

NOTICE OF FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Shareholders of Faron Pharmaceuticals Ltd (the “**Company**”) are invited to attend the Annual General Meeting to be held on 28 May 2019 at 10.00 a.m. (Finnish time) at 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 9.00 a.m. (Finnish time).

The Company’s Annual Report 2018 is available to view and download on the “Results” section of the Company’s website at <https://www.faron.com/investors/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 2018**

Review by the CEO; measures to remedy equity shortfall

- 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 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**
- 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 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.

The Board of Directors furthermore proposes 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, 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.

The Board of Directors notes that, in order to support the Company's cost savings measures, the members of the Board of Directors have voluntarily waived 20 per cent of their annual remuneration and meeting fees between 1 July 2018 and 31 March 2019, the Company's CEO Markku Jalkanen has voluntarily agreed on a salary reduction of 40 per cent between 1 June 2018 and 30 April 2019, and the Company's CFO Yrjö Wichmann has been laid off by 40 per cent between 16 July 2018 and 31 March 2019.

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 seven (7) 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, Matti Manner, Yrjö Wichmann, Leopoldo Zambelletti, Gregory Brown and John Poulos be re-elected 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: <https://www.faron.com/about-us/board-of-directors>.

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 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.

14. 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 Panu Vänskä, Authorised Public Accountant, as the Auditor with principal responsibility for the completion of the Audit.

15. Authorising the Board of Directors to decide on the issuance of options or other special rights entitling to shares

The Board of Directors proposes, on the basis of the proposal of the Remuneration Committee, that the Annual General Meeting 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 would consist 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 would 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 is proposed to 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 Annex 1. 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 would be 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

The Board of Directors proposes that the Annual General Meeting 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 would consist

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 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, options or other special rights entitling to 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, 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

B. DOCUMENTS OF THE ANNUAL GENERAL MEETING

The above-mentioned proposals to the Annual General Meeting, the Company's Annual Report 2018, including the financial statements, the Report of the Board of Directors and the Auditor's Report, and this notice are available immediately after publication of this notice on the Company's website at <https://www.faron.com/investor-relations/annual-general-meeting-material>. 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 11 June 2019 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 16 May 2019, 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 their 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 23 May 2019 by giving a prior notice of participation:

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

When registering, a shareholder shall state their 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 the Company are used only in connection with the Annual General Meeting and the necessary processing of related registrations.

Shareholder, and their authorised representatives or proxy representatives should, when necessary, be able to prove their identity and/or right of representation.

2. Proxy representative and powers of attorney

Shareholders may participate in the Annual General Meeting and exercise their 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 Ltd, 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 16 May 2019.

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 23 May 2019. 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 Limited Liability 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, 7 May 2019, the total number of shares and votes in the Company is 35,476,519.

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

Turku, 7 May 2019

FARON PHARMACEUTICALS LTD

Board of Directors

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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About Faron Pharmaceuticals Ltd

Faron (AIM:FARN) is a clinical stage biopharmaceutical company developing novel treatments for medical conditions with significant unmet needs. The Company currently has a pipeline focusing on acute organ traumas, vascular damage and cancer immunotherapy. The Company's first candidate Traumakine, to prevent vascular leakage and organ failures, has completed a Phase III clinical trial in Acute Respiratory Distress Syndrome (ARDS). An additional European Phase II Traumakine trial is underway for the Rupture of Abdominal Aorta Aneurysm ("RAAA"). Faron's second candidate Clevegen is a ground breaking early clinical anti-Clever-1 antibody. Clevegen has the ability to switch immune suppression to immune activation in various conditions, with potential across oncology, infectious disease and vaccine development. This novel macrophage-directed immuno-oncology switch called Turn-on-your-Immunity or Turn-It may be used alone or in combination with other immune checkpoint molecules for the treatment of cancer patients. Faron is based in Turku, Finland. Further information is available at www.faron.com.