Newron
Pharmaceuticals

Annual Report 2013

Company profile

Newron (SIX: NWRN) is a biopharmaceutical company focused on the development of novel therapies for patients with diseases of the Central Nervous System (CNS) and pain. The Company is headquartered in Bresso near Milan, Italy.

Following the submission of the Marketing Authorization Application (MAA) for safinamide for the treatment of Parkinson's disease to the European Medicines Agency (EMA) in December 2013, Newron is working to complete the global filing of the compound, together with its partners. Zambon Group has the rights to commercialise safinamide globally, excluding Japan and other key Asian territories where Meiji Seika has the rights to develop and commercialise the compound.

Newron's additional projects are based on highly promising treatments for rare disease patients and are at various stages of clinical development, including sNN0031 for patients with Parkinson's disease, non-responsive to oral drug treatments, sarizotan for patients with Rett syndrome, sNN0029 for patients with ALS and ralfinamide for patients with specific rare pain indications. Newron is concurrently developing NW-3509 as the potential first add-on therapy for the treatment of patients with positive symptoms of schizophrenia.

Key Highlights

Marketing Authorisation Application (MAA) for safinamide for the treatment of Parkinson's disease submitted to European Medicines Agency (EMA) in December 2013

Submission of New Drug Application (NDA) to US FDA for Safinamide expected by end of April 2014, following final discussions in February 2014

Safinamide Phase III study results presented at:

- 65th Annual Meeting of the American Academy of Neurology (AAN), March (San Diego, CA, USA)
- 9th International Congress on Mental Dysfunction & Other Non-Motor Features in Parkinson's Disease and Related Disorders (MDPD), April (Seoul, South Korea)
- 17th International Congress of Parkinson's Disease and Movement Disorders (MDS), June (Sydney, Australia)

Close collaboration with partner Meiji Seika Pharma Co., Ltd. on development of safinamide in Japan and Asia

sNN0031 Phase I/II safety and efficacy study in Parkinson's disease results presented at the 17th International Congress of Parkinson's disease and Movement Disorders (MDS), June (Sydney, Australia)

EUR 2.5 million Strategic Translation Award from Wellcome Trust to support development of sNN0029 as treatment for Amyotrophic Lateral Sclerosis (ALS)

Ulrich Köstlin elected new non-executive Chairman of the Board, Robert Leslie Holland and Bo Jesper Hansen elected new non-executive directors

Integration of former Neuro Nova (now Newron Sweden) successfully completed

Subscription of newly issued shares for EUR 1.7 million by two existing long term shareholders, in execution of subscription undertakings by Zambon

J.P. Morgan Asset Management taking initial stake in Newron, in January 2014

Table of Contents

Shareholders' Letter

Ulrich Köstlin

Stefan Weber

Dear Shareholder,

2013 has been a landmark year for Newron as we submitted the MAA for safinamide to the European regulatory authorities from which we hope to receive marketing authorization. This brings us another step closer to providing a new treatment option for patients with Parkinson's disease (PD).

A number of presentations have been made on the safinamide data at key scientific congresses. These results from the MOTION and SETTLE studies as well as from prior studies, including a Phase III long term (24 months) placebo controlled study, further confirm the benefits obtained with safinamide as add-on therapy in early and advanced PD. The congresses included the 65th Annual Meeting of the American Academy of Neurology (AAN) in March, the 9th International Congress on Mental Dysfunction & Other Non-Motor Features in Parkinson's Disease and Related Disorders (MDPD) in April and the 17th International Congress of Parkinson's disease and Movement Disorders (MDS) in June.

There is growing awareness in the medical community that safinamide offers an exciting new treatment option for patients with early and mid- to late stage Parkinson's disease. We are working closely with our partner Zambon and the regulatory authorities to prepare the regulatory filing in the US and look forward to reporting on that, soon. It continues to be our expectation that safinamide will be sublicensed to a US pharma partner in order to maximize the opportunity in this major market.

For Japan and Asia, our collaboration with partner Meiji Seika Pharma Co., Ltd. to support the development of safinamide in their license territory, is progressing well.

In June, we presented encouraging data from the first Phase I/II safety and efficacy study of sNN0031 at the 17th International Congress of Parkinson's disease and Movement Disorders (MDS). sNN0031 is a novel drug candidate for the treatment of Parkinson's disease patients

who no longer respond to oral therapy, designed to act on neural stem and progenitor cells in the brain. sNN0031 had already shown the ability to restore motor function and improve neurochemical deficits in animal models of PD.

At our shareholders' meeting in Milan on 18 April, we made significant changes to our Board, welcoming Ulrich Köstlin as our non-executive Chairman, with Robert Leslie Holland and Bo Jesper Hansen joining as non-executive directors. The new directors offer a wealth of senior international corporate, development and commercial industry expertise to Newron, including the orphan market segment, on which we put a special emphasis.

In June 2013, we issued new shares for about €1.7 million, subscribed by two of our existing long term shareholders, who we thank for their continued support. In January 2014, we issued all remaining 211,473 shares to J.P. Morgan Asset Management at a slight premium to market, reflecting the growing interest by key institutional investors in our stock. Including these proceeds, as well as EUR 3.9 million of funds committed by third parties, we start into the new year with funds totalling EUR 25.3 million, which we expect to take the Company well into 2015, beyond expected key value inflexion points, and the resulting cash flows.

Newron is in a strong and healthy position and in 2014 looking forward to the submission for safinamide in the US and the progress of development in Japan and Asia. The ongoing development and progress in our innovative CNS pipeline, with a focus on the highly attractive orphan field, will ensure that new compounds fuel our future growth and build value for all our stakeholders.

We thank you for your support and we thank our employees and our network of consultants for their outstanding commitment and professionalism in these demanding but exciting times.

Yours sincerely

Dr. Ulrich Köstlin
Chairman

Stefan Weber
Chief Executive Officer

Corporate Governance

Newron's Board of Directors (the "Board") and management are committed to high standards of corporate governance, including transparency and accountability towards its shareholders as well as equal treatment of all shareholders. This report explains how the leadership and the management of the Company are organized and provides background information on the Group's executive officers and bodies, effective December 31, 2013. The report is based on the SIX Swiss Exchange Directive on Information relating to Corporate Governance, in force since July 1, 2009. The Swiss Code of Best Practice for Corporate Governance, in force since July 1, 2002, has also been taken into account, in particular Appendix 1 regarding the recommendations for remuneration levels published in 2007.

Group Structure and Shareholders

Newron Pharmaceuticals S.p.A. ("Newron" or the "Company") is a joint stock company (Società per Azioni or S.p.A.) organized under the laws of the Republic of Italy. Since April 17, 2002, it has been registered with the Chamber of Commerce in Milan, Italy, under the name "Newron Pharmaceuticals S.p.A." and with its registered office and principal business office in Bresso (Milan), Italy.

The operations of the Company focus on the discovery and development of pharmaceutical products. Currently, the Company is not generating revenues from the sale of any commercial pharmaceutical product.

The operations of the Company are managed by the Chief Executive Officer (CEO) together with the other members of the management team: the Chief Medical Officer (CMO), the Executive Vice President Business Development, the Vice President Finance and the General Manager of Newron Sweden AB (former NeuroNova AB).

Related entities

Newron Suisse SA is a joint stock company (Société anonyme/Aktiengesellschaft) organized under the laws of Switzerland. The company has been registered with the commercial register of the canton of Basel-Stadt, for an unlimited duration, under the name Newron Suisse SA, since September 13, 2007, and with registered office and principal business office in Basel, Switzerland. The company has a share capital of CHF 100,000, divided into 1,000 fully paid-in registered shares with a nominal value of CHF 100 each. All shares are held by Newron. The operations of the company focus on the research and development, manufacturing and distribution of pharmaceutical products and services. The operations of the company are managed by Stefan Weber as General Manager (Geschäftsführer). Philippe A. Weber is a member and Stefan Weber chairman of the Board of directors (Verwaltungsrat) of the company.

Newron Sweden AB is a Swedish limited liability company, incorporated under the laws of Sweden. The company has been registered with the Swedish Companies Registration Office with a share capital of SEK 3,130,284.30 divided into 330,110,154 shares of different classes with a par value of SEK 0.0094825 each, and registered office at Fiskartorpsvägen 15 A-D, 114 33 Stockholm, Sweden. All shares are held by Newron. The company is a biopharmaceutical company engaged in the development of novel therapies for the treatment of disorders of the central nervous systems. The operations of the company are managed by Anders Haegerstrand, Marco Caremi and Stefan Weber as General Managers. Anders Haegerstrand, Marco Caremi and Stefan Weber are members of the Board of director of the company.

Hunter-Fleming Ltd. is a limited liability company incorporated under the laws of England with its registered office and principal business office in Bristol, UK. The company has a share capital of GBP 222,044.64, divided into 22,204,464 ordinary shares of GBP 0.01 nominal value, each. All shares are held by Newron. The operations of the company are managed by Stefan Weber and Marco Caremi as directors. Operations related to the development compounds of the company are taken care of by Newron Suisse SA and Newron.

Newron is the only listed company within the group.

Segment reporting

The Company is in a development stage and its activities are sufficiently homogeneous to preclude the identification of reportable business or geographical segments.

Listed company

The shares of Newron Pharmaceuticals S.p.A., Via Ludovico Ariosto 21, Bresso (Milan), Italy, are listed according to the main standard of the SIX Swiss Exchange AG, Zurich, Switzerland.

Swiss Security Number	2 791 431
ISIN	IT0004 147 952
Common Code	27612440
Ticker Symbol	NWRN
Market capitalization on December 31, 2013	CHF 195,291,667 (based on 11,624,504 outstanding shares and a share price of CHF 16.80)

Significant shareholders

In line with Swiss law, which has been revised as of May 1, 2013, shareholders of Newron must comply with the Ownership Disclosure Laws as set forth in Article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading of March 24, 1995, as amended (the "SESTA"), as well as pertinent regulations, including Articles 9 ss. of the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading of October 25, 2008, as amended (the "SESTO-FINMA") (all such laws and regulations, the "Swiss Ownership Disclosure Laws"). Such Swiss Ownership Disclosure Laws provide, among other things, that persons who, directly, indirectly or acting in concert with third parties, acquire or sell for their own account or purchase or sell rights relating to securities of Newron and thereby attain, exceed or fall below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% of the voting rights (whether exercisable or not), shall notify Newron and the SIX Swiss Exchange of such transactions within four trading days. Following receipt of such notification, the Company is also obliged to publish the disclosure,within two trading days.

Newron's information about the exact holding position of individual shareholders is depending on and deriving from the reports filed with SIX Swiss Exchange and Newron by such shareholders.

To the best of Newron's knowledge, the following shareholders had holdings of 3% or more of the equity capital and therefore, voting rights of Newron as at December 31, 2013.

The number of shares shown as well as the holding percentages are based on the last disclosure of shareholding communicated by the shareholder (report of material shareholding, registration for shareholders' meeting, etc.) or otherwise known to the company (resulting from a corporate transaction). Please be aware that since then, the information could have become outdated because of changes that did not trigger notification duties:

Shareholder	Note	Holding at Dec. 31, 2013	
		Shares	% of share capital
Investor AB	1	1,519,961	12.8%
Zambon	1	1,484,195	12.5%
Aviva Investors	2	714,370	6.0%

[1] As per report on material shareholding published on Jan. 8, 2014; both shareholders have reported the existance of a shareholders' agreement as per report published on Jan. 29, 2013
[2] As per report on material shareholding published on June 29, 2013

Please see below the link to access individual significant shareholders' reports, including information on full address and indication of any indirect shareholders.
http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html

Cross-shareholdings

As of December 31, 2013, there are no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

Capital Structure

Amount in Euro	December 31, 2013	December 31, 2012	December 31, 2011
Number of ordinary shares with par value of EUR 0.20	11,624,504	11,385,977	7,264,378
Share capital	2,324,900.80	2,277,195.40	1,452,875.60
Number of authorized shares with par value of EUR 0.20 (up to)	0	850,000	850,000
Authorized share capital (up to)	0	170,000.00	170,000.00
Number of conditional shares with par value of EUR 0.20 (up to)	800,000	230,781	526,005
Conditional share capital (up to)	160,000	46,156.20	105,201.00

As of December 31, 2013, Newron's outstanding share capital was EUR 2,324,900.80, consisting of 11,624,504 ordinary shares with a nominal value of EUR 0.20 each. All shares are fully paid-in.

As of December 31, 2013, Newron had conditional (pre-authorized) capital of EUR 160,000, represented by 800,000 shares with a nominal value of EUR 0.20 per share, exclusively related to the purpose of implementing stock-based incentive compensation plans for employees and directors of the Company and subsidiaries.

Changes in capital

On April 28, 2011, the extraordinary shareholders' meeting resolved, among other things, to increase the Company's share capital, excluding any pre-emptive rights by the Company's current shareholders to subscribe to such capital increase, by a nominal amount of EUR 145,287.00, corresponding to 726,435 new Newron ordinary shares with a par value of EUR 0.20 per share. These shares have been subscribed in a transaction announced by the Company as of April 5, 2012, by Zambon Company S.p.A.

On June 28, 2012, the extraordinary shareholders' meeting resolved, among other things, to

a) increase the Company's share capital in one or more tranches, with option right by the Company's current shareholders pursuant to Article 2441 of the Italian Civil Code, up to a maximum par value of EUR 400,000.00, corresponding to a maximum amount of 2,000.000 Newron ordinary shares, of which a maximum of 400.000 new ordinary shares to be offered to employees of the Company or its subsidiaries with exclusion of the option right pursuant to Article 2441, paragraph 8, of the Italian Civil Code.

b) increase the Company's share capital, excluding any pre-emptive rights by the Company's current shareholders to subscribe to such capital increase, by up to 10%, or the equivalent of an amount of up to EUR 159.816.00, corresponding to up to 799.080 new Newron ordinary shares with a par value of EUR 0.20 per share. These shares have been subscribed in several transactions, the completion of which was announced by the Company as of August 20, 2012, by existing shareholders and new international institutional investors.

On December 5, 2012, the extraordinary shareholders' meeting resolved, among other things, to

a) increase the share capital, severable, by up to nominal EUR 475.000,00, plus a premium, by issuance for payment and with exclusion of the option right pursuant to article 2441, paragraph 4, of the Italian civil code, of up to n. 2.375.000 ordinary shares of Newron having a par value of EUR 0.20 each, to be subscribed via contribution in kind of shares of NeuroNova AB

b) revoke the increase in the Company's share capital resolved by the shareholders' meeting on 28 June 2012, severable, with option right for the Company's current shareholders pursuant to Article 2441 of the Italian Civil Code, for payment, up to a maximum par value of EUR 400,000.00, of which a quarter of the newly issued ordinary shares to be offered to employees of the Company or its subsidiaries with exclusion of the option right pursuant to Article 2441, paragraph 8, of the Italian Civil Code.

On April 18, 2013, the extraordinary shareholders' meeting resolved, among other things, to

a) increase the Company's share capital, excluding any pre-emptive rights by the Company's current shareholders to subscribe to such capital increase, by up to an amount of up to EUR 90,000.00, corresponding to up to 450,000 new Newron ordinary shares with a par value of EUR 0.20 per share. These shares have been subscribed in several transactions, the completion of which was announced by the Company as of June 24, 2013 and as of January 31, 2014, by existing shareholders Aviva and Zambon and new institutional investor J.P. Morgan Asset Management.

b) increase the Company's share capital, excluding any pre-emptive rights by the Company's current shareholders to subscribe to such capital increase, by up to an amount of up to EUR 160,000.00, corresponding to up to 800,000 new Newron ordinary shares with a par value of EUR 0.20 per share, reserved for incentive plans for employees, consultants and directors of the Company and its subsidiaries.

Shares and participation certificates

As of December 31, 2013, Newron's outstanding share capital was EUR 2,324,900.80, consisting of 11,624,504 ordinary shares with a nominal value of EUR 0.20 each. All shares are fully paid in. Each share is entitled to one vote at the shareholders' meeting. All shares are entitled to full dividend rights. In the event of a capital increase through the issuance of new shares, the existing shareholders have subscription rights in proportion to their existing shareholding, unless the shareholders' meeting restricts or excludes such rights for important reasons, in particular in connection with the acquisition of investments or employee participation. Newron has not issued any (non-voting) participation certificates.

Dividend-right certificates

Newron has not issued dividend-right certificates (*Genussscheine*).

Transfer of shares

The transfer of shares is effected by corresponding entry in securities accounts which record the transfer of financial instruments opened with authorized financial intermediaries and in accordance with the applicable law. Upon registration of the transfer and upon request of the shareholder, the financial intermediaries shall inform the Company of the transfer of shares, and the Company shall update the Libro Soci (Shareholders' Ledger) in accordance with Italian law. A shareholder may ask for his registration at any time. No restrictions apply to the transferability of Newron shares. For the year 2014, the transfer of Newron's shares has been exempted from taxation under the Italian Financial Transaction Tax IFTT.

Convertible bonds

Newron has no convertible bonds outstanding.

Stock-based remuneration

2011 Stock Option Plan

By decision of the Board dated March 24, 2011, the 2011 Stock Option Plan was established, and up to 230,781 stock options were allocated to the 2011 Stock Option Plan. Of these, by December 31, 2013, 130,229 were validly granted to Company's and its subsidiaries' employees, consultants and one former employee of the Company. All these options will vest by March 24, 2014, and will expire as at March 30, 2020. The exercise price of these options is EUR 5.29.

2013 Stock Option Plan

By decision of the Board dated January 18, 2013, the 2013 Stock Option Plan was established, and up to 560,000 stock options were allocated to this plan. Of these, by January 18, 2013, 485,996 options were granted to Company's and its subsidiaries' employees, consultants and directors of the Company. The exercise price for these options is EUR 6.23. Further 28,500 options were granted to new directors and one new employee on April 18, 2013. The exercise price for these options is EUR 6.66.
By December 31, 2013, a total of 514,496 options have been granted to the recipients. Of these options, 50% will vest within 24 months, 25% within 36 months and the remaining 25% within 48 months following the grant date. The options will expire as at March 31, 2023.

As per December 31, 2013, the total volume of granted stock options under the above programmes was 644,725 options to acquire one share, each, at nominal value of EUR 0.20, each, an equivalent of 5.5% of the total number of fully paid-in ordinary shares of the Company.

Board of Directors

Members of the Board of Directors

The Company's by-laws establish that the Board shall consist of a minimum of four (4) and a maximum of seven (7) members. As per December 31, 2013, the Board was comprised of seven (7) directors. Two of these directors were elected in 2008. Two members were elected in 2012. The remaining three directors were newly elected in 2013. All directors are elected for the three-year term expiring on the date of the shareholders' meeting scheduled to approve Newron's financial statements for the year ending December 31, 2013. All Newron Board members are due for re-election at the same time. Board members can be re-elected for an unlimited number of terms. In case of replacements of Board members, the replacing new members take over the mandate for the left period of the leaving member. The shareholders' meeting elects the new members by individual vote.

The following table sets forth certain information about the Company's directors:

Name	Position	Member since	Relevant external positions
Ulrich Köstlin	Chairman, non-executive director, Chairman of compensation and nomination committee	April 18, 2013	Former member of Board of Management of Bayer Schering Pharma AG; Curator of the H. Turnauer Foundation, Liechtenstein, Director on the Board of Constantia Flexibles AG and Universitätsklinikum Würzburg, Germany
Stefan Weber	Executive Director, CEO	2012	Former CFO of Biofrontera and Girindus, Head of Finance Lohmann Group
Patrick Langlois	Non-executive director, Chairman of audit and risk committee, member of compensation and nomination committee	2008	Former CFO and Vice-Chairman of the Management Board of Aventis; General Partner of PJL Conseils; Chairman of the Board of Directors of BioAlliance Pharma S.A. and Stallergenes S.A.; Director on the Board of Directors of Innate Pharma S.A., Diaxonhit Group and Scynexis Inc
Hanns Moehler	Non-executive director, Chairman of R&D committee	2008	Vice-Director of Swiss National Center of Neuroscience Research; member of the Swiss Academy of Medical Sciences and the European Academy of Sciences; Professor em. University of Zurich and Swiss Institute of Technology (ETH) Zurich
Roberto Consonni	Non-executive director, member of audit and risk committee	2012	CEO of Zambon Company; BoD member of Axxam S.p.A. and Italia Assistenza
Bo Jesper Hansen	Non-executive director, member of R&D committee, member of audit and risk committee	April 18, 2013	Executive Chairman of Swedish Orphan Biovitrium AB; Chairman of the Board of Directors at Topotarget A/S; Director on the Board of Directors of Orphazyme ApS, Ablynx (Be), Hyperion Therapeutics Inc., Genspera Inc. and CMC Contrast AB
Robert Holland	Non-executive director, member of R&D committee	April 18, 2013	Former VP & Head of Neuroscience Therapeutic Area at AstraZeneca; Director on the Board of Directors of Early Clinical Development Consulting Ltd. and CMO of Oxford Gene Technology IP Ltd.

None of the non-executive members of the Board as per December 31, 2013 was a member of Newron's management in the three financial years preceding the current year. None of the Board members had significant business connections with the Company or its subsidiaries. None of the Board members exercises official functions or holds political posts.

Ulrich Köstlin is Chairman of the Board since April 18, 2013. Ulrich was member of the Board of Management of Bayer Schering Pharma AG until 2011. He was responsible for multiple regions globally – Europe, Asia Pacific, Latin America, Japan and North America. Dr. Köstlin began his pharmaceutical career with Schering AG as a management trainee in 1982. Over the years, he served as General Manager for several subsidiaries of Schering AG across the globe, including from 1990 to 1993 as VP Sales and Marketing and General Manager Diagnostic Imaging of the US subsidiary. In 1994 Dr. Köstlin was appointed to the former Schering AG's Executive Board. He currently serves as Curator of the H. Turnauer Foundation, Liechtenstein, Director on the Boards of Constantia Flexibles AG, Vienna and the Universitätsklinikum Würzburg, Germany. Ulrich Köstlin was born in Stuttgart, Germany and studied law at the Universities of Erlangen and Tübingen in Germany, and Geneva in Switzerland. Ulrich Köstlin holds a Dr.iur. Doctorate from Tübingen University and a Master of Laws degree from the University of Pennsylvania Law School. Ulrich is German.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Stefan Weber was appointed Chief Executive Officer and Executive Director of Newron in 2012. He had been Chief Financial Officer of the Company since April 2005. Stefan holds a master's degree in business management from FernUniversität Hagen (Diplom-Kaufmann). He has more than 25 years of industry experience in finance and has been serving as Chief Financial Officer of public and private biotechnology companies since 2000. From 1987 to 1999, he was with Lohmann Group, a worldwide producer of pharmaceutical, medical, technical and consumer products. His final position was Head of Finance of the group. After joining Girindus, a fine chemistry process development and scale-up provider in 1999, he was appointed Chief Financial Officer in 2000. From 2001 to 2005, he was the Chief Financial Officer of Biofrontera, a company active in drug discovery and development. Stefan Weber has been responsible for executing numerous substantial financing transactions, including debt, equity and mezzanine financing as well as national and European grants. He has executed IPOs to the stock exchanges in Frankfurt and Zurich. He furthermore has been involved in a number of M&A transactions, disinvestments and strategic restructurings. Stefan Weber is German.

Permanent management and consultancy functions for important Swiss and foreign interest groups besides those mentioned: none.

Patrick Langlois, a director since 2008, was the CFO and Vice-Chairman of the Management Board of Aventis from 2002 to 2005 and served for 30 years in various senior financial functions in Rhône-Poulenc and Aventis Group in France and the USA. Prior to that, he was with Banque Louis-Dreyfus. He is presently General Partner of PJL Conseils, a consulting firm in healthcare. He holds a doctorate in economics from University of Rennes (France). Patrick Langlois is Chairman of the Board of Directors of BioAlliance Pharma S.A. and Stallergenes S.A. (both France), Director on the Board of Directors of Innate Pharma S.A. and Diaxonhit Group (both France) and Scynexis Inc (USA). He is French.

Permanent management and consultancy functions for important Swiss and foreign interest groups besides those mentioned: none.

Hanns Moehler, a director since 2008, is Vice-Director of the Swiss National Center of Neuroscience Research, of which he was the first director from 2000 to 2004. He held a professorship in the Department of Chemistry and Applied Biosciences at the Swiss Institute of Technology (ETH) Zurich, and in the Medical Faculty of the University of Zurich, where he was director of the Institute of Pharmacology from 1988 to 2005. Prior to his academic positions, Hanns Moehler served as a Vice-Director in the Research Department of Hoffmann-La Roche, Basel, Switzerland. Prof. Moehler's research is devoted to the therapeutic neuroscience of brain disorders. He is a member of the Swiss Academy of Medical Sciences and the European Academy of Sciences. Hanns Moehler is German and Swiss.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Roberto Consonni, a director since 2012, is the CEO of Zambon Company after being CEO of the Pharma Business in Zambon Group for 5 years. Previously he spent 27 years in Unilever managing Personal Care, Food & Beverage and ending as General Manager of the Italian Detergent Business and as European General Manager Household Cleaner. After a short period as Business Director in a medium and growing Food Italian Company, he joined Lavazza Company as Operational General Manager in the period 2000-2006. Then he became Industrialist in Residence Consultant for 3i Private Equity Fund. Additionally he was Board member in Ducati Motor Holding and in the chemical Radici Film Company. Roberto Consonni holds an Economic Science degree at Bocconi University. In addition to his position at Newron, he is also a Director on the Board of Directors of Axxam S.p.A. and Italia Assistenza S.p.A. (all Italy). Roberto Consonni is Italian.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Bo Jesper Hansen, a director since April 18, 2013, founded Scandinavian Medical Research, while serving as Medical Advisor for Synthélabo, Pfizer, Inc., Pharmacia Corporation and Yamanouchi Pharmaceutical Co. Ltd. He acted both as Chief Executive Officer and Director of the Board of Swedish Orphan International AB from 1998 to 2010. Dr. Hansen has been with Swedish Orphan International AB since 1993, where he grew the business from a small Nordic-focused niche specialty-/orphan drug pharma to an international organization, with over 60 products across Europe. Prior to joining Swedish Orphan International AB, Bo also co-founded the Shared Clinic "The Prostate Clinic" in Denmark. Currently, he is Executive Chairman of Swedish Orphan Biovitrum AB and Chairman of the Board of Directors at Topotarget A/S (DK). Bo is also a director on the Board of Director of Orphazyme ApS (DK) and Ablynx (B), Hyperion Therapeutics Inc., Genspera Inc. (both USA) and CMC Contrast AB (Sweden). He holds an MD and a PhD from the University of Copenhagen. Bo's experience includes orphan drug research and development, international marketing and contract negotiations with extensive knowledge within regulatory, pharmacovigilance, medical marketing and business development with close connections in the Orphan Drug area at executive level. He is Danish.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Robert Holland, a director since April 18, 2013, served as VP & Head, Personalised HealthCare & Biomarkers and from 2005 to 2010 as VP & Head of the Neuroscience Therapeutic Area at AstraZeneca. He was also a member of the R&D Leadership Team at AstraZeneca until 2012. Previously, Robert has held positions in research and clinical development at Upjohn, Solvay, Rhone Poulenc and the Wellcome Foundation. He has extensive experience in the discovery, development and commercialisation of medicines for both neurological and psychiatric conditions and in the in-licensing and successful co-development of medicines originating from different kinds of partner companies. He has been a lecturer at The Royal London Hospital and at Merton College, Oxford in Human Physiology and Anatomy, respectively. He holds a medical as well as a doctorate degree from the University of Oxford. In addition to his position at Newron, he acts as Chief Medical Officer of Oxford Gene Technology IP Ltd. (England), as Director on the Board of Directors of Early Clinical Development Consulting Ltd. and as permanent consultant to the Wellcome Trust (all England). Robert is English.

Permanent management and consultancy functions for important Swiss and foreign interest groups: none.

Responsibilities and organization

Pursuant to the Company's by-laws, the Board has complete power over the administration of the Company's business and it has the power to take actions deemed advisable for the pur-

suit of the Company's corporate purposes. Within the limits prescribed by Italian law, the Board may delegate its general powers to an executive committee and/or any managing director. The Board has delegated certain of its powers, excluding, amongst others, the conduct of material litigation, material non-budgeted expenditure, material agreements, entering into joint ventures, M&A, licensing, material lending agreements, variation in share option schemes, approval of the annual budget and actions on the intellectual property exceeding ordinary administration to the Company's Managing Director, Stefan Weber, whose functions include coordination and supervision of the Company's business.

Although the Company's by-laws specifically permit the Board to appoint an executive committee, as at December 31, 2013, this right has not been exercised by the Board. The Board also determines the duration of the term of the Company's Managing Director. The Chairman of the Board, any Deputy Chairman as well as any Managing Director are the legal representatives of the Company. The Board and any Managing Director may delegate the power to carry out certain acts within the scope of their respective authority.

Pursuant to the Italian Civil Code, Newron is also required to appoint a supervisory body referred to as the Board of Statutory Auditors (see "Board of Statutory Auditors").

The Company's directors are elected at the Company's annual ordinary meeting of shareholders for a term of up to three financial years. The Company's directors may be re-elected for an unlimited number of consecutive terms. If the shareholders fail to elect a Chairman at the shareholders' meeting, the members of the Board elect, from amongst themselves, the Chairman, and one or more Deputy Chairmen and/or Managing Directors.

Under Italian law, directors may be removed from office at any time by a shareholder's resolution. However, if removed without just cause, such director may have a claim for damages against Newron. The Company's directors may resign at any time by written notice to the Board of Statutory Auditors. Further to such removal or resignation, the Board may appoint substitute directors, subject to the approval of the Company's Board of Statutory Auditors, who will serve until the next general meeting of shareholders.

Meetings

Meetings of the Board may be called by the Company's Chairman or any Deputy Chairman, Managing Director or two directors by notice setting forth the matters to be discussed at the meeting, to be sent at least five days (or in cases of urgency, at least one day) before the date of the meeting. The minimum quorum required for Board meetings is a majority of the Company's directors in office. Board meetings are chaired by the Company's Chairman or, if the Chairman is absent or otherwise unable to act, by any Deputy Chairman or the Company's Managing Director. Resolutions are adopted by a majority vote of the directors present at the meeting.

In 2013, a total of 10 meetings of the full Board were called, of which 4 were held physically and 6 by phone. In addition, the audit and risk committee convened for 3 times, of which once physically and twice by phone, the compensation and nomination committee convened for 3 times, of which once physically and twice by phone and the R&D committee convened twice, physically. While the physical meetings of the full board are called on a quarterly basis and usually take a business day, the phone meetings are called upon requirement and usually take between one and two hours. The committee meetings usually take between half an hour and two hours. The committees have a predetermined annual agenda

to ensure that important reviews take place at the appropriate time throughout the year and they undergo a periodic self-review to ensure continued effectiveness.

Members of senior management are regularly attending the Board and committee meetings to report on areas of the business within their responsibility, to present proposals for decision and to participate, if requested by the Board, to the discussion prior to a vote being taken by the Board.

Information and control instruments

The Board ensures that it receives sufficient information from senior management to perform its supervisory duty and to make decisions that are reserved for the Board. The Board obtains the information required to perform its duties through several means:

The members of the Board receive on a monthly basis a comprehensive management report designed to provide them with an update on business activities in general and relevant developments with regard to clinical trials and preclinical activities, the collaboration with licensing partners, as well as on legal, business development and financial matters. The reports are subject to discussion during the Board meetings, which senior management regularly attends. With regard to the committees as described below, the CEO is the main contact to the members of the compensation and nomination committee, while the Vice President Finance takes this function towards the members of the audit and risk committee and the Chief Medical Officer towards the members of the R&D committee. Yet, decisions might be taken by the members of the Board as well as each committee without the attendance of senior management, but following presentation of facts and discussion with senior management.

Members of the Board and the committees usually do not participate in meetings of senior management.

Management provides the Board annually with a consolidated financial budget for the next business year for the parent company and the subsidiaries, and regularly, senior management presents to the Board strategic considerations for review, discussion and decision.

The Board and the committees closely follow the progress on the major activities, as presented by management. Analyses of deviations are to be provided and explained in writing on a monthly basis, required action will be closely monitored via update phone calls. Each member of the Board may demand information on any business of Newron's affairs and may inspect all books, business files and corporate documents.

On a quarterly basis, the Board of Statutory Auditors is updated as well, as required by Italian law (see below). The permanent observation and control of the Company's risks is a management objective. For identified risks, mainly clinical development and financial risks, a risk assessment is performed. Appropriate actions (including for example the performance of additional preclinical or clinical studies, fundraising activities etc.) are defined and executed to minimize the risk. Management and Board of the Company during the Board meetings review the identified risks, discuss and decide on the measures and reassess the situation after an adequate period of time. Due to the size of the Company, there is no internal auditing function in place.

Committees

The Board has formed three permanent committees, an audit and risk committee, a compensation and nomination committee and an R&D (research and development) committee to support its work. Furthermore, in December 2013, a separate specific nomination committee was formed exclusively for the purpose of evaluating the current board size and structure, in light of the upcoming elections of the directors. The overall responsibility of the Board is not limited by these committees. The role of such committees is to exercise review and control and to report the findings to the Board and to express certain recommendations to the Board, while decisions are finally taken by the Board, with the exception described below for the compensation and nomination committee.

As at December 31, 2013, the audit and risk committee consisted of Patrick Langlois (Chairman), Roberto Consonni and Bo Jesper Hansen, each of whom is a non-executive member of the Board. The audit and risk committee meets at the option of its members on the same date as the Company's scheduled Board meetings and at such other times as its chairperson deems it appropriate. Main objectives of the committee are to contribute to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of financial information and the compliance with laws and regulations, including the by-laws, the internal procedures and the internal control-system – including risk management, issuing recommendations to the Board regarding the acceptance of the Company's annual budgets and accounts. The committee's chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. For further detail with respect to the audit committee, please see *Note "Auditors" on page 35*.

As at December 31, 2013, the compensation and nomination committee consisted of Ulrich Köstlin (Chairman) and Patrick Langlois, each of whom is a non-executive and independent member of the Board. The main tasks of the compensation and nomination committee are to review periodically the Company's remuneration strategy, to review and approve corporate goals and objectives relevant to compensation, to evaluate the performance of the Company's executives, to propose to the full Board the compensation of the executive director, to set the compensation of the other executives, to make recommendations to the full board on the remuneration of the non-executive directors of the Company, to review incentive compensation and equity based plans and make recommendations to the full board on such plans, to review the Company's executive succession plan and make recommendations to the full Board and to approve dismissal and redundancy plans.

This committee meets at the option of its members on the same date as the Company's scheduled Board meetings and at such other times as its chairperson deems it appropriate. The committee's chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

As at December 31, 2013, the R&D committee consisted of Hanns Moehler (Chairman), Bo Jesper Hansen and Robert Holland, each of whom is a non-executive and independent member of the Board. The main tasks of the R&D committee are to evaluate the research and development strategies of the Company, to review and report to the Board scientific trends and emerging areas of science relevant to the Company strategy, to review and evaluate internal research and development projects from a scientific and strategic perspective, to

review and provide guidance related to business development opportunities, to assist the Company in developing and accessing a network of world class scientific advisors for the purposes of guidance as well as for the identification and attraction of new opportunities and to review the Company's compliance systems with reference to scientific and regulatory matters.

As at December 31, 2013, the specific nomination committee consisted of Ulrich Köstlin (Chairman) and Roberto Consonni. The sole task of the committee is to analyse the size and structure of the current Board and to initiate all preparations towards the upcoming elections of the directors to the Board. The committee is expected to report its findings to the full Board in time for the Shareholders' meeting scheduled for March 27, 2014.

Board of Statutory Auditors

Pursuant to Italian Law, in addition to electing the Board, the Company's ordinary shareholders' meeting also elects a board of statutory auditors, which is required to meet at least once each quarter. Members of the Company's Board of Statutory Auditors are elected for a three-year term with a voting list (voto di lista) system.

The Company's current Board of Statutory Auditors has been elected on April 18, 2013, for a three-year term expiring upon the approval of the Company's financial statements for the year ending December 31, 2015. It is composed of three permanent statutory auditors, plus two alternate statutory auditors who would automatically replace a permanent statutory auditor who resigns or otherwise becomes unable to perform his duties. At least one member of the Board of Statutory Auditors and one alternate member must be registered with the national register of auditors (Registro dei Revisori Contabili). The other members, if not registered with the national register of auditors, must be registered in specific professional registers or must be chosen among certain university professors. All members of the Company's Board of Statutory Auditors are registered with the national register of auditors.

The Company's Board of Statutory Auditors is responsible for reviewing the Company's affairs and financial reporting and condition. It is required to review the Company's activities in order to determine compliance with the by-laws and applicable Italian law, as well as report specific matters to the shareholders and to the court. The Board of Statutory Auditors, among other things, ensures (i) that the Company be managed in a sound manner and (ii) that the Company's internal auditing, accounting and administrative procedures be adequate. The review of the Company's books and records performed by its Board of Statutory Auditors does not constitute an audit in accordance with Italian auditing standards.

Members of the Company's Board of Statutory Auditors must receive notice of, and are required to attend, meetings of the Board, shareholders' meetings and meetings of any executive committee of the Board.

The following table sets forth certain information about the current members of the Company's Board of Statutory Auditors, who have been appointed by the shareholders' meeting of April 18, 2013.

Name	Position	Member since
Richard P. Murphy	Chairman of the Board of – Statutory Auditors	2002
Lucio G. Ricci	Permanent auditor	2002
Massimo Giaconia	Permanent auditor	2013
Chiara Peja	Alternate auditor	2010
Alessandro Isacco	Alternate auditor	2013

Each of the members of the Company's Board of Statutory Auditors also serves as statutory auditors for several other Italian and pharmaceutical companies.

Senior Management

Members of the senior management

Name	Position at the Company
Stefan Weber	Chief Executive Officer, Executive Director
Ravi Anand	Chief Medical Officer
Marco Caremi	Executive Vice President Business Development
Roberto Galli	Vice President Finance
Anders Haegerstrand	General Manager Newron Sweden AB

For a biography of Stefan Weber, Newron's CEO, see "Board of Directors", see page 16.

None of the members of the senior management is a member of governing and supervisory bodies of important Swiss or foreign organizations, institutions and foundations outside of Newron. None of the members of the senior management holds permanent management or consultancy functions for important Swiss or foreign interest groups, and none of them has official functions or holds political posts besides those mentioned. None of them has previously covered functions for Newron or one of Newron's subsidiaries besides those mentioned below.

Ravi Anand, a Swiss resident, has been the Company's Chief Medical Officer since May 2005. He received his university education in New Delhi, India, and his medical training in the specialties of psychiatry and neurology in the United States. For over 20 years, Dr. Anand has worked in international drug development and registration departments of major pharmaceutical companies, including F. Hoffmann-La Roche (Switzerland), Sandoz/Novartis (United States) and Organon (Netherlands). From 1993 to 1997, he was the Medical Director of CNS, Clinical Research at Sandoz Research Institute. From 1997 to 2001, he served as the international Head of CNS Medical Affairs at Novartis. From 2001 to 2003, he served as the global Head of CNS Clinical Research at Organon. Since 2003, Dr. Anand has been acting as a consultant for Newron and other clients. During his tenure in the pharmaceutical industry, Dr. Anand has worked in all phases (I through III) of drug development as well as in medical commercialization (phase IV). Overall, he has been responsible for the conduct of clinical trials in over 30 countries. He has been involved in over 30 investigational new drug applications, and over 7 international new drug applications. He has published extensively, including over 50 papers and 200 abstracts, posters and presentations.

Marco Caremi is Executive Vice President Business Development since 2012. He has been in Vice President positions with the Company since September 2002. Marco holds a university degree in natural science from the University of Milan and has successfully completed the Advanced Development Programme at the London Business School. He has built almost 30 years of experience in the pharmaceutical industry. From 1998 to 2002, he was the Director of Business Development at Schwarz Pharma S.p.A. where he had responsibility for researching and evaluating all in- and out-licensing deals, analysing companies for potential acquisitions and developing strategic plans for forthcoming market opportunities. From 1996 to 1998, he was the Business Development Manager at Schering-Plough S.p.A. From 1990 to 1996, he held several marketing and sales positions at Schering-Plough S.p.A. Before that time, he was a sales representative, sales specialist and sales district coordinator at Polifarma S.p.A. Marco Caremi is Italian.

Roberto Galli is Vice President Finance since 2012. He joined Newron in 2002. Since, he has covered various managerial positions within the Finance Department and was involved in the IPO, M&A and other strategic corporate transactions. He started as auditor at Coopers&Lybrand (CL), then joining Pricewaterhouse-Coopers (PwC) where he served as Senior Auditor & Business Advisor dealing with companies from the pharmaceutical, fashion, energy and automotive industries. He has more than 18 years experience in biotech, finance and auditing. He holds a degree in Business Economics from the University – Luigi Bocconi – in Milan and he is Chartered Auditor. Roberto Galli is Italian.

Anders Haegerstrand is the General Manager of Newron Sweden AB and member of the Newron Group Management Team since 2012. He joined Newron Sweden (at that time: NeuroNova) in 2000, as CEO and first employee, and from 2004 as Chief Scientific Officer, focusing on the translation of the sNN0031 and sNN0029 programs from the discovery phase through preclinical and early clinical development. He received his training as Doctor of Medicine (MD) at Karolinska Institute in Stockholm from which he also received a PhD degree and became associate professor in Neuroscience, and where he established a lab with a focus on regenerative medicine and cell transplantation during 1990-1995. From 1995 to 1998, he was Project Leader for a US biotech collaboration and later VP of Discovery Research, both at Astra Pain Control (a part of the former Astra Group). This included responsibilities for programs ranging from early stage drug discovery to Phase I/II clinical trials. Following the merger between Astra and Zeneca in 1998, he was Vice President in the CNS and Pain Research Area Management team. Dr Haegerstrand has pharmaceutical industry and biotech experience including small molecules, peptides, proteins, cells and medical devices. He has actively participated in several investigational new drug applications and as Principal Investigator for substantial non-dilutive research grants. He has published extensively, including app. 50 original papers and multiple posters and presentations. Anders Haegerstrand is Swedish.

Management contracts

The Company does not have management contracts with third parties.

Compensation, Shareholdings and Loans

In line with Italian law, the maximum total annual compensation for the members of the Board is proposed to the shareholders' meeting by the Company's management and Board and approved by decision of the shareholders' meeting. The proposal for such maximum total annual compensation was last elaborated by the compensation and nomination committee of the Company's Board in 2013, and approved in the April 18, 2013, shareholders' meeting. Since then, the maximum total remuneration for the members of the Newron Board is thousand EUR 300. The allocation of all or a part of the maximum total remuneration to the individual members is up to the decision by the Board. The current compensation of the members of the Board consists of a fixed annual remuneration of thousand EUR 25 per capita and an additional remuneration for the Chairman/members of Board committees of thousand EUR 7.5/5.00 per capita and per committee charirmanship/membership. The chairman's remuneration is thousand EUR 55. Furthermore, non-executive directors, as per decision by the board of January 18, 2013, are participating to the Stock Option Plan 2013 (*see page 14*). Under such plan, the directors have been allocated 7,000 stock options, each. It is the current policy not to pay a variable remuneration to non-executive members of the Board. For the fiscal year ended December 31, 2013, Stefan Weber has waived his compensation as director.

When proposing the maximum total annual compensation for the members of the Board in 2013, the compensation and nomination committee of the Board did not ask for third-party support. Instead, the Board did an assessment of the remuneration of the peer companies below and proposed to moderately increase the remuneration from the previous three-year term, still deemed to reflect the challenging situation of the Company, but allow the Company to win internationally experienced senior executive managers from a variety of disciplines (R&D, marketing, finance, general management) in the pharmaceutical industry with the competence to execute the duties of the Board as described in *Note "Board of Directors" on page 15ff.*, especially the management of the Company, to the extent it is not delegated to the senior management, and the control of management in the mid- and long-term interest of the shareholders, as measured by the development of the market capitalization of the Company. The compensation and nomination committee is aware that the successful recruitment of qualified Board members as well as senior managers depends on an overall remuneration that is competitive to companies of the same industry and comparable market capitalization. The compensation and nomination committee has qualified the following companies that are active in drug discovery and development as peers for such purposes: Santhera Pharmaceuticals, Liestal, CH; Cosmo Pharmaceuticals, Lainate, I; Evolva, Reinach, CH; Therametrics, Stans, CH, and Paion, Aachen, D.

The compensation of the members of the senior management, excluding the executive director's one, for which the full board decision is required under Italian law, is set and reviewed annually by the compensation and nomination committee of the Board, in accordance with Newron's compensation policies. The review is based on experience of the members of the committee, publicly available information as well as advice from leading human resources consulting firms with regards to remuneration packages required to attract internationally experienced senior executive managers from the biopharmaceutical industry, including information available on peer companies, as mentioned in the previous paragraph. The

nomination and remuneration committee is required to inform the Board of the decisions taken. The compensation consists of base salary, bonus and stock-based remuneration (stock options, for more details see Note *"Stock-based remuneration" on page 14*). The maximum bonus for senior management is 30% of the base salary, half of this based on Company and half on individual performance objectives. In addition, Newron offers to senior management company cars, mandatory social security payments and certain life insurance coverage.

The compensation and nomination committee of the Board decides on an annual basis on the level of achievement of the Company performance objectives which are related to the key value drivers of the Company like development progress, licensing and M&A transactions, financing measures and budgetary discipline, and agreed upon at the beginning of each year. The achievement on individual performance objectives is determined by the nomination and remuneration committee of the Board compared to individual targets agreed at the beginning of each year. The nomination and remuneration committee is required to inform the Board of the decisions taken.

For 2013, the Company's senior management been been rewarded a bonus reflecting achievement of 75% of the Company objectives, including the submission of the application for marketing approval (MAA) for safinamide in Europe, material progress on the comparable submission in the United States (NDA), progress in the development of the development programs for sNN0031, sNN0029, NW-3509, staying within budgeted spending and strengthening of the institutional shareholder base.

The total gross compensation of the members of the Board in 2013 is outlined below:

(In thousand Euro)	Cash compensation	Stock options**	Total 2013	Total 2012
Ulrich Köstlin, non-executive Chairman, Chairman of compensation and nomination committee, from April18, 2013, on)	44	8	52	–
Stefan Weber, executive director*	390	134	524	453
Patrick Langlois, non-executive director, Chairman of audit and risk committee, member of compensation and nomination committee	38	10	48	38
Hanns Moehler, non-executive director, Chairman of R&D committee	30	10	40	33
Roberto Consonni, non-executive director, member of audit and risk committee	29	–	29	13
Bo Jesper Hansen, non-executive director, member of R&D committee (from April 18, 2013, on)	25	8	33	–
Robert Holland, non-executive director, member of R&D committee (from April 18, 2013, on)	21	8	29	–
Total* **	**577**	**178**	**755**	**537**

* Full year remuneration in his function as CEO
** Evaluation under IFRS rules, not necessarily reflecting personal income
*** Not comparable due to material change in membership

For the fiscal year ended December 31, 2013, the aggregate compensation (consisting of statutory auditors' fees) paid by Newron to the Company's Board of Statutory Auditors was about thousand EUR 100 (2012: thousand EUR 60).

The total gross compensation and the highest individual compensation of the members of the senior management in 2013 are outlined below.

(In thousand Euro)	Base salary/ remuneration	Bonus	Stock options	Total 2013	Total 2012
Ravin Anand, CMO	600	152	82	834	595
Total senior management	1,461	319	423	2,203	1,485

Payments to former management and directors

The Company has executed consultancy agreements with two of the former directors of the Company. The agreements have a 12 month term and will end in April 2014, unless renewed. Total payments due under the agreements are thousand EUR 80, of which thousand EUR 45 were incurred in 2013.

Share allotment

In the year ended December 31, 2013, no shares have been allotted to any members of the Board nor the senior management or parties closely linked to them.

The holdings of shares, stock options and stock appreciation rights in Newron by members of the Board, senior management and parties closely linked to them as of December 31, 2013, are outlined below:

	Shares*	Stock options	– of which vested
Ulrich Köstlin non-executive Chairman of BoD	8,000	7,000	0
Stefan Weber, CEO, executive member of BoD	10,501	100,000	0
Patrick Langlois non-executive Director	0	7,000	0
Hanns Moehler non-executive Director	0	7,000	0
Roberto Consonni non-executive Director	0	0	0
Bo Jesper Hansen non-executive Director	0	7,000	0
Robert Holland non-executive Director	0	7,000	0
Ravi Anand, CMO	6,040	70,000	0
Marco Caremi, Executive VP BD	0	50,000	0
Roberto Galli, VP Finance	2,500	50,000	0
Anders Haegerstrand, General Manager Newron Sweden	5,127	50,000	0

* As far as the Company is aware.

The weighted average exercise price of the stock options is EUR 6.13.
The exercise ratio in all cases is 1 share for 1 stock option.

Additional fees and remunerations

Besides the two consulting agreements described above, no additional fees and remunerations have been billed to Newron by any member of the Board or of the senior management or parties closely linked to them for additional services performed during 2013.

Loans to governing boards

No loans or credits were granted during 2013 to members of the Board, senior management or closely linked parties.

Shareholders' Participation

Ordinary meetings

Ordinary shareholders' meetings must be convened at least once a year within 120 days after the end of the fiscal year (180 days in particular circumstances) for the approval of the financial statements. At ordinary meetings, if necessary, shareholders may also be called to appoint directors and statutory auditors, determine their remuneration, vote on whether the Company should take action against any directors or statutory auditors, and vote on any business matter submitted by the directors.

The quorum required for an ordinary shareholders' meeting of Newron is the presence of shareholders representing at least 50% of the Company's share capital (in the first call), whilst the following calls do not require any quorum for the validity of the meeting. In the event that the ordinary meeting is convened for a sole call, then the quorum provided for the ordinary meeting in the second call shall apply. Resolutions are approved by the shareholders representing the majority of the shares present or represented at the meeting.

Extraordinary meetings

Extraordinary meetings of shareholders may be called to vote on proposed amendments to the by-laws, appointment, substitution and powers of liquidators and other resolutions provided by law.

The quorum required at an extraordinary shareholders' meeting of Newron (i) in the first call is the presence of shareholders representing at least 50% of Newron's share capital; (ii) in the second call is the presence of shareholders representing more than one third of Newron's share capital; (iii) in the third call is the presence of shareholders representing at least one fifth of Newron's share capital. In the event that the extraordinary meeting is convened for a sole call, then the quorum provided for the extraordinary meeting in the third call shall apply. At extraordinary meetings, resolutions must be approved by at least two-thirds of the share capital represented at such meetings (save for specific matters which require special majorities).

Notice of meetings

Notice of all shareholders' meetings of listed companies must be published in the Gazzetta Ufficiale, the Italian official gazette, or in at least one of the daily newspapers set forth in the by-laws, at least 15 days prior to the date set for the meeting. Pursuant to relevant provisions of the Company's by-laws, such notice will be published in the Italian daily newspaper MF Milano Finanza or, in the case that MF Milano Finanza is no longer published for any reason, in the Italian daily newspaper Corriere della Sera, or, in the case that Corriere della Sera is no longer published for any reason, in the official gazette of the Republic of Italy (Gazzetta Ufficiale). Pursuant to the Company's by-laws, such notice will also be published in the German language, Swiss daily newspaper Neue Zürcher Zeitung, or, in the case that Neue Zürcher Zeitung is no longer published for any reason, in the German language, Swiss daily newspaper Tages-Anzeiger, and the French language, Swiss daily newspaper Le Temps or, in the case that Le Temps is no longer published for any reason, in French language, Swiss daily newspaper L'Agefi.

In addition, pursuant to Article 2366 of the Italian Civil Code, a meeting will be deemed duly convened if shareholders representing 100% of the Company's share capital, together with the majority of directors and the majority of members of the Board of Statutory Auditors, are present at the meeting. Persons attending may object to discussions of matters on which they have not been sufficiently informed.

Shareholders' meetings (1) must be called promptly upon the request by holders of at least 5% of the share capital; (2) may be called by the Board whenever it deems appropriate; or (3) may be called by the Board of Statutory Auditors or the president of the court having jurisdiction (Presidente del Tribunale), in the cases provided by law.

Attendance and voting rights

To attend any shareholders' meeting, a Newron shareholder must, at least one business day prior to the date fixed for the meeting, instruct the relevant intermediary to communicate his relevant shareholding and voting rights to the Company (see www.newron.com/shareholders-meeting).

Shareholders may appoint proxies by written means according to Article 2372 of the Italian Civil Code.

Italian law does not foresee explicit rules for shareholders to ask for inclusion of certain topics to the agenda if the shares of a company are not listed on an Italian market. Yet, shareholders representing in the aggregate 5% of the share capital of the Company could request the directors to call a shareholders' meeting, implying their right to propose topics to the agenda.

Minority shareholders' rights

The by-laws of the Company do not contain any limitations on the voting rights in respect of shares held by any shareholder. Resolutions adopted at a shareholders' meeting are binding on all shareholders.

Yet, under Italian law, any shareholder owning voting shares representing at least 0.1% of the stock of a listed company may, within specific terms, challenge any resolution of the shareholders in respect of which it has abstained from voting or cast a dissenting vote on the basis that the resolution was not adopted in conformity with applicable law or the by-laws; directors and statutory auditors may also challenge shareholders resolutions on that basis.

Each shareholder may submit a complaint to the Board of Statutory Auditors regarding facts that such shareholder deems to be censurable, and the Board of Statutory Auditors must take any such complaint into account in its report to the meeting of the shareholders.

If shareholders collectively representing 2% of the Company's share capital submit a complaint, the Board of Statutory Auditors must promptly undertake an investigation and present its findings and any recommendations to a meeting of the shareholders (which must be convened by the Board of Statutory Auditors immediately if there appear to be grounds for the complaint and there is an urgent need to take action).

Shareholders representing in the aggregate at least 5% of the Company's share capital have the right to report major irregularities in the management of the Company to the relevant court. In addition, shareholders representing at least 2.5% of the Company's share capital may bring legal action against the directors of the Company. The Company may waive or settle the suit provided that (i) such waiver or settlement is approved by the ordinary shareholders' meeting and (ii) holders of more than 5% of the Company's share capital do not vote against such waiver or settlement. The Company will reimburse the legal costs of such action in the event that the claim of such shareholders is successful and: (i) the court does not award such costs against the relevant directors, statutory auditors or general managers;

or (ii) such costs cannot be recovered from such directors, statutory auditors or general managers.

In addition, under Italian law, a single shareholder may bring an action against members of a company's board of directors in respect of damages directly suffered for negligence or wilful misconduct.

Change of Control and Defence Measures

In line with Swiss law, which is applicable to Newron as an Italian entity since May 1, 2013, Newron's shareholders (and any direct or indirect holder, acquirer, or seller of shares) are required to comply with the provisions as set forth in Article 22 ss. SESTA, including Article 32 of the SESTA, and pertinent regulations, including articles 28 ss.

SESTO-FINMA and the Ordinance of the Takeover Board on Public Takeover Offers of August 21, 2008, as amended ("TOO") (all such laws and regulations, the "Swiss Tender Offer Laws"). The Swiss Tender Offer Laws provide, among other things, that if a person acquires shares of a company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33 1/3% of the voting rights (whether exercisable or not) of such company, that person must make an offer to acquire all of the listed shares of that company.

A Company's articles of incorporation may either eliminate application of the SESTA or may raise the relevant threshold to 49% ("opting out" or "opting up", respectively). The Company's by laws do not contain any opting out or opting up provision.

Should the Company as per the assessment by the Board experience an extraordinary transaction of severe impact on its corporate structure, the stock options as evidenced in *Note "Stock-based remuneration" on page 14* which have not vested by that point in time will automatically vest upon such assessment and decision by the Board.

No other applicable agreements or schemes that benefit members of the Board and senior management do include change of control clauses. In particular, no agreements on severance payments in the event of takeover, special provisions on the cancellation of contractual arrangements, agreements concerning special notice periods or additional contributions to pension funds exist that protect the above mentioned persons in case of take overs.

Auditors

Upon proposal by the management and Board of the Company, on April 18, 2013, the shareholders' meeting has appointed Reconta Ernst & Young S.p.A. as the Company's independent auditors in relation to the audit of the Company's financial statements for the three financial years ending December 31, 2015. The recommendation by the Company's management and Board, who had asked alternative audit companies to provide offers for a 3-year period (as foreseen by Italian law) of collaboration was based on the high quality of the audit team proposed by E&Y, its audit experience in the pharmaceutical industry, the capability to support international projects and the financial terms offered for the work expected to be done for Newron.

The auditor in charge since the first appointment of Reconta Ernst & Young in 2007 is Paolo Zocchi.

Reconta Ernst & Young will receive an expected fee of thousand EUR 137 (2012: thousand EUR 138) exclusively due to the audit of the Company's Italian GAAP Financial Statements, the financial statements of the subsidiaries under the local GAAP standards, and the Group's consolidated IFRS Financial Statements. Further fees of thousand EUR 42 were charged by Reconta Ernst & Young for other audit-related services, mainly for issuing report activities (2013 capital increase and EU grant audit) and IFRS investigations in Sweden.

Supervisory and control instruments pertaining to the audit

The Board has installed an audit and risk committee, whose task it is – amongst others – to discuss with the auditors the audit scope, audit and review procedures, significant reporting matters and fees and to assess the auditors' performance. The chairperson of the committee, Patrick Langlois, is responsible for the information of the full Board about the results of the meetings and the recommendations of the committee.

The duties of the audit and risk committee relating to the audit are

- to consider the appointment of the external auditor, the audit fee, the independence and objectivity of the auditors and any questions of retirement, resignation or dismissal;
- to review the nature and scope of the audit, discuss the audit with the external auditor before it commences, and ensure coordination where more than one audit firm is involved;
- to review the annual financial statements before submission to the Board, focusing particularly on (i) any changes in accounting policies and practices, (ii) major judgmental areas, (iii) significant adjustments resulting from the audit, (iv) the going concern assumption, (v) compliance with accounting standards, (vi) compliance with legal requirements, and (vii) the Chairman's statement and statement of operations to be made in the Company's annual report;
- to review the results of the audit and its cost-effectiveness and in particular: (i) to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary), (ii) to review the external auditor's management letter and management's response, (iii) to consider any significant ventures, investments or operations which are not subject to external audit;

- to review the annual budgets of the Company;

- to review annually the Company's systems of internal control (including financial, operational and compliance controls and risk management) prior to review by the Board and from time to time to make recommendations to ensure the maintenance of a sound system of internal control to safeguard shareholders' investment and the Company's assets.

In 2013, the audit committee has held three meetings with Reconta Ernst & Young S.p.A., during which the members were presented the planned audit scope, timelines, budget and results of the work performed by Ernst & Young S.p.A. in auditing the IFRS Consolidated Financial Statements for the year 2012, the Italian GAAP Financial Statements for Newron for the year 2012 and reviewing the Interim Consolidated Financial Statements for the six months ended June 30, 2013, as well as the other services provided by Ernst & Young S.p.A. The members of the audit and risk committee do regularly give their input to such presentations and might ask for changes or a special focus of the audit/review work, thereby controlling audit focus, performance and cost.

During these meetings Reconta Ernst & Young S.p.A. reports any material findings of their audit and review procedures to the members of the committee as well as the VP Finance of the Company. In a separate part, to which members of the management of the Company do not attend, the members of the committee interrogate Reconta Ernst & Young S.p.A. for any potential weaknesses in the Company's systems of internal control. The essence of the results of these meetings is reported by the Chairman of the audit and risk committee to the members of the Board.

The committee on an annual basis evaluates the performance of Ernst & Young S.p.A. and decides on its recommendation to the Board whether Ernst & Young S.p.A. should be proposed to the shareholders' meeting for re-election, when due.

Criteria applied include technical and operational competence, independent and objective view, sufficient and competent resources employed, focus on areas of importance to Newron, willingness to challenge, ability to provide appropriate and pragmatic recommendations and effective communication as well as open dialogue and coordination with the committee and management.

Information Policy

Newron undertakes significant efforts to keep its shareholders informed, as otherwise achievements cannot be considered properly by capital markets and the interested public, thus leaving shareholders with suboptimal stock price performance.

We regularly update the corporate website (www.newron.com), provide the regular (annual report, half-year report) and extraordinary reports (directors' dealings, status of authorized capital, ad hoc news and publications) to the SIX Swiss Exchange and the general public, routinely visit conferences to present the Company to opinion leaders and multiplicators of public opinion and talk to analysts and the press. All interested parties have the possibility to directly receive from Newron free and timely notification of potentially price-sensitive facts via our web page pull service,

www.newron.com/ENG/Default.aspx?MOD=NWS&SEZ=5&PAG=163. It is our aim to reach out to all potentially interested addressees in the field and once attracted to Newron, keep them up to the news. In order to keep satisfaction at high levels, we do commit to give a true and fair view to the news. Newron's PR and IR representatives are at your disposal.

Important dates for 2014

Annual General Meeting of Shareholders: March 27, 2014, in the Company's offices in Bresso (Mi), Italy
Publication of half-year results: September 16, 2014

Media

Stefan Weber, CEO
Phone: +39 02 6103 46 26
pr@newron.com

UK/Global media

Julia Phillips
FTI Consulting
Phone: +44 (0) 20 7269 7187

Switzerland

Martin Meier-Pfister
IRF Communications
Phone: +41 43 244 81 40

Investors and analysts

Stefan Weber, CEO
Phone: +39 02 6103 46 30
ir@newron.com

Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided in the SIX Swiss Exchange Corporate Governance Directive and the Commentary thereto)

IFRS Consolidated Financial Statements

Consolidated Statement of Income

(In thousand Euro, except per share information)		For the year ended December 31	
	Note	2013	2012
Licence income	7	3,213	8,907
Other income		326	17
Revenue		3,539	8,924
Research and development expenses	8/9	(4,537)	(3,534)
Marketing and advertising expenses		(15)	(62)
General and administrative expenses	8/10	(6,763)	(8,025)
Operating result		(7,776)	(2,697)
Financial result net	11	63	200
Result before tax		(7,713)	(2,497)
Income tax	12	615	122
Net loss		**(7,098)**	**(2,375)**
Loss per share			
Basic and diluted	13	**(0.62)**	**(0.29)**
Weighted average number of shares (thousands)			
		11,508	**8,158**

Consolidated Statement of Comprehensive Income

(In thousand Euro)		For the year ended December 31	
	Note	2013	2012
Net loss for the period		(7,098)	(2,375)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(235)	58
Income tax effect		0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(235)	58
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on benefit plan for employees	24	(18)	(78)
Income tax effect		0	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(18)	(78)
Other comprehensive loss for the period, net of tax		(253)	(20)
Total comprehensive loss for the period, net of tax		**(7,351)**	**(2,395)**

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Financial Position

(In thousand Euro)	Note	As of December 31 2013	2012
Assets			
Non-current assets			
Property, plant and equipment	14	79	72
Intangible assets	15	9,125	11,199
Available for sale investments	16	584	584
Non-current receivables		33	45
		9,821	11,900
Current assets			
Inventories		301	233
Receivables and prepayments	17	3,070	3,271
Cash and cash equivalents	18	18,426	29,243
		21,797	32,747
Total assets		**31,618**	**44,647**
Shareholders' equity			
Share capital	19	2,325	2,277
Share premium and other reserves	20	28,933	31,333
Share option reserve	21	2,374	1,541
Retained earnings		(12,313)	(7,549)
Translation differences		(229)	6
Total shareholders, equity		21,090	27,608
Liabilities			
Non-current liabilities			
Deferred tax liability	22	2,905	3,531
Long-term borrowings	23	1,087	1,447
Employee severance indemnity	24	466	476
		4,458	5,454
Current liabilities			
Deferred income	25	2,031	4,396
Other current financial liabilities		0	539
Short-term borrowings	23	358	355
Trade and other payables	26	3,681	6,295
		6,070	11,585
Total liabilities		10,528	17,039
Shareholders' equity and liabilities		**31,618**	**44,647**

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Changes in Equity

(In thousand Euro)	Note	Share capital	Share premium	Share option reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2012		1,453	12,826	4,152	(52)	(11,795)	6,585
Net loss						(2,375)	(2,375)
Other comprehensive losses					58	(78)	(20)
Total comprehensive loss for the period		0	0	0	58	(2,453)	(2,395)
Previous year loss allocation			(6,617)			6,617	0
Advance payment for future capital increase			1,724				1,724
Share option scheme				210			210
Exercise of options		44	3,946	(2,821)			1,169
Issue of shares		305	5,395				5,700
Issuing cost			(215)				(215)
Issue of shares – Acquisition of NeuroNova AB		475	14,274				14,749
IAS 19 revised, opening						82	82
Balance at December 31, 2012		**2,277**	**31,333**	**1,541**	**6**	**(7,549)**	**27,609**
Net loss						(7,098)	(7,098)
Other comprehensive losses					(235)	(18)	(253)
Total comprehensive loss for the period		0	0	0	(235)	7,116	7,351
Previous year loss allocation	20		(2,352)			2,352	0
Advance payment for future capital increase	20		(1,724)				(1,724)
Issue of shares	19/20	48	1,676				1,724
Share option scheme	21			833			833
Balance at December 31, 2013		**2,325**	**28,933**	**2,374**	**(229)**	**12,313**	**21,091**

(The accompanying notes are an integral part of these financial statements)

Consolidated Statement of Cash Flow

(In thousand Euro)	Note	For the year ended December 31 2013	2012
Loss before tax		(7,713)	(2,497)
Adjustments for:			
Depreciation and amortization	14/15	39	63
Impairment of In-process R&D	15	2,085	784
Grants and other non monetary income		(2,317)	225
Share option expenses	21	833	210
Employee severance indemnity expense	24	51	46
Changes in working capital:			
Inventories		(69)	13
Current receivables and prepayments and deferred cost (excluding grants receivable)		718	(1,796)
Trade and other payables and deferred income (excluding advances of grants)		(5,516)	8,780
Cash used in operations		(11,889)	5,828
Cash flows from operating activities			
Cash used in operations		(11,889)	5,828
Government grants received		1,216	74
Pension fund paid	24	(13)	(158)
Change in non-current receivables		0	81
Net cash used in operating activities		(10,686)	5,825
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(56)	(11)
Purchase of intangible assets	15	(20)	0
Acquisition of a subsidiary, net of cash acquired	6	301	9,971
Interest received		1	68
Net cash flows from/(used in) investing activities		226	10,028
Cash flows from financing activities			
Net proceeds from borrowings	23	(357)	(355)
Proceed from issue of shares		0	8,593
New shares issuing costs		0	(215)
Net cash flows from financing activities		(357)	8,023
Net increase/(decrease) in cash and cash equivalents		(10,817)	23,876
Cash and cash equivalents at January 1,		29,243	5,367
Cash and cash equivalents at the end of the year		**18,426**	**29,243**

(The accompanying notes are an integral part of these financial statements)

Notes to the Consolidated Financial Statements

(In thousand Euro unless otherwise stated)

1 General information

Newron Group (the Group) is composed by the following entities:

- Newron Pharmaceuticals S.p.A. (the Company), a clinical stage biopharmaceutical company focused on the discovery and development of drugs for the treatment of central nervous system (CNS) disorders and pain – the parent company;
- Newron Suisse SA, a clinical development fully owned subsidiary based in Basel (Switzerland) established during 2007;
- Hunter-Fleming Limited, a private biopharmaceutical company based in Bristol (United Kingdom) and focused on neurodegenerative and inflammatory disorders, which has been acquired in 2008;
- Newron Sweden AB (former NeuroNova AB), a private biotechnology company based in Stockholm (Sweden) developing new medicines to treat illnesses caused by necrosis of the Central Nervous System (CNS), which has been acquired on December 17, 2012.

The Company is incorporated and domiciled in Milan, Italy. The address of its registered office is via Ludovico Ariosto 21, Bresso MI 20091, Italy. The Company is listed on the main segment of the SIX Swiss Exchange, Zurich, Switzerland, under the trade name NWRN.

These consolidated financial statements have been approved for issuance by the Board of Directors on February 26, 2014.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are based on the financial statements of the individual Group companies prepared for the same reporting period using consistent accounting policies. The financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities at fair value as described in the notes.

The presentation currency is Euro. All figures included in these financial statements and notes to the financial statements are rounded to the nearest Euro thousand except as otherwise stated.

Since its inception, the Group has incurred significant costs for the funding of its research and development activities without generating revenues to sustain them. Group' liquidity requirements arise primarily from the need to fund its ongoing research and development activities and, although the results of research are substantially positive, it is not certain that the research and development activities will lead to the introduction of new products to the market. Historically, Newron has primarily used capital contributions from shareholders, and limited government grants and loans, to finance the cash needs of its continuing development activities.

Considering the Group' current cash position and the level of spending according to management's plan and budgets, the directors believe the Group will be able to meet all of its obligations at least for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make judgements in the process of applying the Group' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

A Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements of Newron Group include the accounts of Newron Pharmaceuticals S.p.A., Newron Suisse SA, Hunter-Fleming Ltd. and Newron Sweden AB as of December 31, 2013. The three subsidiaries are fully owned by Newron Pharmaceuticals S.p.A., the parent company.

B Summary of significant accounting policies

a) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

b) Segment reporting

The Company operates in a single business segment, which is research and development of pharmaceutical drugs. Geographically the research and development activities are performed in Italy, Switzerland, United Kingdom and Sweden. The Company does not consider the geographies to be separate segments.

c) Related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions; please refer to Note 30 for additional details.

d) Foreign currency translation

Measurement currency

Items included in the financial statements of the Company are recognised and subsequently measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. There are no translation differences on non-monetary items.

Group companies

The exchange rates used preparing the present document, are detailed in the following table:

	Income statements in Euro (average rates)		Balance sheets in Euro (Rates as of December 31)	
	2013	2012	Year end 2013	Year end 2012
CHF 1	0.81228	0.82967	0.81460	0.82836
GBP 1	1.17744	1.23320	1.19947	1.22534
SEK1	0.11559	0.11570 *	0.11288	0.11652

* The consolidation of Newron Sweden AB started as of December 17, 2012 (the Closing Date) and accordingly the Group has included in the consolidated financial statements the operation of the subsidiary for the last 15 days of the year. As a consequence the exchange rate used to consolidate Newron Sweden AB operations corresponds to the 15-days average exchange rate from December 17th to December 31st 2012. The exchange rate used to translate Newron Sweden AB opening

Balance Sheet as of December 17, 2012 is equal to SEK 1 = Euro 0.11423

The financial statements of companies with functional currency other than Euro are translated into Euro for purposes of consolidation using year-end rates for balance sheet items and the average rate for the year for the income statement items. Components of equity are translated at the dates of the relevant transaction. The resulting translation differences are recognised in the other comprehensive income.

e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or residual value of the asset over the estimated useful life, as follows:

Leasehold improvements	remaining life of the lease contract
Laboratory equipment and instruments	2.5 years
Office equipment and other assets	3 –10 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Capital investment grants relating to the purchase of property, plant and equipment are deducted from the cost of the related assets. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

f) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

g) Research and development

As stated by IAS 38, costs incurred on development projects (relating to testing of new or improved molecule drugs) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility, the availability of adequate funding resources and the ability to measure its costs reliably.

Development costs which do not meet these criteria are recognised as an expense. Since inception, all research and development costs have been treated as expenses as commercial and technical feasibility continues to be assessed.

h) Intangible assets

Computer software and licences

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the asset's estimated useful life of five years.

Brands

Costs incurred in depositing the Group' name and logo and obtaining their exclusive use world-wide are classified as brands and are shown at historical cost. Brands have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs over the asset's estimated useful life of three years.

In-process research and development

In-process research and development ("IPR&D") projects acquired in a business combination are capitalized as intangible assets if the project meets the definition of an asset and its fair value can be measured reliably. Expenditure incurred on each project after acquisition is accounted for in accordance with the policy stated for internally incurred research and development costs. Before the achievement of the cor-

responding market authorization IPR&D are tested annually for impairment. When selling approval has been obtained, the projects are reclassified to developed technologies with the subsequent commencement of the amortization process.

i) Impairment of non-current assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

j) Investments

The Group classifies its investments – within the scope of IAS 39 – in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates – when allowed and appropriate – this designation at each reporting date.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value, at the close of business on the balance sheet date, with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

The fair values of listed investments are based on current market prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair values by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option-pricing models refined to reflect the Company's specific circumstances. At each balance sheet date, the Group assesses whether a financial asset or group of financial assets is impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss.

In December 2006, the Board of Directors approved an investment policy, which foresees that "All investments in financial instruments by the Company shall be for capital preservation purposes, aimed at safeguarding its capital, reserves and liquidity until the funds are used in the Company's primary business". It is also stated that "Any investment in derivative financial instruments shall need to be previously authorised by the Company's Board of Directors".

k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated market price less applicable variable selling expenses. Inventories consist of drug substances used for testing and experiments.

l) Trade and other Receivables

Trade and other receivables are recognized initially at fair value. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the provision are recognized in the income statement.

m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

n) Share capital

Ordinary shares and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

o) Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

p) Current and deferred income taxes

The income tax charge is based on profit for the year and includes deferred taxes.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on enacted or substantially enacted tax rates as of the balance-sheet date.

Deferred tax assets and liabilities are not discounted and are classified as noncurrent assets (liabilities) in the balance sheet. They are offset against each other if they relate to the same taxable entity and tax authority

.

q) Employee benefits

Employee severance indemnity
(Trattamento di Fine Rapporto, T.F.R.)
In accordance with Italian legislation, an employee benefit is accrued for service to date and is payable immediately when the employee leaves the Company virtually for any reason. Accordingly, the benefit payable will depend on the employee's years of service and compensation.

According to IAS 19, the liability in respect of the severance indemnity is the present value of the defined benefit at the balance sheet date. The defined benefit obligation is calculated on a regular basis in accordance with the advice of independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities with maturities approximating those of the related liability.

Since 2012, the Group voluntarily changed its accounting policy for the defined benefit plan to recognize all actuarial gains and losses in full in the period in which they occur in other comprehensive in-come in accordance with IAS 19.93A. Further details are disclosed in Note 24.

Pension costs
The Group and its employees pay contributions to the state defined contribution pension plan on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions paid by the Group constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Share-based compensation
The Group operates an equity-settled, share-based compensation plan (Employees Stock Option Plan). As stated by IFRS 2, the cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service condition are fulfilled, ending

on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The total amount to be expensed over the vesting period is measured by reference to the fair value at the date on which the options were granted.

r) Revenue recognition

Revenue comprises the sale of licenses and is recognised when the Group assigns the rights of ownership to the customer, and collectability of the related receivables is reasonably assured.

Receipts of upfront payments and other similar non-refundable payments relating to the sale or licensing of products or technology are initially reported as deferred income and recognised as income on a straight-line basis over the estimated period of the collaboration required to finalise the development period.

The incremental costs directly attributable to entering into the collaboration agreements are recognised as deferred cost and amortised over the relevant period of collaboration.

The reimbursements received in relation to the licensing and collaboration agreement with Merck Serono and Zambon Company SpA are booked as a decrease of the related costs incurred since they are not considered as "ordinary operating activities" under the Group's business model.

s) Grants

Grants relating to income are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants for the acquisition of tangible fixed assets reduce the asset's carrying acquisition cost.

t) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

3 Change in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those applied in the previous year, except for the adoption of new or revised Standards, amendments to Standards and interpretation as noted below:

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

The Group voluntarily early adopted in 2012 the IAS 19 (revised) changing its accounting policy for the defined benefit plan to recognize all actuarial gains

and losses in full in the period in which they occur in other comprehensive income in accordance with IAS 19.93A.

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 7 inancial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 7 The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with in-formation that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Pur-pose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 had no impact on the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The Group does not have unconsolidated structured entities.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS.

IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.
Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Addi-tional disclosures where required, are provided in the individual notes relating to the assets and liabili-ties whose fair values were determined. Fair value hierarchy is provided in Note 29.

4 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management, such as identification, evaluation and management of financial risks, is carried out by the Group' finance department under the policies approved by the Board of Directors. The Board of Directors has provided written principles for overall risk management, as well as written policies covering specific area such as investing excess liquidity. There is no use of valuation techniques for financial assets or liabilities.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. Newron Group is mainly exposed to currency risk whereas it is not exposed to commodity price risk, other price risk and interest rate risk fluctuations since the Group's borrowing is essentially a loan received from the government at subsidised interest rates.

The Group operates internationally and is exposed to currency risk arising from various exposures, primarily with respect to the Swiss francs, UK pounds, Swedish Krona and US dollars. Foreign exchange risk arises from future purchase and service transactions, recognised assets and liabilities and net investments in foreign operations. To manage foreign exchange risk the Group maintains foreign currency cash balances to cover anticipated future requirements.

The Group did not enter into foreign exchange contracts or other financial instruments in order to hedge its foreign exchange risk. Management has performed a sensitivity analysis applying reasonably possible change in the Swiss francs, UK pounds, Swedish Krona and US dollars exchange rate, with all other variables unchanged. The impact on both Group' Income before tax and Equity is not material.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instruments or costumer contract, leading to a financial loss. The Group is exposed to credit risk from its operative activities since its receivables are related to only one partner. Credit risk from balances with banks and financial institutions is managed by Group's Finance in accordance with the Group's policies: consequently cash and cash equivalents are held with approved financial institutions with A+ or higher ranking (please refer to note 16 for additional information).

Liquidity risk

Management monitors the Group' cash position on rolling forecasts based on expected cash flow to enable the Group to finance research and development activities. The Group' principal source of liquidity is its cash reserves which were obtained through the issuing of new shares at IPO and through subsequent fund raisings. The Group' policy states to invest these funds in low risk investments including interest bearing deposits. The financial status at December 31, 2013 assures that the Group' operations will be funded well into 2015, not taking into account further revenue streams. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group' ability to raise further funds from the out-licensing of its development stage products and the issuance of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term.

The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments as of:

December 31, 2013

Maturity table	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Short-term borrowings	179	179	–	–	358
Long-term borrowings	–	–	1,087	–	1,087
Trade and other payables	3,681	–	–	–	3,681
Total	**3,860**	**179**	**1,087**	**–**	**5,126**

December 31, 2012

Maturity table	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Short-term borrowings	177	178	–	–	355
Long-term borrowings	–	–	1,265	182	1,447
Other current financial liabilities	539	–	–	–	539
Trade and other payables	6,295	–	–	–	6,295
Total	**7,011**	**178**	**1,265**	**182**	**8,636**

5 Critical accounting estimates, assumptions and judgments

The preparation of this consolidated financial information requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Below are summarized the Group' accounting estimates that require the most subjective judgment of management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Share-based compensation expense

The Group has granted share options to some of its employees, directors and consultants. The options granted have different vesting, maturity and exercise dates. Since there is no market for trading share options, management must use a fair value method to value them. Fair value methods require management to make several assumptions, the most significant of which are the selection of a fair value model, share price volatility and the average life of an option. The fair value of each of the share options has been determined separately by an external appraiser using an enhanced binomial model. Estimates have been based on Group history or market data where appropriate. There is no certainty that the results of a fair value method would be the value at which the share options would be traded for cash.

Should different assumptions be used, the expenditure recognised could be different. Additional information is reported at Note 2 "q) Employee benefits".

Cost accruals

The Group has numerous contracts with subcontractors who carry out research and development activities. The invoicing dates on these contracts do not coincide with the financial year-end. Thus, management has to exercise estimations as to the progress of work done under the contracts and apportion the cost to the different periods.

Capitalization of development costs

IAS 38 requires the capitalisation of development costs upon the completion of certain requirements about commercial and technical feasibility of projects, the availability of adequate funding resources and the ability to measure costs reliably. All development costs incurred until December 31, 2013 have been treated as expenses as commercial and technical feasibility continues to be assessed. There are no intangible assets in relation to development expenditure except the In-process R&D projects recognized as part of business combinations.

Deferred tax assets and liabilities

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In determining the recognition of deferred tax assets and liabilities, the Group's assessment of future taxable income, available taxable temporary differences, tax planning and applicable limitations on the use of tax loss carry-forwards are factors taken into account. The Group has incurred losses since inception and the availability of future taxable profits against which such an asset may be offset is uncertain. Accordingly, no deferred tax assets have been recognised. Should different events and assumptions be used, the deferred tax assets recognised could be different.

Impairment of property, plant and equipment

The Group has incurred losses since inception, and management considers this a sufficient indicator of the necessity of annual impairment tests. As of the year-end, management assessed the fair values less costs to sell of the property, plant and equipment. These were estimated to be higher than the assets' net book value, and no impairment has been accounted for.

Impairment of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually either individually or at the cash generating unit level in accordance with IAS 36.
The Group's impairment test for intangible assets with indefinite useful lives is based on a calculation performed with a discounted cash flow model. The cash flows are derived from the Group's budget and do not include restructuring activities that the Group is not committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. According to this model, the Management performed at year-end an impairment analysis to assess the sustainability of the assets' values and impairment has been accounted for as disclosed in Note 15. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in the Notes 15 and 16.

6 Business combination

Acquisition of NeuroNova AB

On December 17, 2012, the Group acquired the 100% of the voting shares of NeuroNova AB (since June 24, 2013 Newron Sweden AB), a private biopharmaceutical company based in Stockholm (Sweden) that develops new medicines to treat illnesses caused by necrosis of the Central Nervous System (CNS). The acquisition has been accounted for using the acquisition method, as stated by IFRS 3. In the 2012 consolidated financial statements, the purchase price was provisionally allocated on the basis of the estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition.

According to the agreement in place between the parties, Newron S.p.A. – on November 20, 2013 – notified the former Newron Sweden AB shareholders with a "Notice of Claims" asking the reimbursement of additional liabilities (for a total amount of 301 Euro) existing as at the acquisition date. The amount claimed has been cashed-in before year-end.

7 Licence income

(In thousand Euro)	For the year ended December 31	
	2013	2012
Licence income	3,213	8,907

Licence income, amounting to Euro 3,213 (2012: Euro 8,907), is related to: i) the milestone payment received by Zambon SpA (Euro 800) upon filing of a Marketing Authorization Application (MAA) for safinamide in Europe and ii) by Euro 2,413 to the down-payment – amounting to a total of 5 million Euro – received from Zambon Company S.p.A. in May 2012, which is recognised as revenue on a straight-line basis over the estimated period of collaboration required to finalise the development of safinamide, prepare the applications and file for marketing approval in the U.S. (expected by about the end of April 2014). The portion of the down-payment in excess (equal to Euro 300) of the recognised revenue has been accounted for as "Deferred income" among current liabilities.

8 Staff costs

(In thousand Euro)	For the year ended December 31	
	2013	2012
Wages and salaries	1,997	3,267
Pension costs – defined contribution plans	555	609
Share options granted to directors and employees	833	210
Share apreciation rights granted to directors and employees	0	(1)
Employee severance indemnity costs	51	46
Social security costs	278	135
	3,714	**4,266**

The average number of Group employees in 2013 was 23 (2012: 23), of whom 1 (2012: 1) was part-time.

The decrease by 552 Euro is mostly related to the combined effect of i) the one-time payment granted in 2012 to managers and employees who left the Company amounting to approximately 1.1 million Euro and ii) the increase (equal to 623 Euro) in share options costs (please refer to Note 21 for additional information).

9 Research and development expenses

(In thousand Euro)	For the year ended December 31	
	2013	2012
Services received from subcontractors	218	923
Staff costs	1,312	1,502
Consultancy fees	327	91
Material and consumable used	269	28
Laboratory operating lease cost	217	142
Travel expenses	73	50
Depreciation and amortization expense	2,105	785
Other research and development costs	16	13
	4,537	**3,534**

Research and development expenses related to safinamide have been reimbursed by Merck Serono until April 17, 2012, then, pursuant to the agreement signed with Zambon and effective since May 14, 2012, the new partner has reimbursed the expenses borne by Newron Group to complete the development of Safinamide, prepare the applications and file for marketing approval in Europe (Newron filed an MAA on December 5, 2013) and the U.S.. Given that – even if relevant – this is not the ordinary activity of the Company, research and development expenses are presented net of reimbursements.

The Research and development expenses are presented also net of the costs that will be reimbursed by other external parties (i.e. Tax Authorities, Ministries; Foundations; etc.) according to different scientific research programmes granted to the Group. As of December 2013, the Company has offset the Research and development expenses for an amount equal to 1,346 Euro (2012: 25 Euro) that refers to: i) a project granted to Newron Sweden AB, acting as the coordinator of the consortium conducting a clinical safety and efficacy study in patients diagnosed with Parkinson's disease, by the European Community Seventh Framework Programme on December 2011 for a total amount of 6 million Euro and ii) a project partially financed by the Wellcome Trust who will support a phase I/II clinical trial (up to 2.5 million Euro) for Newron's experimental compound sNN0029 for the treatment of Amyotrophic Lateral Sclerosis (ALS).

The table below shows the net effects.

(In thousand Euro)	For the year ended December 31	
	2013	2012
Research and development expenses, gross	11,907	8,359
Granted project	(1,346)	(25)
Reimbursed by Merck Serono and Zambon	(6,024)	(4,800)
	4,537	**3,534**

Research and Development expenses includes an impairment charge of 2,085 Euro (2012: 784 Euro) recognized on HF0220 compound (please refer to Note 15 for additional information).

Since inception, no development costs have been capitalised with the exception of the Intangible assets recognised in the context of the purchase price allocation processes related to the acquisition of i) Hunter-Fleming Limited (occurred in 2008) and ii) Newron Sweden AB (occurred on December 17, 2012).

10 General and administrative expenses

(In thousand Euro)	For the year ended December 31	
	2013	2012
Staff costs	2,402	2,764
Consultancy and other professional services	2,365	2,945
Intellectual properties	1,205	964
Travel expenses	221	242
Operating lease cost	113	128
Depreciation and amortization expense	18	62
Other expenses	439	920
	6,763	**8,025**

Although Newron Sweden AB costs have been consolidated for the full year, General and administrative expenses decreased by 1,262 Euro of which 362 Euro refers to Staff costs (Please refer to Note 8 for additional information).

Consultancy and other professional services decreased by Euro 580 mainly as a consequence of the combined opposite effect of i) the consolidation of Newron Sweden AB costs and ii) an overall decrease of administrative and legal expenses.

11 Financial income, net

(In thousand Euro)	For the year ended December 31	
	2013	2012
Interest income/ (expense) net	1	84
Foreign exchange gains/ (losses) net	85	156
Other costs, net	(23)	(24)
	63	200

Financial income decreased by 137 Euro with respect to prior year mostly as a consequence of the recognition of losses on foreign exchange and interest expense. The Group invested available financial resources pursuant to the policy approved by the Board of Directors as described in Note "2 j Investments". For additional information, please refer also to Note 18.

12 Income tax expense

As of December 31, 2013 the Group accrued income taxes of 11 Euro (2012: 122 Euro), completely related to Newron Suisse operations. According to the impairment of in-process R&D detailed in Note 15, the Group released 626 Euro of deferred tax liabilities as a tax profit; the net effect at year-end is a net revenue of 615 Euro.

13 Loss per share

The basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary and preferred (if any) shares outstanding during the year. Preferred shares were included in the calculation as they had similar rights to those of the ordinary shareholders.

(In thousand Euro)	For the year ended December 31	
	2013	2012
Net loss attributable to shareholders	(7,098)	(2,375)
Weighted average number of shares (thousands)	11,508	8,158
Loss per share – basic (in Euro)	(0.62)	(0.29)

The only category of potential ordinary shares are the share options granted to employees and directors. During the presented periods, these were antidilutive, as their conversion would have decreased the loss per share. Thus, the values of the basic and diluted loss per share coincide.

In case of future profits, options granted to employees (as of today n. 644,725- see also Note 21) may have a dilutive effect on the net profit per share.

14 Property, plant and equipment

(In thousand Euro)	Leasehold improvements	Laboratory and office equipment	Total
Cost			
At January 1, 2012	498	1,461	1,959
Newron Sweden AB opening	0	1,269	1,269
Addition	0	14	14
Newron Sweden AB addition	0	10	10
Disposals	0	(127)	(127)
Exchange differences	0	(13)	(13)
At December 31, 2012	498	2,614	3,112
Accumulated depreciation			
At January 1, 2012	(498)	(1,405)	(1,903)
Newron Sweden AB opening	0	(1,208)	(1,208)
Addition	0	(39)	(39)
Newron Sweden AB addition	0	(16)	(16)
Disposals	0	127	127
At December 31, 2012	(498)	(2,542)	(3,040)
Net book value	**0**	**72**	**72**
Cost			
At January 1, 2013	498	2,614	3,112
Additions	0	59	59
Disposals	0	(591)	(591)
Exchange differences	0	(1)	(1)
At December 31, 2013	498	2,081	2,579
Accumulated depreciation			
At January 1, 2013	(498)	(2,542)	(3,040)
Additions	0	(35)	(35)
Disposals	0	575	575
At December 31, 2013	(498)	(2,002)	(2,500)
Net book value	**0**	**79**	**79**

The Group has incurred significant losses since inception. As a result, property, plant and equipment were reviewed for impairment. Management assessed that the property, plant and equipment fair value less costs to sell exceeds its carrying amount, and no impairment write-down was required.

15 Intangible assets

(In thousand Euro)	Licences and software	In-process R&D	Total
Cost			
At January 1, 2012	321	11,933	12,254
Newron Sweden AB additions	0	6,825	6,825
At December 31, 2012	321	18,758	19,079
Accumulated amortization and impairment			
At January 1, 2012	(294)	(6,789)	(7,083)
Impairments	0	(784)	(784)
Additions	(13)	0	(13)
At December 31, 2012	(307)	(7,573)	(7,880)
Net book value – Newron Group	**14**	**11,185**	**11,199**
Cost			
At January 1, 2013	321	18,758	19,079
Additions	21	0	21
At December 31, 2013	342	18,758	19,100
Accumulated amortization and impairment			
At January 1, 2013	(307)	(7,573)	(7,880)
Impairments	0	(2,085)	(2,085)
Additions	(10)	0	(10)
At December 31, 2013	(317)	(9,658)	(9,975)
Net book value – Newron Group	**25**	**9,100**	**9,125**

IAS 36 requires assessing an asset not in use for impairment on an annual basis by comparing the carrying value to its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and the value in use. Management used a risk-adjusted Net Present Value (NPV) assessment to test for impairment the above intangible assets. The assessment was performed based on industry average rates for successful development of the projects to the market (5% by end of drug discovery, 13% by end of preclinical development, 21% by end of clinical phase I, 46% by end of clinical phase II and 76% by end of clinical phase III), a usual discount rate to future cash-in and outflows (15% p.a.), the properties of the compounds and their target product profile, the sales potential as well as comparable transaction terms for licensing of the compounds usually after phase II proof of concept.

As uncertainty remains as to whether a final and successful market registration will be achieved, a risk of additional future adjustments to the carrying amount of the above in-process R&D stays.

Hunter-Fleming Limited

Upon the acquisition of Hunter-Fleming Ltd. in 2008, an amount of 11,933 Euro was allocated to four development projects – currently three, as in year 2009 one compound was returned to its inventor – based on a risk-adjusted NPV assessment. These projects have been classified as in-process R&D. The following table shows a break-down of the results of the Net Present Value assessment:

Project	Development phase	Book value 2012	Allocated value	Write-off	Deferred tax effect
HF0220	Clinical phase II	4,260	2,175	(2,085)	626
HF0299	Clinical phase I	50	50	0	0
HF1220	Discovery	50	50	0	0
		4'360	**2'275**	**(2,085)**	**626**

As the Group has limited amount of cash available, the Management has decided to give priority to the development of other compounds within the pipeline: as a consequence of this decision, during the next years, further development work of HF0220 will be delayed and a limited amount of money will be dedicated to evaluate the potentiality of the compound in cognitive deficits as part of neurodegenerative disease. Accordingly, the HF0220 allocated value decreased by 2,085 Euro. In the meanwhile, following the recent acquisition of Newron Sweden AB, which is expanding the development pipeline, Newron is also assessing the chances to partner HF0220 in order to have a third party supporting the further costly development in cognitive deficits.

The deferred tax effect has been calculated using a tax rate of 30%: please refer to Note 22 for additional information.

Newron Sweden AB

Upon completion of the final Purchase Price Allocation (PPA) regarding the acquisition of Newron Sweden AB, Newron management confirmed the allocation of the purchase price paid to the development projects of Newron Sweden and tested for impairment purposes on the basis of a risk-adjusted Net Present Value model. The following table shows a break-down of the results of the assessment:

Project	Development phase	Allocated purchase price	Deferred tax effect
sNN0029	Clinical phase I	1,469	441
sNN0031	Clinical phase II	5,356	1,607
		6,825	**2,048**

The deferred tax effect has been calculated using a tax rate of 30%. Please refer to Note 22 for additional information.

16 Available-for-sale investment

Available for sale investment of 584 Euro (2012: 584 Euro) is entirely represented by a minority interest (17%) held in a Special Purpose Vehicle (SPV) – Trident Pharmaceuticals Inc. – set-up to develop novel immunomodulatory drug products (actually in clinical phase Ia) for the treatment of autoimmune disorders and allergic diseases . The investment was acquired in 2008 upon the finalisation of Hunter Fleming deal.

As the value of the investment is completely depending on the value of its core asset, a development compound in clinical phase Ia, the same methodology as under Note 15 was applied for the impairment test.

The impairment test of the recoverable amount of the Available for sale investment performed did not result in the recognition of an impairment charge on the carrying value of the asset.

Since uncertainty remains as to whether a final and successful market registration of the compound developed by Trident Pharmaceuticals Inc. will be achieved, the value of the asset will be periodically re-viewed by comparing the carrying value to its recoverable amount through a risk-adjusted NPV analysis.

17 Receivables and prepayments

(In thousand Euro)	As of December 31	
	2013	2012
Receivables	1,003	1,511
Government grants receivable	982	460
Prepayments	294	508
Deferred costs	48	437
VAT receivable	507	291
Other receivables	236	64
	3,070	**3,271**

Receivables are entirely represented by: i) the accruals related to the reimbursement of safinamide' research and development costs by the Group to its partner and ii) the invoice issued to the developing partner – as stated by the agreement signed in May 2012 – in connection with the submission to the European Medicines Agency (EMA) of a Marketing Authorization Application for safinamide.

Grants receivable includes an Italian Government grant for 264 Euro (Ministerial Decree n. 593 August 8, 2000 – Art. 10) and the second milestone payment, as per the agreement with the Wellcome Trust.

18 Cash and cash equivalents

(In thousand Euro)	As of December 31	
	2013	2012
Cash at bank and in hand	12,969	25,602
Short-term investments	5,457	3,641
	18,426	**29,243**

The "Short-term investments" are highly liquid investments easily convertible into cash, not subject to significant changes in value and with no withdrawal penalty.

19 Share capital

As of December 31, 2012, Newron's outstanding share capital was Euro 2,277,195.40, consisting of 11,385,977 ordinary shares with a nominal value of Euro 0.20 each. As at the same date, Newron in addition had an authorized share capital of Euro 170,000, represented by 850,000 shares with a nominal value of Euro 0.20 per share.

The authorized capital – according to the resolution approved by shareholders on April 24, 2008 – was valid for a period of five years since that date.

A summary of the changes in share capital is as follows:

(In Euro)	Total
As of December 31, 2011 – Newron Group	1,452,875.60
– issue of ordinary share (Capital Increase)	145,287.00
– issue of ordinary share (Capital Increase)	159,816.00
– issue of ordinary share (NeuroNova AB acquisition)	475,000.00
– issue of ordinary share (Stock options exercise)	44,216.80
As of December 31, 2012 – Newron Group	2,277,195.40
– issue of ordinary share (Capital Increase)	47,705.40
As of December 31, 2013 – Newron Group	**2,324,900.80**

On June 24, 2013, existing shareholders – among which Zambon, in execution of previous subscription undertakings to be contractually finalized within June 30, 2013 – have subscribed 238,527 newly issued shares resulting in a capital increase of 47,705.40 Euro.

As of December 31, 2013, Newron's outstanding share capital was Euro 2,324,900.80, consisting of 11,624,504 ordinary shares with a nominal value of Euro 0.20 each. There is no authorised share capital.

20 Share premium and other reserves

(In thousand Euro)	As of December 31	
	2013	2012
At the beginning of the year	31,333	12,827
Loss allocation	(2,352)	(6,617)
Advance payment for future capital increase	(1,724)	1,724
Issue of shares	1,676	5,395
Issue of shares (exercise of options)	0	1,125
Reclassification from share option reserve	0	2,821
Share capital issue costs	0	(215)
Issue of shares – Acquisition of NeuroNova AB	0	14,274
At the end of the period	**28,933**	**31,333**

As a consequence of the capital increase subscribed on June 24, Newron reclassified the "Advance payment for future capital increase" into Share Capital (Euro 47.7) and Issue of Shares (Euro 1,676) within the Share Premium reserves.

21 Share options reserve

To incentivise the efforts of employees, directors and certain consultants directed at the growth of the Company and its subsidiaries in the medium term the Group has approved during its existence, various Share Option Plans of which the one approved on March 2011 (ESOP 2011) is still valid. All options have been awarded free of charge.

On January 18, 2013 Newron' Board approved a new options plan (ESOP 2013) and assigned 485,996 new options to certain Group's employees, directors and consultants, of which 242,998 can be exercised after two years from the grant date, 121,499 after three years and the remaining 121,499 after four years. The options' strike price is 7.89 CHF (6.32 Euro as translated at the exchange rate on January 17, 2013) and its fair value is equal to 2,414 CHF (EUR 1,939).

On April 18, 2013 Newron' Board assigned further 28,500 new options under the abovementioned new option plan to certain Group's employees, directors and consultants, of which 14,250 can be exercised after two years from the grant date, 7,125 after three years and the remaining 7,125 after four years. The options' strike price is 8.11 CHF (6.66 Euro as translated at the exchange rate on April 17, 2013) and its fair value is equal to 143 CHF (EUR 117).

All options have been awarded free of charge and are recognised as personnel expenses over the vesting period.

The fair values of both plans (January and April 2013) have been estimated on the date of grant using, among the others, the following assumptions:

(In percent)	
Divided yield	0.00
Expected volatility	70.00
Resignation rate expected	3.00

The Group's Board of Directors can't grant further options under both plans.

A summary of the granted options is as follows:

	Employee Share Option Plans		
	2011	2013	TOTAL
At January 1,	130,229	0	130,229
Granted	0	521,996	521,996
Waived	0	(7,500)	(7,500)
At December 31,	**130,229**	**514,496**	**644,725**

The shareholders, during the meeting held on April 18, 2013, has approved to increase the share capital up to nominal Euro 160,000 (equal to maximum 800,000 shares) reserved to existing and future Company's ESOPs. The Group's Board of Directors can then grant additional 155,275 shares, under a new ESOP Plan still to be approved.

On January 28, 2014 the Board of Directors approved to grant additional 115,773 options to employees, directors and certain consultants of the Group's Companies. For additional information, please refer to Note 31.

The options granted are recognised as personnel expenses over the original vesting period.

In 2013, option grants resulted in personnel net expenses of 833 Euro, with a corresponding increase in the share option reserve. R&D personnel expenses are equal to 256 Euro (2012: 37 Euro) whereas 577 Euro refers to G&A personnel (2012: 173 Euro).

Exercise price (in Euro)	Number outstanding	Weighted-average remaining contractual life (years)	Number exercisable
5.29	130,229	6.25	0
6.32	485,996	9.25	0
6.66	28,500	9.25	0
	644,725		**0**

On March 24, 2014 n. 130,229 options will become exercisable and will expire on March 30, 2020.

22 Deferred tax liabilities

(In thousand Euro)	As of December 31	
	2013	2012
Deferred tax liabilities, gross	3,530	1,718
Purchase price allocation	0	2,048
Write-off's effect on deferred tax liabilities	(626)	(235)
	2,905	**3,531**

Please refer to Note 15 for additional information.

23 Borrowings

(In thousand Euro)	As of December 31	
	2013	2012
At beginnig of year	1,802	2,157
Repayment	(358)	(355)
Total borrowings	**1,444**	**1,802**
Long term	1,086	1,092
Short term	358	355

In 2008 Newron was awarded with a 5 million Euro grant by the Italian government's Ministero dell' Istruzione, dell' Università e della Ricerca – M.I.U.R.. About 60% of the grant bears interest of 0.5% per year and is required to be fully repaid within 10 years from the grant date through two yearly instalments (January 1 and July 1) ending on January 1, 2018.

24 Employee severance indemnity

Certain Group's companies provide for their employee severance indemnities (as required, for example, under Italian legislation), which is considered to be a defined benefit scheme.

The main assumptions underlying the Company's actuarial valuation were as follows:

(In percent)	December 31	
	2013	2012
Actuarial assumptions		
Discount rate	3.17	2.70
Inflation rate	2.00	2.00
Future salary increase	1.50	1.50
Future pension (TFR) increase	3.00	3.00

Based on Defined Benefit Obligation, the amount recognised on the balance sheet in respect of the Group's defined benefit plan amounted to 466 Euro (2012: 476 Euro). The following table shows the development of employee severance indemnity through the current and previous year:

(In thousand Euro)	For the year ended December 31	
	2013	2012
Defined Benefit Obligation at the beginning of the period	518	551
Service cost	40	34
Interest costs	10	12
Indemnity paid out	(13)	(158)
Actuarial (gains)/losses	18	79
Defined Benefit Obligation at the end of the period	**573**	**518**

25 Deferred income

Deferred income of 2,031 Euro (2012: 4,396 Euro) relates i) by 1,731 Euro to the advance payment received by Newron Sweden AB in 2012 from the European Community and ii) by 300 Euro to the up-front payment received in May 2012 from Zambon Company S.p.A. (please refer also to Note 7 for additional details) that will be recognise as revenue in 2014.

26 Trade and other payables

(In thousand Euro)	As of December 31	
	2013	2012
Trade payables	1,316	1,881
Accrued expenses	1,087	1,837
Pension contribution payable	241	249
Social security	314	235
Other payables	723	2,093
	3,681	**6,295**

Trade and other payables amounted to 3,681 Euro (2012: 6,295 Euro), a decrease by 2,614 compared to prior year. In 2013, Newron Sweden AB has transferred about 1.5 million Euro – received as advance payment from the European Community in its function of coordinator of a Consortium – to the other members of the Consortium to cover their future expenses.

27 Deferred income taxes

The Group's accounts include the following significant temporary differences from the tax bases of the relevant assets and liabilities:

(In thousand Euro)	For the year ended December 31,	
	2013	2012
Other (IAS 19)	(208)	(195)
Total taxable differences	(208)	(195)
Other minor	0	1
Total deductible differences	0	1
Net temporary differences	(208)	(194)
Tax losses carry forwards	122,368	118,354
Total differences	**122,160**	**118,160**
Deferred tax asset	32,314	31,818

The above deferred tax asset has been measured using the average tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse and has not been recognised in the consolidated financial statements due to uncertainties concerning the availability of future taxable profits against which such an asset may be offset, also considering the expiring dates of the tax losses.

Tax loss carry-forwards expire as follows:

(In thousand Euro)	December 31, 2013
No expiry date	27,878
No expiry date – DL 98/2011	94,490
	122,368

The loss identified as "No expiry date" includes 6,008 Euro related to Newron Pharmaceuticals S.p.A. (since they have been incurred during to the start-up period); 19,550 Euro related to Hunter-Fleming Ltd. (equal to 16,299 GBP translated at the year-end exchange rate) and 2,320 Euro related to Newron Sweden AB (equal to 20,552 SEK translated at the year-end exchange rate). According to a resolution taken by United Kingdom HM Revenue&Customs, the Corporate Taxation rate for 2014 has been reduced to 21% (previously it was 23%): as a consequence, Hunter Fleming Ltd.' deferred tax asset at year end decreased by 354 Euro.

In 2011, the Italian Tax Authorities issued a new set of rules that modified the previous treatment of tax losses carry forwards. According to what has been stated by the D.L. 98/2011, at the end of 2011, all existing tax losses carry forwards will never expire but they can off-set only the 80% of the taxable income of the year. The new rules don't affect the tax loss carry forwards that refers to the start-up period, defined as the first three years of operations starting from the inception of the Company.

28 Commitments and contingent liabilities

Operating lease commitments – whereby the Group is the lessee

The Company leases the offices from Zambon Immobiliare S.p.A.. Contracts was renewed for additional 6 years and will last until September 30, 2020; based on the agreement, the notice period is one year.

Newron Suisse SA leases its offices from Livit AG. The lease will expire on June 30, 2018.

Newron Sweden AB leases its offices from Kungl Djurgårdens Förvaltning. The lease expires every year at December 31 and it is automatically renewed; based on the agreement, the notice period is equal to six months.

Hunter-Fleming Limited doesn't rent premises.

During the year ended December 31, 2013, Euro 331 was recognised as net expense in the income statement in respect of operating leases (2012: Euro 270).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(In thousand Euro)	As of December 31	
	2013	2012
No later than 1 year	312	294
Later than 1 year and not later than 5 years	561	141
Later than 5 years	195	0
	1,068	**435**

Should the Company decide to leave its offices, it has to pay 6 months remittance period only.

Other commitments

The Company has entered into contracts for clinical development with CROs. The Company compensates the CROs for the services provided on a regular basis. The expenditure contracted for at the balance sheet date but not yet incurred is equal to 2.6 million Euro. Should the Group decide to close any of these contracts, this will not incur material penalty fees.

29 Financial instruments by category

As of December 31, 2012

(in thousand Euro)	Cash, loans and receivables	Assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Liabilities at fair value through profit or loss	Other financial liabilities at amortized cost
Assets						
Cash and cash equivalents	29,243	–	–	–	–	–
Available for sale investments	–	–	–	584	–	–
Trade and other receivables	2,326	–	–	–	–	–
Total	**31,569**	**–**	**–**	**584**	**–**	**–**
Liabilities						
Trade and other payables	–	–	–	–	–	4,536
Other current financial liabilities	–	–	–	–	–	539
Short-term borrowings	–	–	–	–	–	355
Long-term borrowings	–	–	–	–	–	1,447
Total	**–**	**–**	**–**	**–**	**–**	**6,877**

The Company has evaluated the fair value of loans and Available for sale investments at December 31, 2013.

The Company has classified Available for sale investments and Borrowings in Level 2 (For additional information, please refer to Note 16 and 23 respectively).

As of December 31, 2013

(in thousand Euro)	Cash, loans and receivables	Assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Liabilities at fair value through profit or loss	Other financial liabilities at amortized cost
Assets						
Cash and cash equivalents	18,426	–	–	–	–	–
Available for sale investments	–	–	–	584	–	–
Trade and other receivables	2,728	–	–	–	–	–
Total	**21,154**	**–**	**–**	**584**	**–**	**–**
Liabilities						
Trade and other payables	–	–	–	–	–	3,440
Short–term borrowings	–	–	–	–	–	358
Long–term borrowings	–	–	–	–	–	1,087
Total	**–**	**–**	**–**	**–**	**–**	**4,885**

30 Related-party transactions

i) Related entity

The Company does not have related entities.

ii) Related-party transactions

The following tables provide the total amount of transactions that have been entered into with related parties during the fiscal year ended December 31, 2013 and December 31, 2012, as well as balances with related parties as of December 31 2013 and December 31, 2012:

As of December 31, 2012

(in thousand Euro)	Sales to/Cost reimbursed by related parties	Purchases from related parties	Amounts owed by related parties, net	Amounts owed to related parties
Zambon (whole group)	7,865	191	411	36

As of December 31, 2013

(in thousand Euro)	Sales to/Cost reimbursed by related parties	Purchases from related parties	Amounts owed by related parties, net	Amounts owed to related parties
Zambon (whole group)	9,238	123	800	2

iii) Key management personnel

The total remuneration of key management personnel is as follows:

(In thousand Euro)	For the year ended December 31	
	2013	2012
Salaries	1,404	1,338
Bonuses	319	355
Social security contributions	331	326
Share option compensation	423	98
One time payments	0	484
Employee severance indemnity	57	64
	2,534	2,665

31 Events after the balance sheet date

On January 28, 2014, Newron's Board of Directors approved to grant additional n. 115,773 stock options from a new plan (ESOP 2014). The new plan was set up in order to incentivise the efforts of employees, directors and certain consultants directed at the growth of the Company and its subsidiaries in the medium term. As of January 28, 2014, the Company has granted a total of N. 760,498 options.

On January 31, 2014, Newron announced that J.P. Morgan Asset Management has taken a 1.8% stake in the Company, subscribing the 211,473 shares left over from the 2013 capital increase, by means of a private placement. The subscription price was set at CHF 17.00 per share (for a total amount of 2.9 million Euro), representing a 2.7% premium to the closing price of Newron's shares on January 24, 2014, of CHF 16.55.

Bresso, February 26, 2014

Stefan Weber
Chief Executive Officer
Newron Pharmaceuticals S.p.A.

Auditors' Report

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel: +39 02 722121
Fax: +39 02 72212037
ey.com

Building a better working world

Independent auditors' report

To the Shareholders of
Newron Pharmaceuticals S.p.A.

1. We have audited the consolidated financial statements of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Group") as of and for the year ended December 31, 2013, comprising the statement of financial position, the statement of income, the statement of comprehensive income, statement of changes in equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards is the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with International Standard on Auditing. In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. We were not engaged to perform an audit of the Group's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 18, 2013.

3. In our opinion, the consolidated financial statements of Newron Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards; accordingly, they present fairly, in all material respect the financial position, the results of operations and the cash flows of the Group for the year then ended.

Milan, March 3, 2014

Reconta Ernst & Young S.p.A.

Paolo Zocchi
(Partner)

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Information for Investors

Stock exchange information

Symbol	NWRN
Listing	SIX
Nominal value	EUR 0.20
ISIN	IT0004147952
Swiss Security Number (Valor)	002791431

Share price data

	FY 2013	FY 2012
Number of fully paid-in shares as at December 31	11,624,504	11,385,977
Year high (in CHF)	19.50	9.43
Year low (in CHF)	7.53	2.20
Year-end (in CHF)	16.80	8.04
Loss per share (in EUR)	0.63	0.22
Cash and cash equivalents, other short-term financial assets as at December 31 (in EUR 1,000)	18,463	29,243
Market capitalization as at December 31 (in CHF)	195,291,667	91,543,255

Major shareholders*

Investor AB
Zambon
Aviva Investors

* With holdings of more than 3% (to the best of the Company's knowledge)

Financial calendar

Publication of Annual Report 2012	March 4, 2014
Press and Analyst Conference	March 4, 2014
Annual Shareholders' meeting	April 27, 2014
Half year report 2013	September 16, 2014

Contact

Stefan Weber – CEO
Newron Pharmaceuticals S.p.A.
Via Ludovico Ariosto 21
20091 Bresso (Mi), Italy
Phone +39 02 6103 4630
ir@newron.com

Important Notices

This document contains forward-looking statements, including (without limitation) about (1) Newron's ability to develop and expand its business, successfully complete development of its current product candidates and current and future collaborations for the development and commercialization of its product candidates and reduce costs (including staff costs), (2) the market for drugs to treat CNS diseases and pain conditions, (3) Newron's anticipated future revenues, capital expenditures and financial resources, and (4) assumptions underlying any such statements. In some cases these statements and assumptions can be identified by the fact that they use words such as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", and other words and terms of similar meaning. All statements, other than historical facts, contained herein regarding Newron's strategy, goals, plans, future financial position, projected revenues and costs and prospects are forward-looking statements.

By their very nature, such statements and assumptions involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described, assumed or implied therein will not be achieved. Future events and actual results could differ materially from those set out in, contemplated by or underlying the forward-looking statements due to a number of important factors. These factors include (without limitation) (1) uncertainties in the discovery, development or marketing of products, including without limitation negative results of clinical trials or research projects or unexpected side effects, (2) delay or inability in obtaining regulatory approvals or bringing products to market, (3) future market acceptance of products, (4) loss of or inability to obtain adequate protection for intellectual property rights, (5) inability to raise additional funds, (6) success of existing and entry into future collaborations and licensing agreements, (7) litigation, (8) loss of key executive or other employees, (9) adverse publicity and news coverage, and (10) competition, regulatory, legislative and judicial developments or changes in market and/or overall economic conditions.

Newron may not actually achieve the plans, intentions or expectations disclosed in forward-looking statements and assumptions underlying any such statements may prove wrong. Investors should therefore not place undue reliance on them. There can be no assurance that actual results of Newron's research programmes, development activities, commercialization plans, collaborations and operations will not differ materially from the expectations set out in such forward-looking statements or underlying assumptions.

Newron does not undertake any obligation to publicly update or revise forward-looking statements except as may be required by applicable regulations of the SIX Swiss Exchange where the shares of Newron are listed.

This document does not contain or constitute an offer or invitation to purchase or subscribe for any securities of Newron and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

Imprint

Publisher
Newron Pharmaceuticals S.p.A., Bresso (Mi), Italy

Concept
FTI Consulting, London, UK
IRF Communications AG, Zurich, Switzerland

Graphic design, production and prepress
TGG Hafen Senn Stieger, St.Gallen, Switzerland

Photos
Marco Moscadelli, Studio Fotografico Moscadelli,
Milan, Italy

Newron Pharmaceuticals S.p.A.
Via Ludovico Ariosto 21
20091 Bresso (Mi), Italy
Phone: +39 02 610 3461
Fax: +39 02 610 34654
www.newron.com

Newron Suisse S.A.
Birsigstrasse 4
4054 Basel, Switzerland
Phone: + 41 61 282 20 20
Fax: + 41 61 282 20 22

Newron Sweden AB
Fiskartorpsvägen 15 A-D
SE-114 33 Stockholm, Sweden
Phone: +46 (0)8 786 0900
Fax: +46 (0)8 786 0911