

Follicum hopes that this newsletter reaches as many of the company's owners and stakeholders as possible. If you wish to follow our continued development, please register your e-mail on our website, www.follicum.com. You can also follow us on LinkedIn.

Summer greetings from Follicum

The first part of 2018 has been a period of intensive development for Follicum. Reaching several milestones, we included the first patients in the new Phase II study for stimulation of hair growth, while simultaneously working to generate new preclinical data to strengthen the diabetes patent where we also included a new peptide class. Patient recruitment in the hair study has exceeded expectations and all patients were included in early June, meaning the project is running according to plan. Patients are treated thrice weekly for three months, which means that we plan to report the results during the last quarter of this year. We have also been busy developing and evaluating three different types of formulations of FOL-005 for application to the skin. Recently, we have announced that we chose a formulation that matches the requirements for stability and transport of FOL-005 to the hair follicle. Additionally, this formulation has the most appealing cosmetic properties.

At the beginning of the year, we communicated that we have gained a partial understanding of the mechanism of action of our peptides in both hair and diabetes, as we have identified relevant receptors that appear to be new therapeutic targets in both areas. This work is important for future discussions with regulatory authorities and for further developing our products. In 2019, we will continue working towards gaining a full understanding of how the receptors and our peptide classes work, which provides an important basis for discussions with potential collaboration and licensing partners.

In the diabetes project, our patented peptides have shown interesting effects on insulin release in preclinical studies. The project has advanced rapidly, and after receiving positive preclinical results, we submitted an enhanced patent application in the spring. By the end of the year, we plan to select a drug candidate and subsequently plan for a Phase I study. We are now aiming to accelerate the diabetes project further and therefore, between 19 June and 3 July 2018, implement a fully covered issue including warrants during Q1 2019, which will cover the company's capital requirements for the next 18 months.

Important coming milestones during 2018/19 include the results of the Phase II clinical trial in patients with hair loss, further *in vivo* results of the company's peptides in diabetes, selection of a drug candidate in diabetes, and data on effects of the peptide class on diabetic complications.

Three out of four subjects received increased hair growth

The first clinical study of FOL-005, conducted at the Charité Hospital in Berlin, showed a good safety profile for the substance, which was the primary objective of the study. Furthermore, the study showed that hair growth significantly increased by approximately 8% after only 3 months of treatment, an effect that is in line with what has been published for existing pharmaceutical treatments. We are also very pleased that the study showed that approximately three out of four subjects responded positively to the treatment and received increased hair growth. In this first clinical study, FOL-005 was injected on the thighs of healthy volunteers.

The scalp skin study - all patients are included

In the ongoing Phase IIa study, approximately 60 subjects with hair loss (alopecia) will be treated with either FOL-005 or placebo on two mini zones on the head for three months. The study is carried out at the Charité Hospital in Berlin and at Bioskin in Hamburg. A variety of effect parameters for hair growth are evaluated for the different doses of FOL-005.



Injection of FOL-005 into mini zones on scalp skin

User-friendly formulation

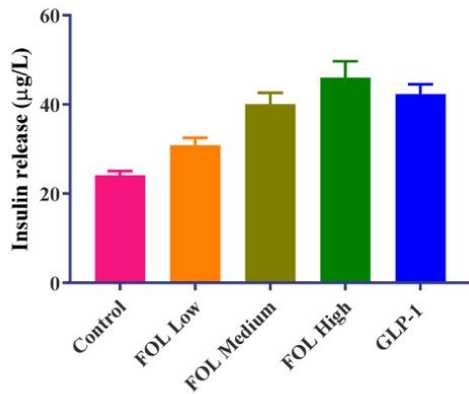
The development of a user-friendly formulation has continued according to plan. Working with three possibilities in parallel has allowed us to develop different prototype formulations that have been tested for both stability and distribution in the skin. We have recently selected the most promising formulation which will be tested in clinical Phase II and Phase III studies before registration and launch of the product.

Growing interest in FOL-005 from potential partners

The market for the treatment of alopecia, i.e. hair loss, is extensive. Annually, global sales of registered pharmaceuticals amount to approximately USD 3 billion, and in addition, other hair growth products that are not classified as drugs are sold for a considerable amount. Follicum continuously strives to communicate results and successes to potential partners and sees strong and growing interest in FOL-005 from many pharmaceutical companies. Follicum's hair project has recently attracted international interest as it appeared in an article in The New Yorker's June issue.

New peptide class with great potential in the treatment of diabetes

Our new peptide class stimulates insulin release and has the potential to be a valuable complement in the treatment of diabetes. During the past year, we have carried out a variety of preclinical studies that have shown that Follicum's peptides have insulin-releasing effects that are comparable to, or even better than, existing diabetes treatments. Moreover, insulin release is potentiated with increasing glucose concentration in *in vitro* studies. The potential of the peptides has also been confirmed in glucose tolerance tests where they have a glucose lowering effect in experimental animals. The market for diabetes-related drugs is huge and very competitive. Therefore, we are focusing on identifying factors that can differentiate us from competitors and thereby lead to an early partnership engagement.



Follicum's peptide shows a good effect compared to GLP-1, a substance currently used in diabetes treatment.

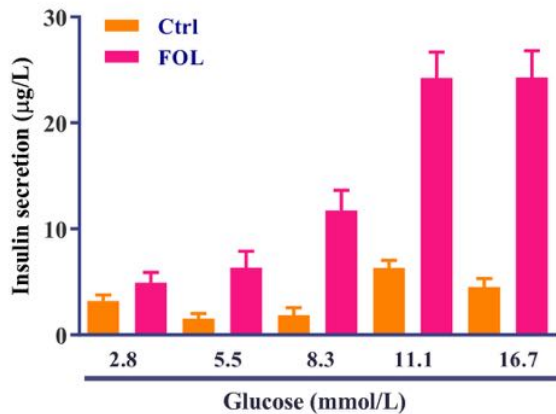
During the spring, we strengthened our diabetes patent and submitted an updated application to the patent authorities at the beginning of May. The preclinical work is carried out in cooperation with Follicum's research network at Lund University.

The preclinical results demonstrate the ability of peptides to delay the onset of Type 1 diabetes in an animal model. The results further clarify that the peptide specifically distributes to the pancreas, which is beneficial for an insulin regulating drug because the pancreas is the body's center for insulin production.

The next objective in the diabetes project is to select a drug candidate by the end of 2018 and to begin preparations for a Phase I study planned to commence at the start of 2020. The goal is to run a diabetes project that is attractive to global partners.

Participation in an international diabetes project

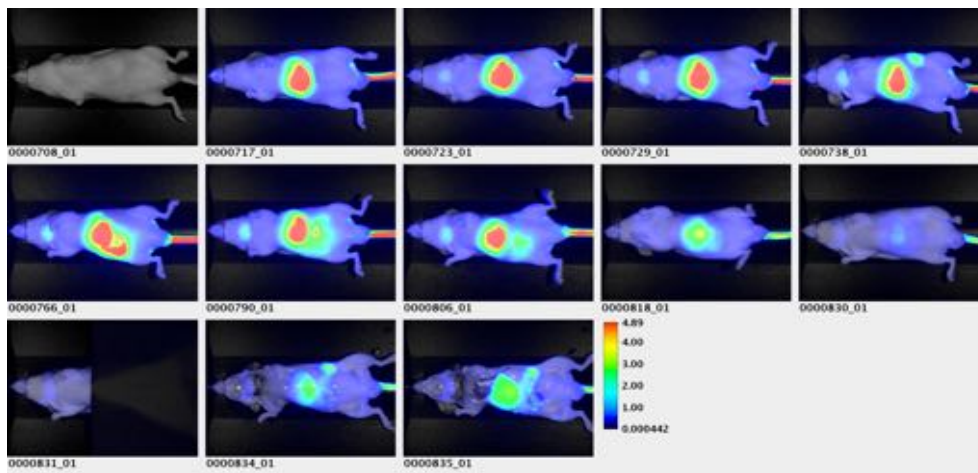
Follicum is part of a comprehensive diabetes project led by Lund University since 2017, funded by the Foundation for Strategic Research. In addition to Follicum, Scandinavia's largest pharmaceutical company Novo Nordisk, Johnson & Johnson Innovation, Probi, CardioVax, Region Skåne / Skåne University Hospital, and the world's third largest pharmaceutical company Pfizer are participating in the project. This collaborative space provides valuable contacts and opportunities for networking at the highest international level. We are also very pleased that the Novo Nordisk Foundation awarded Professor Jan Nilsson's research team at the Clinical Research Center at Lund University DKK 400,000 for performing preclinical diabetes studies with Follicum's peptides.



Follicum peptides provide improved insulin release compared with control group, an improvement that is most evident at high glucose levels, such as for diabetic patients.

Synergy effects between the hair and diabetes projects

There are clear benefits to running two peptide-based projects simultaneously in the company. With the extensive expertise and experience of peptide drugs that we have gained since the start in 2011, we are more readily equipped to quickly reach a first clinical study to examine safety and efficacy.



Follicum peptides are concentrated to the pancreas after intravenous injection into mice.

Fully guaranteed rights issue covers development costs

On 18 May 2018, Follicum's Board of Directors decided to propose to the Extraordinary General Meeting, which was held on 4 June 2018, to decide on a new issue of shares and warrants with preferential rights for the company's existing shareholders. At full subscription to the rights issue, the company will initially be provided with approximately SEK 15.5 million and, when fully exercised, the company will receive an additional SEK 15.5 million before issue costs. The emission allowance will primarily be used for Follicum's diabetes project and cover the capital requirement over the next 18 months.

Finally, I would like to thank you for your interest and support in the process of developing Follicum into a leading international company at the forefront of hair and diabetes research. We have several interesting and exciting milestones that will add additional value to the company within the next year: the outcome of the clinical Phase II study on patients with hair loss, further *in vivo* results of the company's peptides in diabetes, the selection of drug candidate in diabetes, as well as data on effects of the peptide class on diabetic complications.

I wish you all a nice summer!

Lund, 26 June 2018

A handwritten signature in black ink, appearing to read "Jan Alenfall". The signature is written in a cursive, flowing style.

Jan Alenfall, CEO