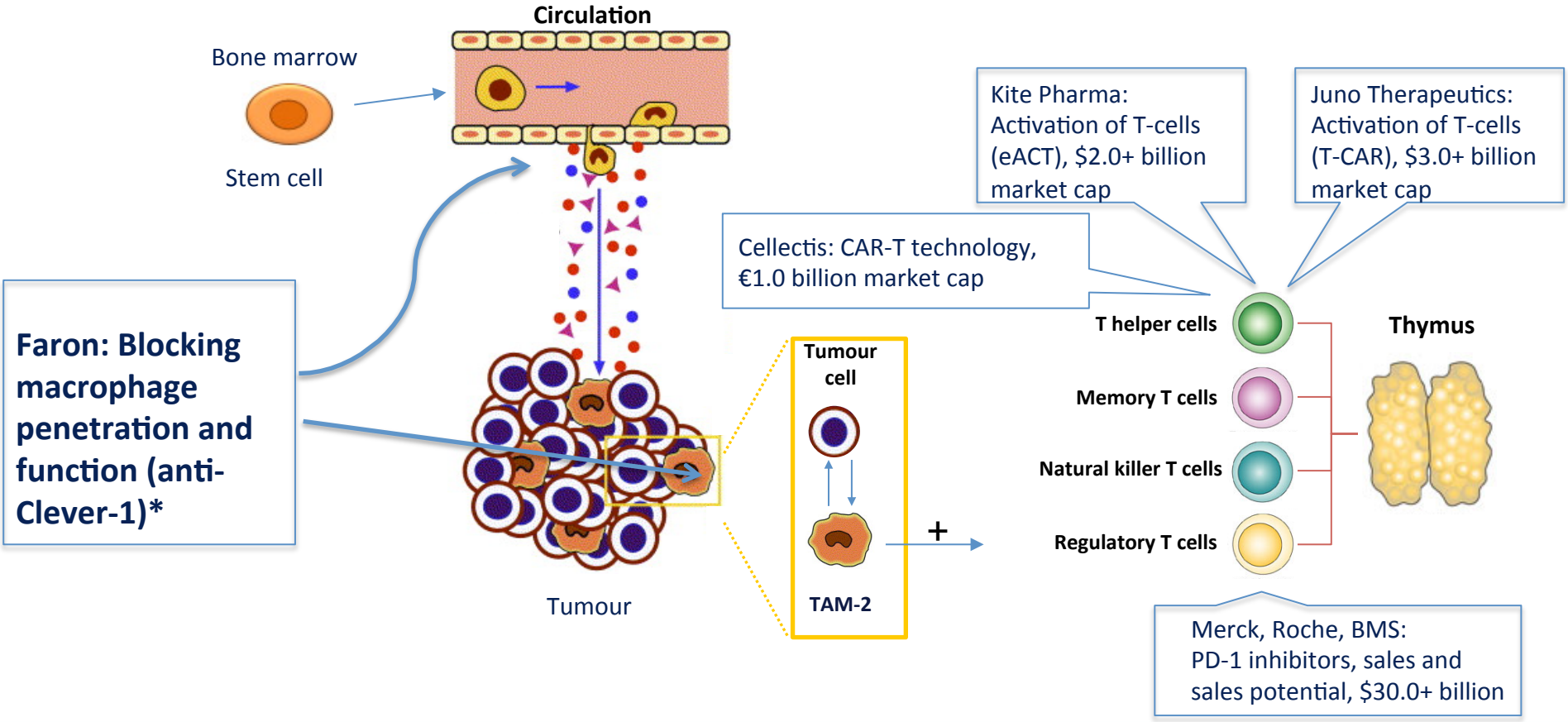


Activated	Characteristics	Tumour
M1	• Classically activated macrophages • Immune effector cells that are aggressive against microbes and can engulf and digest affected cells much more readily. They also produce many lymphokines	**Anti-tumour**
M2	• Alternatively activated macrophages (incl. TAMs) • May be ones that heal wounds and repair tissue, but may also be ones that turn off immune system activation by producing anti-inflammatory cytokines	**Pro-tumour**

CANCER IMMUNOTHERAPY BASED ON TAM ELIMINATION

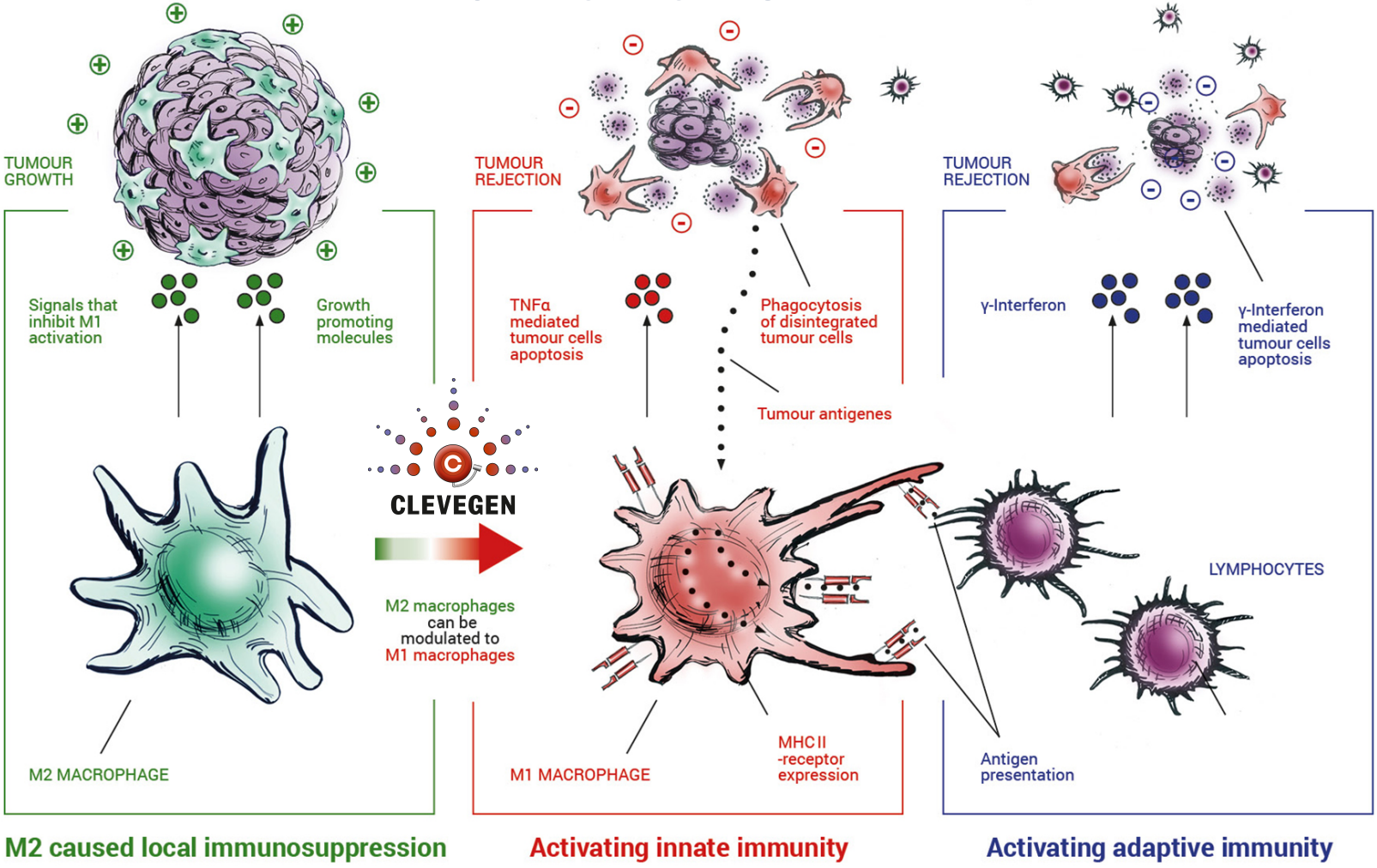
Promising Approaches to Intervene in Tumour Immune Suppression

Clevegen® limits function of tumour activated macrophages (TAM), a known immunosuppressive cell group in tumours

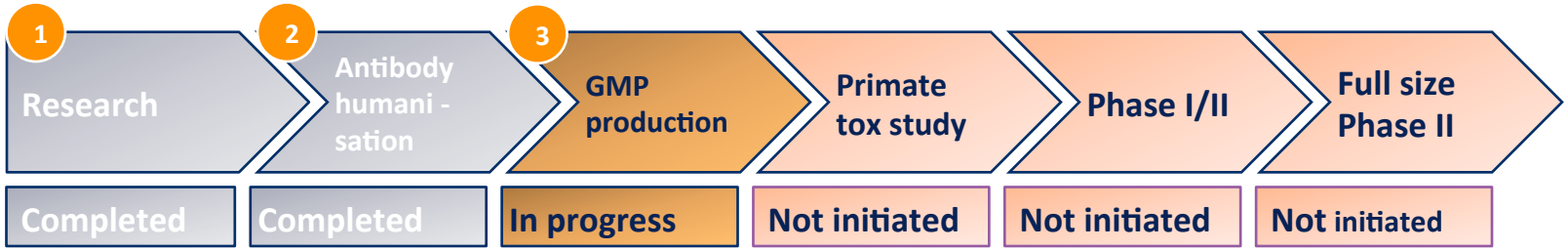


*Karikoski et al. (2014) Clin. Cancer Res. 20:6452-64

MACROPHAGE M2 →M1 CONVERSION IS AN IMPORTANT IMMUNE CHECKPOINT EVENT



CURRENT CLEVEGEN® DEVELOPMENT PATHWAY SUPPORTED WITH €1.5 MILLION NON-DILUTIVE LOAN FROM TEKES



1. Faron has excellent IP-coverage on Clever-1 target and function blocking antibodies

2. Faron has carried out anti-Clever-1 antibody humanisation in collaboration with antibody technology company

3. Fully humanised anti-Clever-1 antibody (FP-1305) production clones are under preparation. High yield cell clones will be used in early GMP production to obtain material for toxicology studies, supported by a €1.5 million loan from TEKES

TIET-TECHNOLOGY (TUMOUR IMMUNITY ENABLING TECHNOLOGY)

Provides stand-alone or immune combination therapies to combat cancer

Conversion of the local tumour environment from immune suppressive to immune activated by Clevegen:

- Targets unique immune checkpoint molecule Clever-1
- Binds to specific proprietary and dis-continuous epitope on Clever-1
  - Epitope binding results in phenotype M2 → M1 conversion of TAM
  - M2 → M1 conversion of TAM leads to transformation of immune suppressive environment around the tumour to immune activation
- Offers numerous possibilities of application as a stand alone or immune combination therapies to combat cancer
- Is considered safe due to the nature of Clevegen as a humanised antibody and the presence of Clever-1 in normal tissues and physiological processes

SUMMARY

- Drug development company with a strong pipeline, targeting significant unmet medical needs
- Lead drug Traumakine is the most advanced treatment globally in development for ARDS
- Strong market position with clear regulatory pathway
- Validating Traumakine deals from Maruishi (Japan) and CMS (Greater China)
- Pipeline includes proprietary novel cancer immunotherapy agent, Clevegen offering a potential new technology platform (TIET) for the pharma industry and significant upside for investors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