Newron
Pharmaceuticals

Half-Year Report 2017

Corporate profile

Newron is a biopharmaceutical company focused on the development of novel therapies for patients with diseases of the central and peripheral nervous system. The Company is listed on the Swiss Stock Exchange SIX (ticker symbol: NWRN). Newron is headquartered in Bresso near Milan, Italy, with a subsidiary in Morristown, NJ, USA.

Xadago® (safinamide) has received marketing authorization for the treatment of Parkinson's disease in the European Union, Switzerland and the USA, and is commercialized by Newron's partner Zambon. US WorldMeds holds the commercialization rights in the USA. Meiji Seika has the rights to develop and commercialize Safinamide in Japan and other key Asian territories.

Newron has a strong pipeline of promising treatments for rare disease patients at various stages of clinical development, including Sarizotan for patients with Rett syndrome and Ralfinamide for patients with specific rare pain indications. Newron is also developing Evenamide as the potential first add-on therapy for the treatment of patients with positive symptoms of schizophrenia.

More information about the Company is available on www.newron.com

Half-Year 2017 Highlights

Xadago® (safinamide)

- US FDA approves Xadago® (safinamide) for Parkinson's disease patients
- Newron receives EUR 11.3 million milestone payments for US approval of Xadago®
- Seqirus and Zambon enter into a partnership for Xadago® in Australia and New Zealand
- Meiji Seika and Eisai enter into a collaboration for the development and commercialization of Xadago® in Japan and Asia
- Valeo Pharma and Zambon form partnership for Xadago® in Canada
- Zambon launches Xadago® in Portugal for patients with mid- to late-stage Parkinson's disease

Evenamide

- Encouraging detailed results of Phase IIa study with Evenamide in patients with schizophrenia presented at International Congress on Schizophrenia Research

Sarizotan

- Newron expands the ongoing STARS study to include Rett syndrome patients under 13 years of age
- Poster presentation on the current Burden of Disease Study in Rett syndrome given at the 22nd Annual International Meeting of the International Society for Pharmacoeconomics and Outcomes Research (ISPOR)

Post-Period

- Newron Pharmaceuticals, Zambon and US WorldMeds announce that Xadago® is available in the US for Parkinson's disease patients

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Shareholder Letter

Dr. Ulrich Köstlin

Stefan Weber

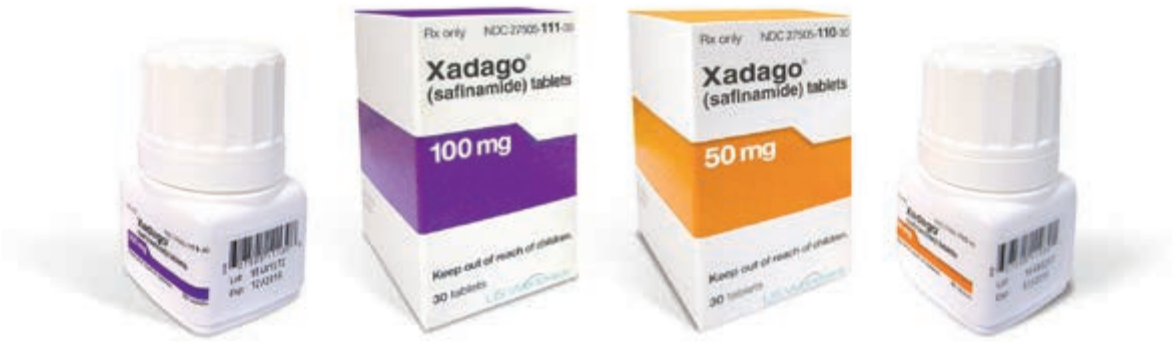
Dear Shareholder,

the past six months have been a milestone period for Newron: Xadago® (safinamide) received approval by the FDA and was launched in the US, following the introduction into twelve European markets, offering an important new treatment option for the Parkinson's community. Our pipeline products Evenamide and sarizotan have also made good progress during the period and we are excited about their potential as we move into 2018 and beyond.

We were delighted to receive formal approval of Xadago® in the US in March this year, following last year's announcement that the FDA no longer required Newron to perform any new studies to evaluate the potential abuse liability or dependence/withdrawal effects of Xadago®. Post-period, we communicated that Xadago® is now available to US patients as an add-on therapy for patients with Parkinson's disease currently taking levodopa/carbidopa and experiencing so-called "OFF" episodes. As a result of the US approval, we received EUR 11.3 million milestone payments from our partner Zambon.

Further to the US launch, Zambon launched Xadago® in Portugal in April. During this period, Zambon also entered into partnerships with this compound with Seqirus in Australia and New Zealand and with Valeo Pharma in Canada. Seqirus will undertake registration and commercialisation of Xadago® in Australia and Zealand; and in Canada, Valeo Pharma will be responsible for all regulatory, sales and marketing, quality, and distribution activities. Our partner in Asia – Meiji Seika – entered into a collaboration with Eisai for the development and commercialization of Xadago® in Japan and Asia. We hope that Xadago® will become available to patients in these important markets in the near future.

Newron and its partner Zambon, together with academic and regulatory experts, are in the process of designing a potentially pivotal efficacy study to evaluate the effects of Safinamide in patients with levodopa induced dyskinesia (PD LID). The study design, based upon previously reported clinical and pre-clinical data for PD LID, will be discussed with regulators in the European Union and the USA. The study is expected to start in 2018.



Packaging of Xadago® (safinamide) in the US.

In addition, the period has seen great progress for the other products in our portfolio, including Evenamide. We released encouraging preliminary results of a phase 2a Evenamide study in January, which was followed by more detailed results in March, presented at the 16th International Congress on Schizophrenia Research, in San Diego. The results of the study indicate that Evenamide – that is devoid of an effect on any of the over 130 neurotransmitters, enzymes, or transporters targeted by most antipsychotics – improved symptoms of psychosis compared with placebo when added to two of the most commonly prescribed atypical antipsychotics in patients with chronic schizophrenia.
These encouraging results led us to scheduling meetings with regulatory authorities to obtain feedback on plans for the future development of Evenamide. We anticipate completing work on the design and to conduct an adequate and well-controlled study to demonstrate efficacy and safety/tolerability of fixed doses of Evenamide as add-on to second generation antipsychotics in patients experiencing worsening of symptoms of psychosis. We intend to initiate a global, six-week double-blind, placebo controlled study in the future. Furthermore, an international panel of schizophrenia experts advised to evaluate the development of Evenamide for a potential orphan indication in Clozapine-treatment-resistant schizophrenia, which imparts a number of relevant advantages, including the promise of a faster entry to the market. Regulatory feedback on this proposal will be requested during the forthcoming meetings.

A significant achievement was announced in May when the FDA approved the expansion of the Sarizotan Treatment of Apneas in Rett Syndrome (STARS) study to include Rett syndrome patients as young as six years of age. The potential benefits of Sarizotan's will now be evaluated in these younger patients prior to the disease worsening significantly. Rett experts believe that earlier onset of treatment in Rett's patients may be associated with less deterioration of respiratory and neurological symptoms. We are working towards completion of recruitment by end of 2017 and hope to report top-line results from the study in 2018.

Building value beyond the treatment as such, we continue to advance Newron leadership within the Rett community through the first qualitative study to examine the burden of Rett syndrome on individuals and their caregivers. A poster entitled "Burden of Disease in Rett Syndrome: A Qualitative Analysis" was presented at the ISPOR 22nd Annual International

Newron's current Pipeline

Product		Phase I	Phase II	Phase III	Market	Commercial Rights
Xadago® (safinamide)[1]	**EU** Adjunctive therapy in PD					**Zambon**
	US Adjunctive therapy in PD					**US WorldMeds**
	JPN Adjunctive therapy in PD					**Meiji Seika / Eisai**
Evenamide (NW-3509)[1]	Schizophrenia / TRS					**Newron**
Sarizotan[2]	Rett syndrome (Orphan drug status)					**Newron**
Ralfinamide[1]	Orphan indication in neuropathic pain					**Newron**

[1] Safinamide, Evenamide and Ralfinamide all developed from Newron's ion channel based research
[2] Sarizotan was licensed from Merck KGaA

Meeting in May (International Society for Pharmaeconomics and Outcome Research) in the US. This poster presented the results of a targeted literature search and preliminary findings from a qualitative interview study aimed at describing the burden of Rett syndrome on individuals and their families.

Furthermore, we held two successful R&D and Business Update events in London and Zurich in May. The events were well attended by a number of our long-standing investors and by others – mainly analysts interested in the Newron story, the progress we have made and our future. At the London event, we were joined by Stephen R. Marder, M.D., Vice Chair for Education, Department of Psychiatry and Biobehavioral Sciences, David Geffen School of Medicine at UCLA, USA, and an expert in schizophrenia, who discussed treatments today and the current unmet need in this disease area. We appreciated significant interest in our research activities and support of the programs at both events.

We were delighted to support World Parkinson's Disease Awareness Day this year, and announced – on that same day – that Zambon entered into a partnership with Valeo Pharma to advance future access to Xadago® to the 100,000 patients living with Parkinson's in Canada. We also sustained our support of Global Rare Disease Day® in February, in conjunction with the Rett community to raise awareness of the importance of research for rare diseases.

For the first six months of 2017, Newron shows a net profit of EUR 1.5 million, compared to a loss of EUR 8.8 million in the same period in 2016. Cash used in operating activities has been reduced from EUR 8.9 million in 2016 to EUR 1.5 million this year. These positive developments are mostly due to the substantial increase of revenues (EUR 11.7 million versus EUR 3.9 million in 2016), including one-time milestone payments from Zambon for the US approval of Xadago® and an increase of more than 50% in royalty payments received from Zambon (EUR 1.3 million versus EUR 0.85 million in 2016). At the same time, Newron's R&D expense have been reduced from EUR 8.2 million in 2016 to EUR 4.6 million, largely due to the completion of the Evenamide Phase IIa study and Italian R&D tax credits of EUR 2.1 million that can be offset with future tax and social contribution payments by Newron. G&A expenses reached EUR 4.4 million in the first six months of 2017, unchanged from 2016. Cash and short term investments at June 30, 2017 were at EUR 45.1 million, compared to EUR 46.5 million at the beginning of the year.

After a very positive six months for the Company, we are excited about the potential of our pipeline products. We are delighted that Xadago® is now available to thousands of patients around the world and we hope that more in the coming years will benefit from the treatment. Our pipeline is progressing well and we look forward to reporting data and progress over the remainder of the year and in 2018. We would once again like to thank our shareholders for their ongoing commitment and support as we enter the second half of 2017.

Yours sincerely

Dr. Ulrich Köstlin
Chairman

Stefan Weber
Chief Executive Officer

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

Auditor Report

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Building a better working world

Review report on the interim condensed consolidated financial statements

To the Board of Directors of
Newron Pharmaceuticals S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the interim condensed consolidated statement of financial position as of June 30, 2017, the interim condensed consolidated statements of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed statement of cashflow and the related explanatory notes of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Newron Group") on pages 10 to 26 for the period from January 1, 2017 to June 30, 2017. The Board of Directors of Newron Pharmaceuticals S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements, are not prepared, in all material respects, in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting.

Milan, September 11, 2017

EY S.p.A.

Paolo Zocchi
(Partner)

EY S.p.A.
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Interim Condensed Consolidated Statement of Profit or Loss

(In thousand Euro, except per share information)	Note	For the six months ended June 30 2017 (unaudited)	2016 (unaudited)
Licence income	6	10,374	3,039
Royalties	7	1,308	852
Other income		5	17
Revenue		11,687	3,908
Research and development expenses	8	(4,608)	(8,240)
Marketing and advertising expenses		(297)	(143)
General and administrative expenses	9	(4,448)	(4,402)
Operating result		2,334	(8,877)
Financial result net	10	(766)	134
Result before tax		1,568	(8,743)
Income tax		(26)	(11)
Net profit/(loss)		**1,542**	**(8,754)**
Profit/(Loss) per share			
Basic	11	0.10	(0.64)
Diluted	11	0.09	N/A
Weighted average number of shares (thousands) – Basic		15,777	13,722
Weighted average number of shares (thousands) – Diluted		16,687	N/A

Interim Condensed Consolidated Statement of Comprehensive Income

(In thousand Euro)	Note	For the six months ended June 30 2017 (unaudited)	2016 (unaudited)
Net profit/(loss) for the period		1,542	(8,754)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net loss on available-for-sale assets	14	(7)	(20)
Exchange differences on translation of foreign operations		(103)	(32)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(110)	(52)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurements on defined benefit plans		4	(37)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		4	(37)
Other comprehensive loss for the period, net of tax		(106)	(89)
Total comprehensive profit/(loss) for the period, net of tax		**1,436**	**(8,843)**

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

Interim Condensed Consolidated Statement of Financial Position

(In thousand Euro)	Note	As of June 30, 2017 (unaudited)	As of December 31, 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment		115	120
Intangible assets	12	292	261
Non-current receivables		84	70
		491	451
Current assets			
Inventories		5	5
Receivables and prepayments	13	11,765	9,667
Available for sale financial assets	14	4,637	3,520
Cash and cash equivalents	15	40,431	42,948
		56,838	56,140
Total assets		**57,329**	**56,591**
Shareholders' equity			
Share capital	16	3,163	3,155
Share premium	17	44,748	59,518
Share option reserve	18	8,249	7,556
Retained earnings and other reserves		(2,868)	(19,782)
Translation differences		(803)	(700)
Total shareholders' equity		52,489	49,747
Liabilities			
Non-current liabilities			
Deferred tax liability		75	75
Employee severance indemnity		69	124
		144	199
Current liabilities			
Short-term borrowings	19	182	364
Trade and other payables		4,514	6,281
		4,696	6,645
Total liabilities		4,840	6,844
Shareholders' equity and liabilities		**57,329**	**56,591**

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

Interim Condensed Consolidated Statement of Changes in Equity

(In thousand Euro)	Note	Share capital	Share premium	Share option reserve	Foreign currency translation reserve	Retained earnings and other reserve	Total
Balance at January 1, 2016		2,844	61,580	5,392	(790)	(31,914)	37,112
Net loss						(8,754)	(8,754)
Other comprehensive losses					(32)	(57)	(89)
Total comprehensive loss for the period		0	0	0	(32)	(8,811)	(8,843)
Previous year loss allocation			(27,320)			27,320	0
Issue of shares	16/17	42	2,999				3,041
Issuing costs			(184)				(184)
Exercise of options	18	4	142				146
Exercise of options – reclassification of reserves	18		102	(102)			0
Share option scheme	18			1,106			1,106
Balance at June 30, 2016		2,890	37,319	6,396	(822)	(13,405)	32,378
Balance at January 1, 2017		3,155	59,518	7,556	(700)	(19,782)	49,747
Net profit						1,542	1,542
Other comprehensive losses					(103)	(3)	(106)
Total comprehensive income for the period		0	0	0	(103)	1,539	1,436
Previous year loss allocation			(15,356)			15,356	0
Advance payment for future capital increase	18					19	19
Exercise of options	18	8	284				292
Exercise of options – reclassification of reserves	18		302	(302)			0
Share option scheme	18			995			995
Balance at June 30, 2017		**3,163**	**44,748**	**8,249**	**(803)**	**(2,868)**	**52,489**

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

Interim Condensed Consolidated Statement of Cash Flow

(In thousand Euro)	Note	For the six months ended June 30 2017 (unaudited)	2016 (unaudited)
Profit/(Loss) before tax		1,568	(8,743)
Adjustments for:			
Depreciation and amortisation		23	16
Grants and other non monetary income		(1,161)	(257)
Share option expenses	18	995	1,106
Employee severance indemnity expense		25	(98)
Changes in working capital:			
Current receivables and prepayments and deferred cost (excluding grants receivable)		(466)	(353)
Trade and other payables and deferred income (excluding advances of grants)		(2,457)	(613)
Change in non-current receivables		(14)	(3)
Cash used in operating activities		(1,487)	(8,945)
Cash flows from investing activities			
Purchase of financial assets	14	(1,117)	0
Disposal of financial assets		0	498
Purchase of property, plant and equipment		(25)	(56)
Purchase of intangible assets	12	(45)	0
Interest received		28	128
Net cash flows (used in)/from investing activities		(1,159)	570
Cash flows from financing activities			
Repayment of borrowings	19	(182)	(182)
Proceeds from issue of shares	16	292	3'187
Advance payment for future capital increase	18	19	0
New shares issuing costs		0	(184)
Net cash flows from financing activities		129	2'821
Net increase in cash and cash equivalents		(2,517)	(5,554)
Cash and cash equivalents at January 1,		42,948	36,011
Cash and cash equivalents at the end of the period		**40,431**	**30,457**

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

Notes to the Interim Condensed Consolidated Financial Statements

(In thousand Euro unless otherwise stated)

1 Corporate information

Newron Group ("the Group") is composed of the following entities:

- Newron Pharmaceuticals S.p.A. ("Newron" or "the Company"), a clinical stage biopharmaceutical company focused on the discovery and development of drugs for the treatment of diseases of the central and peripheral nervous system – the parent company;
- Newron Pharmaceuticals US Inc., a fully owned clinical development subsidiary, incorporated under the Delaware rules, based in Morristown, New Jersey (USA);
- Newron Sweden AB, a fully owned biotechnology company based in Stockholm (Sweden) developing new medicines to treat illnesses caused by necrosis of the Central Nervous System (CNS) currently inactive;
- Hunter-Fleming Limited, a fully owned biopharmaceutical company based in Brixham (United Kingdom) and focused on neurodegenerative and inflammatory disorders currently inactive;
- Newron Suisse SA, a fully owned clinical development subsidiary based in Zurich (Switzerland) currently inactive.

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 International Reporting Standard segment of the SIX Swiss Exchange, Zurich, Switzerland, under the trade name NWRN.

The interim condensed consolidated financial statements of Newron Group for the six months ended June 30, 2017, were authorised for issuance by the Board of Directors ("the Board") on September 8, 2017.

2 Basis of presentation and changes to the Group's accounting policies

The interim condensed consolidated financial statements of the Group for the six-months period ended June 30, 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016.

Considering the Group's current cash position and the level of spending according to management's plan and budget, the Directors believe that the Group will be able to meet its obligations as they fall due for a period of at least twelve months from the date of signing of the interim condensed consolidated financial statements. Hence, the interim condensed consolidated financial statements have been prepared on a going concern basis.

The presentation currency is Euro (EUR). All figures included in these interim condensed consolidated financial statements and notes thereto are rounded to the nearest EUR thousand except where other-wise indicated.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016, except for the adoption of new standards and interpretations effective as of January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

Annual Improvements 2014–2016 Cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

On 29 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers. The objective of the standard is to provide a framework to account for revenue arising from contracts with customers. The standard therefore defines the following five-steps model to be followed for the recognition of revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

This standard applies to financial years beginning on or after January 1, 2018.

During the six-month period ended June 30, 2017, the Group has continued to evaluate the impact of adopting this new standard. Based on the ongoing analysis no material impacts are expected.

On July 14, 2017, the IASB issued IFRS 9 – Financial Instruments, which is divided into the following sections:

- classification and measurement of derivative instruments;
- impairment methodology for financial instruments;
- rules for the application of hedge accounting.

This standard will apply to financial years beginning on or after January 1, 2018.

The Group is evaluating the implementation and effect of adopting this new standard, currently not expected to have a material impact.

On January 13, 2016, the IASB published the new standard IFRS 16 - Leases - which will replace IAS 17. The new accounting standard requires lessees to adopt a uniform accounting treatment for both operating and finance leases. In fact, IFRS 16 requires the lessee to recognize assets and liabilities for both operating and finance leases unless the lease term is twelve months or less or the underlying asset has a low value. This document will apply to financial years beginning on or after January 1, 2019.
The Group is evaluating the implementation and impact of adopting this new standard. It is not planned to adopt this standard early.

3 Operating segments

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 and in USA. The Company does not consider the geographies to be separate segments.

4 Seasonality

The Group's activities are not subject to seasonal fluctuations.

5 Exchange rates of principal currencies

Functional currency
The Group's consolidated financial statements are presented in Euro (EUR), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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

Group companies
The exchange rates used are detailed in the following table:

	Income statements in Euro (average rates) Six months ended June 30		Balance sheets in Euro (rates as of)	
	2017	2016	June 30, 2017	Year-end 2016
CHF 1	0.92882	0.91237	0.91491	0.93119
GBP 1	1.16199	1.28408	1.13723	1.16798
SEK 1	0.10420	0.10751	0.10374	0.10468
USD 1	0.92334	0.89611	0.87627	0.94868

6 Licence income

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Licence income	10,374	3,039

Licence income, amounting to EUR 10,374 (2016: EUR 3,039), is related to the non-refundable milestone payments cashed-in from Zambon S.p.A. upon the approval – obtained from Food and Drug Administration (FDA) – of the use of Xadago® (safinamide) for the treatment of Parkinson's disease as add-on therapy to levodopa/carbidopa and the identification of the Australian (Seqirus) and Canadian (Valeo Pharma) commercial partners. Licence income are shown net of the amount transferred to Merck KGaA.

7 Royalties

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Royalties	1,308	852

Following the European Commission approval of the use of Xadago® (safinamide) for the treatment of idiopathic Parkinson's disease, starting by May 15, 2015, Zambon has launched Xadago® in several European countries among which Germany, Italy, Spain and United Kingdom and, after the Swissmedic approval, Xadago® has been commercialised also in Switzerland. Royalties payable to Newron according to the agreement in place with Zambon, have been communicated to Newron by its partner.

In February 2016, Italian Medicines Agency (AIFA) approved Xadago® selling price and imposed a ceiling on sales of the period March 1, 2016 to February 28, 2017. As Italian sales were growing fast, such limit had been overtaken; since then, royalties on Italian sales exceeding the limit were not recognized. As a matter of attention, it should be noted that AIFA has set a ceiling, substantially higher than the previous one, also for the period – March 1, 2017 to February 28, 2018. Royalties of the period have been accounted for taking into consideration the ceiling.

8 Research and development expenses net of grants and other reimbursements

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Services received from subcontractors	1,077	2,767
Staff costs	1,497	1,331
Consultancy fees	547	712
Material and consumable used	876	2,933
Operating lease cost	208	173
Travel expenses	356	286
Other research and development costs	47	38
	4,608	**8,240**

Staff costs amount to EUR 1,497 (2016: EUR 1,331). The variance compared to prior period is mainly due to the following opposite effects: a) an increase in the number of R&D employees hired by Newron Pharmaceuticals US Inc., b) an increase in social contributions expenses related to exercise of stock options (in certain countries, as required by local regulation, Newron has paid – once exercised – and accrued social contribution costs on vested options) partially compensated by c) a reduction of wages and salaries due to the recognition of the 2017 R&D Tax Credit.

The decrease in cost of Services received from subcontractors is mainly due to the following effects: a) the recognition of the 2017 R&D Tax Credit as a direct reimbursement of direct R&D expenses and b) the conclusion, in December 2016, of the Evenamide Phase IIa study of which results have been published in January 2017.

Decrease in Material and consumable used is mainly due to the following: i) R&D Tax Credit effect for the six-months period ending June 30, 2017 and ii) the decision, taken in June 2016, to terminate an agreement with Merck KGaA regarding the purchase of additional drug substance (sarizotan), the Company has paid to Merck KGaA a fee of EUR 650 and recognized to profit and loss additional EUR 500 booked in 2015 as Prepayments.

Increases in Operating Lease cost and Travel expenses are respectively related to additional archiving space – to store all the paper documents produced during the trials – rented during the year and increased number of travels done to meet the relevant regulatory authorities in both Europe and US.

Since May 14, 2012, research and development expenses incurred by the Group to complete the development of safinamide, prepare the applications and file for marketing approval in Europe and the US are reimbursed by Zambon S.p.A. Since the submission of the safinamide dossier to the Food and Drug Administration (FDA), Newron is also supporting Zambon in managing the post-filing regulatory review. Based on

the amended agreement, Zambon is reimbursing to Newron all the expenses incurred in providing such assistance, including personnel expenses which are invoiced at cost plus mark-up.

As stated by art. 1, paragraph 35 of the Italian Law 190/2014 – the so called "2015 Stability Law" – and clarified by the Italian Tax Authority in the Official Memorandum 5/E dated March 23, 2016, companies investing in research and development activities are allowed to recognize an R&D tax credit in the period 2015–2019 that can be used to offset certain taxes and contributions. According to the application guidelines issued by the Tax Authority, R&D tax credit for a specified year is recognized to the extent of a defined percentage (from 25% up to 50%) of the difference between certain R&D expenses incurred in the year and the average of the same expenses incurred in the three-year period 2012 – 2014. As approved by the "2017 Stability Law" and clarified by Tax Authority, in two Official Memorandums dated February 14 and April 27, 2017, the R&D tax credit will last till 2020; from January 1, 2017, on, the defined percentage to be applicable to eligible expenses will be 50% and the yearly ceiling has been set at EUR 20 million per year.

Research and development expenses are also presented net of the costs that are reimbursed by other external parties (i.e. Ministries, Foundations, etc.), based on certain scientific research programmes granted to the Group. Accordingly, research and development expenses are presented net of reimbursements amounting to EUR 223 (2016: EUR 1,034).

The table below shows the net effects:

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Research and development expenses, gross	6,912	9,274
R&D Tax Credit	(2,081)	0
Reimbursed by Zambon	(223)	(1,034)
	4,608	**8,240**

Since inception, no development costs have been capitalised except for the Intangible assets recognized in the context of the purchase price allocation processes of Hunter-Fleming Ltd and Newron Sweden AB.

9 General and administrative expenses

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Staff costs	2,015	1,827
Consultancy and other professional services	1,502	1,656
Intellectual properties	351	551
Travel expenses	165	109
Operating lease cost	207	116
Depreciation and amortisation expense	23	16
Other expenses	185	127
	4,448	**4,402**

Staff costs increased in the six-month period ended June 30, 2017, due to: a) the increase in head-counts and b) the increase in stock options' cost related to social contributions expenses, as explained above.

The decrease in Consultancy and other professional services is mainly due to the Legal fees incurred in 2016 related to the funding activity of the Company.

Operating lease cost increased as Newron Pharmaceuticals USA has rented additional space in Morristown, New Jersey, USA.

10 Financial result, net

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Interest income	35	147
Interest expense	(7)	(19)
Foreign exchange gains/ (losses), net	(757)	41
Other costs, net	(37)	(35)
	(766)	**134**

The Company's costs structure is highly exposed to exchange rate fluctuations, mainly with the US Dollars: for this reason, starting from December 2016, the Company covers a nine to twelve month rolling period of US Dollar expenses. The adverse fluctuation of the US Dollar versus the Euro has caused the losses.

11 Earnings per share

The basic earnings per share is calculated dividing the net result attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

(In thousand Euro)	For the six months ended June 30,	
	2017	2016
Net profit/(loss) attributable to shareholders	1,542	(8,754)
Weighted average number of shares (thousands) – Basic	15,777	13,722
Earnings/(losses) per share – basic (in Euro)	0.10	(0.64)
Weighted average number of shares (thousands) – Diluted	16,687	N/A
Earnings/(losses) per share – diluted (in Euro)	0.09	N/A

The only category of potential ordinary shares that have dilutive effect are the stock options, as of today, n. 910,354 (see also Note 18), granted to certain employees, directors and consultants. During the previous period, these were antidilutive, as their conversion would have decreased the loss per share. Thus, the values of basic and diluted loss per share as of June 30, 2016, coincided.

12 Intangible assets

Intangible assets of EUR 292 are almost entirely represented by In-Process Research and Development ("IPR&D") projects (EUR 250), as detailed below:

Company	Project	Development phase	Book value
Hunter-Fleming Ltd	HF0220	Clinical phase II	50
	HF0299	Clinical phase I	50
	HF1220	Discovery	50
Newron Sweden AB	sNN0029	Clinical phase I	50
	sNN0031	Clinical phase II	50
			250

IPR&D projects are disclosed at their carrying amount net of impairment charges accounted for in previous periods. Consistently with last year, given that the development of the IPR&D has been terminated both in Hunter-Fleming private limited company and Newron Sweden AB, the Group evaluated the assets at their fair value less cost to sell, amounting to EUR 50 per each compound.

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 IPR&D projects stays.

13 Receivables and prepayments

(In thousand Euro)	As of	
	June 30, 2017	December 31, 2016
	unaudited	audited
Receivables	2,073	1,329
Government grants receivable	14	14
Prepayments	3,301	1,013
VAT receivable	354	353
Other receivables	6,023	6,958
	11,765	9,667

Receivables are almost entirely represented by the accruals related to the royalties on net sales performed by Zambon Group in twelve EU countries and Switzerland, milestone and reimbursement of safinamide's costs, as these expenses are charged by the Group to Zambon.

Prepayments increased because of the R&D studies and activities both on-going and started by the Group in the first half of the year to develop its own compounds.

14 Available for sale financial assets – current

(In thousand Euro)	As of	
	June 30, 2017	December 31, 2016
	unaudited	audited
Listed bonds	4,637	3,520
	4,637	3,520

The increase is due to a purchase of a corporate bond occurred during the first six months of 2017.

Gain and losses arising from the adjustment to the fair value were recognized in the comprehensive income. All acquired securities are in line with the Group's investment policy.

15 Cash and cash equivalents

(In thousand Euro)	As of	
	June 30, 2017	December 31, 2016
	unaudited	audited
Cash at bank and in hand	25,543	26,835
Short-term investments	14,888	16,113
	40,431	**42,948**

The "Short-term investments" are highly liquid investments easily convertible into cash, not subject to significant changes in value and with no withdrawal penalty. Gain and losses arising from the adjustment to the fair value were recognized in the comprehensive income. Short term deposits are in line with the Group's investment policy.

Management monitors the Group's cash position on rolling forecasts based on expected cash flows to enable the Group to finance research and development activities. Financial resources currently available are considered adequate to support ongoing research and development activities.

Group's liquidity (Available for sale financial assets plus Cash and cash equivalent) amounts approximately to EUR 45 million (EUR 46 million as at December 31, 2016). Expenses of the period have been almost financed by the non-refundable milestone payments cashed-in from Zambon S.p.A. upon the approval – obtained from Food and Drug Administration (FDA) – of the use of Xadago® (safinamide) for the treatment of Parkinson's disease as add-on therapy to levodopa/carbidopa.

16 Share capital

As of December 31, 2016, the subscribed share capital was equal to EUR 3,154,633.60, divided into 15,773,168 ordinary shares with par value equal to EUR 0.20 each. There is no authorised share capital.

A summary of the changes occurred during the last 18 months in share capital is as follows (amounts are shown in EUR):

(In Euro)	Total
As of December 31, 2015 – Newron Group	**2,843,834.40**
– issue of ordinary share (Capital Increase)	41,872.80
– issue of ordinary share (Stock options exercise)	4,820.40
– issue of ordinary share (Capital Increase)	264,106.00
As of December 31, 2016 – Newron Group	**3,154,633.60**
– issue of ordinary share (Stock options exercise)	8,275.00
As of June 30, 2017 – Newron Group	**3,162,908.60**

On March 24, 2015, the extraordinary shareholders meeting resolved, among other items, to increase the Company's share capital by up to 10%, or the equivalent of an amount of up to EUR 260,850.00, corresponding to up to 1,304,250 new Newron' ordinary shares with a par value of EUR 0.20 per share. The extraordinary shareholders meeting resolved to exclude any preemptive rights to the Company's current shareholders to subscribe such capital increase. Under the agreement signed on November 20, 2015, a leading US-based biotechnology and healthcare specialist held an option to subscribe additional 209,364 newly issued ordinary shares no later than June 30, 2016: the subscription price was governed by the March 24, 2015 extraordinary shareholders meeting authorization. The fund subscribed the additional newly issued ordinary shares on March 23, 2016.

On March 22, 2016, the extraordinary shareholders meeting resolved, among other items, to increase the Company's share capital of an amount of up to EUR 711,177.20, corresponding to up to 3,555,886 newly issued Newron' ordinary shares with a par value of EUR 0.20 per share. The extraordinary shareholders meeting resolved to exclude any preemptive rights to the Company's current shareholders to subscribe such capital increase and to grant to the Board of Directors of the powers to issue either shares or convertible bonds.

On October 7, 2016, the Company announced that it has completed a private placement of new 1,320,530 shares (nominal value of EUR 0.20) via an accelerated book building procedure: shares have been subscribed by institutional investors.

During the eighteen-month period ending on June 30, 2017, certain stock option holders have exercised their right: accordingly, the Company issued a total of 65,477 new ordinary shares (par value equal to EUR 0.20 each) of which 24,102 in 2016 and 41,375 in 2017.

As of June 30, 2017, the subscribed share capital is equal to EUR 3,162,908.60 divided into 15,814,543, ordinary shares with a par value equal to EUR 0.20 each. There is no authorised share capital.

In July, 2017, the Company has issued additional n. 2,938 shares as a consequence of the exercise of options occurred during the last days of June 2017.

17 Share premium

(In thousand Euro)	As of	
	June 30, 2017	December 31, 2016
	unaudited	audited
At the beginning of the year	59,518	61,580
Loss allocation	(15,356)	(27,320)
Issue of shares	0	26,571
Issue of shares (exercise of options)	284	167
Reclassification from share option reserve	302	121
Share capital issue costs	0	(1,600)
At the end of the period	**44,748**	**59,518**

As a consequence of the exercise of options, the cost accrued into the Share options reserve through-out the vesting period has been reclassified into the share premium reserve.

18 Share option 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 among which ESOP 2011, ESOP 2013; ESOP 2014 and ESOP 2015 are still valid. All options have been awarded free of charge.

On February 2, 2017, the Board of Directors granted 36,992 options to two new Newron's employees at a strike price of 23.31 CHF (EUR 21.87 as translated at the exchange rate on February 1, 2017).

The fair values of the issued options have been estimated on the date of grant using, among others, the following assumptions:

Dividend yield (%):	0.00
Expected volatility (%):	70.00
Resignation rate expected (%):	3.00

The Group's Board of Directors can grant further options under ESOP 2015.

A summary of the granted options is as follows:

	Employee Share Option Plans				
	2011	2013	2014	2015	Total
At January 1, 2016	55,451	409,612	187,775	277,464	930,302
Granted	0	0	0	36,992	36,992
Exercised	0	(21,875)	(2,227)	0	(24,102)
At December 31, 2016	55,451	387,737	185,548	314,456	943,192
Granted	0	0	0	36,992	36,992
Exercised	0	(37,625)	(3,750)	0	(41,375)
Waived	0	0	0	(28,455)	(28,455)
At June 30, 2017	**55,451**	**350,112**	**181,798**	**322,993**	**910,354**

All options have been awarded free of charge and are recognised as personnel expenses over the vesting period. The increase of share option reserve is equal to EUR 693 and it's related to the following opposite effects: a) additional costs of the period equal to EUR 995 (out of which EUR 647 refers to G&A employees and the remaining to R&D ones) and b) a reclassification to Share Premium Reserve as a consequence of the options' exercise equal to EUR 302.

The advance payment for future capital increase is related to n. 2,938 options exercised during the last days of June 2017 whose relevant shares were issued in the first week of July 2017.

As of June 30, 2017, n. 635,815 options were vested; additional n. 43,310 options will vest within the end of 2017.

19 Borrowings

In 2008, Newron was awarded with a EUR 5 million grant by the Italian government's Ministero dell' Istruzione, dell' Università e della Ricerca (M.I.U.R.). Approximately 60% (EUR 2.2 million) of the grant is a loan that bears interest of 0.5% per year and is required to be fully repaid within ten years from the grant date.

The loan has to be reimbursed in two yearly instalments (July and January 1), starting from July 1, 2012 and ending on January 1, 2018. The remaining part of the debt is classified as Short-term borrowings and it is equal EUR 182.

20 Financial instruments by category

The following tables present the breakdown of financial assets and liabilities, evaluated at fair value, by category as of June 30, 2017, and December 31, 2016 respectively.

As of June 30, 2017	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						
Non Current receivables	84	–	–	–	–	–
Available for sale financial assets – non current	–	–	–	–	–	–
Available for sale financial assets – current	–	–	–	4,637	–	–
Cash and cash equivalents	40,431	–	–	–	–	–
Trade and other receivables	5,388	–	–	–	–	–
Total	**45,903**	**–**	**–**	**4,637**	**–**	**–**
Liabilities						
Trade and other payables	–	–	–	–	–	4,257
Short-term borrowings	–	–	–	–	–	182
Long-term borrowings	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**4,439**

The Company has classified its interest-bearing borrowings in Level 2 (For additional information, please refer to Note 19).

As of December 31,2016	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						
Non Current receivables	70	–	–	–	–	–
Available for sale financial assets – current	–	–	–	3,520	–	–
Cash and cash equivalents	42,948	–	–	–	–	–
Trade and other receivables	2,357	–	–	–	–	–
Total	**45,375**	**–**	**–**	**3,520**	**–**	**–**
Liabilities						
Trade and other payables	–	–	–	–	–	6,011
Short-term borrowings	–	–	–	–	–	364
Long-term borrowings	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**6,375**

There were no transfers between Level 1 and Level 2 during the six-month period ending on June 30 2017 and the whole year 2016.

21 Related party transactions

The following tables provide the total amount of transactions that have been entered into with related parties during the six-month period ending June 30, 2017 and June 30, 2016, as well as balances with related parties outstanding as of June 30, 2017 and June 30, 2016:

As of June 30, 2017	Sales to / Cost reimbursed by related parties	Royalties	Purchases from related parties	Amounts owed by related parties, net
Zambon (whole group)	11,750	1,484	82	1,210
As of June 30, 2016				
Zambon (whole group)	4,388	852	82	316

As detailed above, sales to Zambon are mainly related to: a) the non-refundable milestone payments cashed-in from Zambon S.p.A. upon approval – obtained from the Food and Drug Administration – of the use of Xadago® (safinamide) for the treatment of Parkinson's disease as add-on therapy to levodopa/carbidopa; b) the identification of the Canadian and Australian partners and c) the reimbursement of the expenses borne by the Group to complete the development of the compound, prepare the applications and file for marketing approval in the US Royalties have started in May 2015 after the launch of Xadago® in Germany and, since then, in other eleven EU countries and Switzerland. Purchases from Zambon are related to the leasing of the premises located in Bresso and additional archiving space.

22 Commitments and contingent liabilities

Other commitments

The Company has entered into contracts for clinical development with external subcontractors. The Company compensates its suppliers for the services provided on a regular basis. The expenditure contracted for at the balance sheet date but not yet incurred is equal to about EUR 7.5 million. The Company shall not incur material penalty fees for the closure of any of its contracts.

Contingent liabilities

According to the agreements signed with Merck group and Zambon S.p.A., the achievement of future results related to the development of certain Newron' compounds will trigger the payment of milestones fees and other payments. As uncertainty remains upon the future results of the development of the compounds, the Directors concluded that the payment of the above milestone fees is not probable.

23 Events after the balance sheet date

On July 11, 2017, Newron Pharmaceuticals S.p.A. together with Zambon and US WorldMeds LLC – Zambon's commercial partner for the US market – announced that Xadago® (safinamide) is now available as an add-on therapy for US patients with Parkinson's disease (PD) currently taking levodopa/carbidopa and experiencing "OFF" episodes.

Bresso, September 8, 2017

Stefan Weber
CEO

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

Number of fully paid-in shares as at June 30, 2017	15,814,543
52-week high (in CHF)	28.70
52-week low (in CHF)	17.35
June 30, 2017 closing share price	19.40
Profit per share (in EUR)	0.10
Cash and cash equivalents, other short-term financial assets as at June 30, 2017 (in EUR 1,000)	45,074
Market capitalization as at June 30, 2017 (in CHF)	306,802,134

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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 diseases of the central and peripheral nervous system; (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.

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