

NOTICE OF FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Shareholders of Faron Pharmaceuticals Ltd are invited to attend the Annual General Meeting to be held on 16 May 2017 at 10 a.m. at the premises of the BioCity building, Mauno Conference Center, address Tykistökatu 6, 20520 Turku, Finland. The registration of attendees and the distribution of voting slips will commence at the meeting venue at 9 a.m.

Faron Pharmaceuticals Ltd's Annual Report 2016 is available to view and download on the "Investor Relations" section of the Company's website: <http://www.faronpharmaceuticals.com/investor-relations/results>.

A. MATTERS ON THE AGENDA OF THE ANNUAL GENERAL MEETING

- 1. Opening of the meeting**
- 2. Calling the meeting to order**
- 3. Election of persons to scrutinise the minutes and to supervise the counting of votes**
- 4. Recording the legality of the meeting**
- 5. Recording the attendance at the meeting and adoption of the list of votes**
- 6. Presentation of the financial statements, the Report of the Board of Directors and the Auditor's Report for 2016**

Review by the CEO

- 7. Adoption of the Financial Statements**
- 8. Resolution on the use of the profit shown on the balance sheet and the payment of dividend**

The Board of Directors proposes 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**

- 10. Resolution on the remuneration of the members of the Board of Directors**

The Board of Directors proposes, on the basis of the proposal of the Remuneration Committee, 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.

The Board of Directors furthermore proposes 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.

In addition, it is proposed that all reasonable and properly documented expenses incurred in the performance of duties of the members of the Board of Directors would be compensated.

The Board of Directors also proposes, on the basis of the proposal of the Remuneration Committee, 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

The Board of Directors proposes on the basis of the proposal of the Nomination Committee that nine (9) members be elected to the Board of Directors.

12. Election of members of the Board of Directors

The Board of Directors proposes, on the basis of the proposal of the Nomination Committee, that Frank Armstrong, Markku Jalkanen, Jonathan Knowles, Matti Manner, Huaizheng Peng, Yrjö Wichmann and Leopoldo Zambelletti will be re-elected and that Gregory Brown and John Poulos will be elected as new members to the Board of Directors for a term that ends at the end of the next Annual General Meeting.

Descriptions of the Board member candidates are available on the Company's website at www.faron.com.

The proposed Board members have informed the Company that in the event they are 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

The Board of Directors proposes 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, the Board of Directors proposes 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."

The rationale for the first amendment is that the shares of the Company are listed on the AIM market operated by the London Stock Exchange, due to which a significant portion of the Company's shares and depositary interests are held by non-Finnish parties. The second amendment is a technical change relating to a change in applicable audit legislation.

14. Resolution on the remuneration of the Auditor

The Board of Directors proposes, on the basis of the proposal of the Audit Committee, that the Auditor be remunerated in accordance with the invoice presented.

15. Election of the Auditor

The Board of Directors proposes, on the basis of the proposal of the Audit Committee, that PricewaterhouseCoopers Oy, Authorised Public Accountants, continue to act as the Company's auditor.

PricewaterhouseCoopers Oy has informed the Company that it will appoint Kalle Laaksonen, Authorised Public Accountant, as the Auditor with principal responsibility for the completion of the Audit.

16. Resolution on the amendment of the option programme

The Board of Directors proposes, on the basis of the proposal of the Remuneration Committee, that the Annual General Meeting would resolve to amend, due to the increase in the number of employees in the Company and the increase in the number of Board members, 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 would remain otherwise unchanged.

The proposed amendment would increase the maximum total number of each of C options and D options by 100,000 options, representing a 25 per cent increase over the current maximum total of 400,000 of each of C and D options. This would increase the aggregate percentage of shares that can be subscribed for based on C and D options from 2.9 per cent to 3.6 per cent of all existing shares.

The maximum number of C and D options granted to each individual Board member, the CEO and the CFO would remain unchanged.

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

The Board of Directors proposes that the Annual General Meeting would 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 would consist 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 would not exclude the Board of Directors' right to decide on the issuance of shares in deviation from the shareholders' pre-emptive rights. The authorisation is proposed to 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 would be 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

B. DOCUMENTS OF THE ANNUAL GENERAL MEETING

The above-mentioned proposals to the Annual General Meeting and this notice are available on Faron Pharmaceutical's website at www.faron.com under Investor Relations/Annual General Meeting. Faron Pharmaceutical's financial statements, the Report of the Board of Directors and the Auditor's report, are available on the front page of the Company's website and under Investor Relations/Results. The Board proposals and the other above-mentioned documents will also be available at the Annual General Meeting. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the Annual General Meeting will be available to be viewed on the Company's website from 30 May 2017 at the latest.

C. INSTRUCTIONS FOR THE PARTICIPANTS

1. The right to participate and registration

Each shareholder who on the record date of the Annual General Meeting, being 4 May 2017, is registered in the Company's shareholders' register held by Euroclear Finland Ltd has the right to participate in the Annual General Meeting. A shareholder whose shares are registered on his/her personal book-entry account is registered in the Company's shareholders' register.

A shareholder who is registered in the Company's shareholders' register and who wants to participate in the Annual General Meeting should register for the meeting by no later than 4 p.m. (Finnish time) on Thursday 11 May 2017 by giving a prior notice of participation:

- by email to virve.nurmi@faron.com; or
- by mail to Faron Pharmaceuticals Ltd, C/o Virve Nurmi, Joukahaisenkatu 6, FI-20520 Turku, Finland.

When registering, a shareholder shall state his/her name, personal identification number / business identity code, address, telephone number and the name of a possible proxy representative or assistant and the personal identification number of the proxy representative. The personal data given by shareholders to Faron Pharmaceuticals is used only in connection with the Annual General Meeting and the necessary processing of related registrations.

The shareholder, his/her authorised representative or proxy representative should, when necessary, be able to prove his/her identity and/or right of representation.

2. Proxy representative and powers of attorney

A shareholder may participate in the Annual General Meeting and exercise his/her rights at the meeting by way of proxy representation. A proxy representative must present a dated power of attorney or other reliable proof of their authority to represent the shareholder.

A shareholder may participate in the Annual General Meeting by means of several proxy representatives, who represent the shareholder with shares held on different book-entry accounts. In such case, the shares represented by each proxy representative shall be identified when registering for the Annual General Meeting.

Possible proxy documents should be sent in originals to Faron Pharmaceuticals, Joukahaisenkatu 6, FI-20520 Turku, Finland, before the end of registration period.

3. Holder of nominee-registered shares (including depositary interest holders)

A holder of nominee-registered shares (including depositary interest holders) has the right to participate in the Annual General Meeting by virtue of such shares based on which the holder would be entitled to be registered in the Company's shareholders' register held by Euroclear Finland Ltd on the Annual General Meeting's record date of 4 May 2017.

Additionally, participation requires that the holder of nominee-registered shares is temporarily registered in the Company's shareholders' register held by Euroclear Finland Ltd by 10 a.m. Finnish time on Thursday 11 May 2017. Temporary registration in the shareholders' register shall be deemed to be a registration for the Annual General Meeting.

Holders of nominee-registered shares are advised to request the necessary instructions regarding the temporary registration in the shareholders' register, the issuing of proxy documents and registration for the General Meeting from their custodian bank without delay. The account management organisation of the custodian bank shall notify a holder of nominee-registered shares, who wants to participate in the Annual General Meeting, to be temporarily entered into the Company's shareholders' register by the above-mentioned time.

4. Other instructions and information

Pursuant to Chapter 5, Section 25 of the Finnish Companies Act, shareholders who are present at the Annual General Meeting are entitled to request information regarding the matters addressed by the meeting.

On the date of this notice, 18 April 2017, the total number of shares and votes in Faron Pharmaceuticals is 27,734,044.

The Annual General Meeting shall be held in Finnish and in English.

Turku, 18 April 2017

FARON PHARMACEUTICALS LTD

Board of Directors