

NOTICE OF FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING

Shareholders of Faron Pharmaceuticals Ltd (the “**Company**”) are notified of the annual general meeting (the “**AGM**”) to be held on 18 May 2020 at 10:00 a.m. (Finnish time) at the offices of the Company at Joukahaisenkatu 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).

Due to the SARS-CoV-2 situation, the AGM will only be held if the number of participants at the meeting is low enough to allow the AGM to be conducted safely and in compliance with the regulations issued by the authorities. The Company encourages its shareholders to participate in the AGM by way of centralised proxy representation and to follow the AGM by webcast. The special arrangements are described in more detail under section C.5.

The Company’s annual report for 2019 is available on the Company’s website at <https://www.faron.com/investors/results>.

A. MATTERS ON THE AGENDA OF THE AGM

- 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 Board’s report and the auditor’s report for 2019**

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 (the “**Board**”) proposes 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 and the CEO of the Company from liability**

10. Resolution on the remuneration of the members of the Board

The Board 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 chair of the Board. In addition, a further annual remuneration of EUR 11,000 will be paid to the chair of the audit committee, a further annual remuneration of EUR 9,000 will be paid to the chair of the remuneration committee and a further annual remuneration of EUR 6,000 will be paid to the chair 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 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 would be compensated.

The Board 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

The Board proposes, on the basis of the proposal of the nomination committee, that six (6) members be elected to the Board.

12. Election of members of the Board

The Board proposes, on the basis of the proposal of the nomination committee, that Frank Armstrong, Markku Jalkanen, Matti Manner, Leopoldo Zambeletti, Gregory Brown and John Poulos be re-elected to the Board for a term that ends at the end of the next AGM.

Descriptions of the Board member candidates are available on the Company's website at <https://www.faron.com/faron/our-people>.

The proposed Board members have informed the Company that in the event they are elected, they intend to elect Frank Armstrong as chair of the Board and Matti Manner as vice-chair of the Board.

13. Resolution on the remuneration of the auditor

The Board 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 proposes, on the basis of the proposal of the audit committee, that PricewaterhouseCoopers Oy ("PwC"), a firm of authorised public accountants, continue to act as the Company's auditor.

PwC has informed the Company that it will appoint Panu Vänskä, authorised public accountant (KHT), as the key audit partner.

15. Resolution on the amendment of the option programmes

A. 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**"). The options cannot currently be transferred or pledged before the subscription of shares without the consent of the Board. The Board proposes, on the basis of the proposal of the remuneration committee, that the AGM 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 deems 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.

The consolidated terms and conditions of the Option Plan 2015, incorporating the amendments proposed herein, are attached hereto.

B. 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**"). The options cannot currently be transferred or pledged before the subscription of shares. The Board proposes, on the basis of the proposal of the remuneration committee, that the AGM 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 deems 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.

The consolidated rules of the Share Option Plan 2019, incorporating the amendments proposed herein, are attached hereto.

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

The Board proposes that the AGM authorise the Board 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 8,650,000 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'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 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 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 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 2021. This authorisation shall not replace the authorisation referred to in item 15 of this notice.

17. Closing of the meeting

B. DOCUMENTS OF THE AGM

The above-mentioned proposals to the AGM and this notice are available immediately after publication of this notice on the Company's website at <https://www.faron.com/investors/general-meetings>. The Company's annual report for 2019, including the financial statements, the report of the Board and the auditor's report, is available on the Company's website at <https://www.faron.com/investors/results>. The Board proposals and the other above-mentioned documents will also be available at the AGM. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the AGM will be available to be viewed on the Company's website from 1 June 2020 at the latest.

C. INSTRUCTIONS FOR THE PARTICIPANTS

1. The right to participate and registration

Each shareholder who on the record date of the AGM, being 6 May 2020, is registered in the Company's shareholders' register held by Euroclear Finland Ltd ("**Euroclear**") has the right to participate in the AGM. 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 AGM should register for the meeting by no later than 4 p.m. (Finnish time) on Wednesday, 13 May 2020 by giving a prior notice of participation:

- by email to general.meeting@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 or 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. In addition, the shareholder shall state whether they will follow the AGM by webcast. The personal data given by shareholders to the Company are used only in connection with the AGM and the necessary processing of related registrations.

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

Registrations submitted to the cancelled annual general meeting, convened to be held on 15 April 2020, will not be valid for this AGM. Therefore, the previously registered shareholders must re-register.

2. Following the AGM by webcast

The Company's shareholders can follow the AGM by webcast. By following the meeting by webcast, a shareholder does not attend the meeting nor can use the right to request information in accordance with the Finnish Limited Liability Companies Act nor exercise their voting rights. A link to the webcast will be sent to all shareholders who have given notice of attendance to the meeting and provided their email address.

Shareholders may pose questions about the items on the agenda of the AGM by 4 p.m. (Finnish time), 13 May 2020 by sending email to general.meeting@faron.com. The presentations by the Company will be prepared, to the extent possible, so that such questions will be answered.

3. Proxy representative and powers of attorney

Shareholders may participate in the AGM 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.

Due to the SARS-CoV-2 situation, the Company encourages its shareholders to participate in the AGM by way of a centralised proxy representation. Shareholders are able to exercise their voting rights at the AGM without physical presence through the centralised proxy representation service provided by the Company's General Counsel Pessi Honkasalo. Shareholders who wish to participate in the AGM through authorising Dr Honkasalo as proxy representative are required to register to the AGM as specified in this notice and deliver the proxy form, available on the Company's website at <https://www.faron.com/investors/general-meetings>, to the Company before the end of registration period. Authorising Dr Honkasalo as proxy representative will not accrue any costs for the shareholder (excluding potential postal fees).

A shareholder may participate in the AGM 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 AGM.

Proxy documents should be sent to Faron Pharmaceuticals Ltd, attn. Virve Nurmi, Joukahaisenkatu 6, FI-20520 Turku, Finland or by email to general.meeting@faron.com before the end of registration period.

4. 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 AGM 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 on the AGM's record date of 6 May 2020.

Additionally, participation requires that the holder of nominee-registered shares is temporarily registered in the Company's shareholders' register held by Euroclear by 10 a.m. (Finnish time) on Wednesday, 13 May 2020. Temporary registration in the shareholders' register shall be deemed to be a registration for the AGM.

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 AGM 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 AGM to be temporarily entered into the Company's shareholders' register by the above-mentioned time.

5. Other instructions and information

The AGM will be organised in compliance with the regulations issued by the Finnish authorities in response to SARS-CoV-2. Due to the SARS-CoV-2 situation, the Company intends to limit the amount of the physical participants of the AGM to the minimum. Developments in the SARS-CoV-2 situation and complying with the governmental regulations may even lead to a situation where the number of participants arriving at the meeting venue will need to be limited. The Company requests its shareholders to comply with the following instructions regarding the meeting that are aimed to enable organising the meeting in consideration of the health and the safety of the Company's shareholders:

- All of the shareholders are asked to participate in the AGM by way of centralised proxy representation and to follow the AGM by webcast (see detailed provisions under sections 1–3 above).
- No food or refreshments will be served at the meeting.
- The AGM and all of the presentations, including the review by the CEO, will be kept as short as possible.
- The participation by the Board and management will be restricted to minimum.

Shareholders are asked to comply with authority regulations and recommendations for their own part. The Company takes the threat of SARS-CoV-2 seriously and is following the situation carefully. Developments in the SARS-CoV-2 situation may require other special arrangements to organise the AGM or even to postpone the AGM to a later date. The Company's shareholders are asked to follow the Company's announcements as well as the web page <https://www.faron.com/investors/general-meetings> for any possible changes or additional information.

Pursuant to chapter 5, section 25 of the Finnish Limited Liability Companies Act, shareholders who are present at the AGM are entitled to request information regarding the matters addressed by the meeting.

On the date of this notice, 14 April 2020, the total number of shares and votes in the Company is 43,290,747.

The AGM shall be held in Finnish and in English.

Turku, 14 April 2020

FARON PHARMACEUTICALS LTD

Board of Directors