Newron
Pharmaceuticals

Half-Year Report 2015

Corporate 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.

Marketing authorization in the EU for Xadago® (safinamide) was granted by the EU Commission in February 2015, followed by the launch in the first key EU country – Germany – in May 2015. The New Drug Application NDA to the U.S. FDA has been accepted for filing by FDA as reported in March 2015. In March 2014, Zambon, Newron's partner, submitted an MAA to Swissmedic. Zambon has the rights to develop and commercialize safinamide globally, excluding Japan and other key Asian territories where Meiji Seika has the rights to develop and commercialize 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 sarizotan for patients with Rett syndrome, for which Newron lately received Orphan Drug Designation in both the U.S. and the EU, sNN0031 for patients with Parkinson's disease, non-responsive to oral drug treatments, sNN0029 for patients with ALS and ralfinamide for patients with specific rare pain indications. Newron is also developing NW-3509 as the potential first add-on therapy for the treatment of patients with positive symptoms of schizophrenia.

www.newron.com

Half-Year 2015 Highlights

- **EU Commission approves Xadago® (safinamide) for mid-to-late-stage Parkinson's patients**
- **Launch of Xadago® by partner Zambon in Germany**
- **Xadago® New Drug Application accepted for filing by the U.S. Food and Drug Administration (FDA); PDUFA date December 29, 2015**
- **Positive opinion received from the European Medicines Agency for Orphan Medicinal Product Designation for sarizotan to treat patients with Rett Syndrome; post end of reporting period, Orphan Drug Designation received from European Commission and U.S. FDA**
- **Phase II study of sNN0031 in patients with Parkinson's disease, and Phase II study of sNN0029 in patients with Amyotrophic Lateral Sclerosis initiated**
- **Completion of first in man US Phase I study of novel sodium channel blocker NW-3509**
- **Closing of EUR 23.4 million Private Placement from leading EU and U.S. investors**
- **Strong cash position of EUR 44.0 million at June 30, 2015**

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Shareholders' Letter

Dr. Ulrich Köstlin

Stefan Weber

Dear Shareholder,

We are delighted that we achieved significant progress in advancing our product candidates and in building our financial strength in the first half of 2015.

After a year of focused activity, Xadago® (safinamide) became Newron's first marketed product. In February, Xadago® was approved by the European Commission as add-on therapy to levodopa alone or in combination with other Parkinson's disease treatments for mid-to-late-stage Parkinson's disease patients. This is the first new chemical entity in 10 years to receive approval in Europe for the treatment of Parkinson's disease. In May, our partner Zambon launched Xadago® in Germany, and we are delighted that this novel therapeutic option is finally available to patients suffering from this terrible condition. We look forward to the roll-out of Xadago® in other EU territories.

We also received news from the U.S. Food and Drug Administration (FDA) that the New Drug Application (NDA) for Xadago® has been accepted for review. The application is for the use of Xadago® as add-on therapy in both early- and mid-to-late-stage Parkinson's disease patients who are inadequately managed on their existing treatment. Having successfully passed the 74-day and mid-cycle reviews, we look forward to the completion of the NDA review, which currently is expected on December 29, 2015 (the PDUFA date).

In the first half of 2015, we made good progress with sarizotan. This new chemical entity is being developed for the treatment of Rett Syndrome, a rare neurodevelopmental disorder that can cause severe physical and mental disability and is associated with a reduced life expectancy. It primarily affects females, and there are currently no approved treatments. We believe that sarizotan has the ability to reduce episodes of apnea and hyperventilation in patients with Rett Syndrome and therefore has the potential to improve the quality of life of these patients and to delay mortality. The Committee for Orphan Medicinal Products (COMP) issued a positive opinion recommending sarizotan to the European Commission as an orphan medicinal product for the treatment of Rett Syndrome. After the closing of the reporting period, the European Commission and the FDA granted Orphan Drug Designation to sarizotan for this indication. Based on its use in pediatric patients, sarizotan would benefit from market exclusivity of 12 years in the EU and 7.5 years in the U.S. We have con-

ducted extensive discussions with regulatory authorities in Europe, the U.S. and Canada and have established an International Clinical Advisory Committee to finalize the protocol for a potentially pivotal placebo-controlled study. Subsequently, an update on the plan and timelines for submission of the Marketing Authorization Application will be provided to markets. If approved, sarizotan is likely to be the first product that Newron commercializes on its own.

We also announced the completion of the first-in-man Phase I study in the U.S. of our novel, voltage-gated sodium channel blocker NW-3509, which is being investigated as add-on treatment in schizophrenia, schizo-affective and bipolar disorders. This new chemical entity comes from Newron's in-house ion-channel discovery program that led to the development of Xadago®. The Investigational New Drug (IND) application for NW-3509 was accepted by the FDA as add-on to antipsychotics for patients with schizophrenia. The Phase I study in 54 healthy subjects demonstrated that NW-3509 was well tolerated at all doses. Based on these results, in 2015 we plan to initiate a Phase II trial of NW-3509 as add-on treatment in schizophrenic patients on stable and adequate doses of atypical antipsychotics whose symptoms are not effectively controlled by their medication.

In January, Newron initiated a Phase II study of sNN0031 as a recombinant human platelet-derived growth factor-BB for the treatment of severe, treatment-resistant Parkinson's disease, an orphan indication. This study of safety, tolerability and preliminary evidence of efficacy is supported by a grant from the European Union. Based on preclinical data and results from previous studies of sNN0031 in Parkinson's disease patients, the compound was well tolerated, and a dose-dependent, positive effect was observed in dopamine uptake in brain regions damaged in Parkinson's disease. We believe that sNN0031 may offer a new therapeutic option for those patients who do not benefit from treatment with current standard of care using oral therapies.

In parallel, Newron initiated a Phase II study, supported by the Wellcome Trust, of sNN0029, a novel recombinant human vascular endothelial growth factor-165 (rhVEGF-165), in patients with Amyotrophic Lateral Sclerosis (ALS). Significant benefit was demonstrated in an earlier study in ALS patients at the highest dose. sNN0029 has both direct and indirect effects in preventing death of motor neurons, suggesting it may represent a unique treatment opportunity for patients with this life-threatening rare disease.

Both sNN0029 and sNN0031 are delivered into the brain with a medical device from a third-party supplier. During the second quarter, the device supplier entered into a consent decree with U.S. health authorities that prevents it from commercializing the device until certain quality issues are resolved. Although the FDA exempted the performance of clinical studies from the ban, requests for additional information from health authorities and ethics committees have impacted the progress of the studies. We will provide an update in due course.

In the first six months of 2015, Newron invested EUR 7.6 million in drug development and in preparations for regulatory submission of Xadago®, up from EUR 6.5 million in 2014. Of these 2015 expenses, EUR 2.8 million have been covered by our Xadago® partner Zambon

as well as by grants. Therefore, for the first six months of the year, net R&D expenses were EUR 4.7 million, up from 2014 expenses of EUR 2.6 million. G&A expenses reached EUR 4.1 million in the first six months of 2015, up from EUR 3.5 million in 2014. Revenues for the first half of 2015 were EUR 2.0 million, stemming from milestone payments under the collaboration with our partner Zambon, as well as our first royalties earned on Xadago® sales in Germany. The net loss for the first six months of 2015 was EUR 6.9 million, compared to EUR 4.6 million in the first half of 2014.

We are very grateful for the support that our shareholders have shown us over the years, including this March, when they approved capital increases of up to 1.3 million additional shares to raise funds for developing the Company's assets. In April, current and new institutional investors from Europe and the U.S., including Aviva, J.P. Morgan Asset Management, Investor AB, Sphera Global HealthCare Fund and Nyenburgh, demonstrated their confidence in Newron by subscribing to 843,072 newly issued shares and raising gross proceeds of EUR 23.4 million. These funds are being used to accelerate the development of our innovative product pipeline, particularly our lead clinical programs for sarizotan and NW-3509. We enter the second half of 2015 in a strong position, with EUR 44 million of cash and equivalents.

In short, it was a great first half. We are extremely pleased that Xadago® is now commercially available to patients in Germany. We are excited by the future roll-out of Xadago® across Europe by our partner Zambon, as well as the final decision by the FDA following the successful refiling in the U.S. Additional funding may be received depending on achievement of these milestones. Our key pipeline projects sarizotan and NW-3509 are progressing well, with the start of the next studies expected later this year. We look forward to reporting the data from these studies in due course as we continue to build and strengthen our position as a leading player in the CNS space.

Yours sincerely

Dr. Ulrich Köstlin
Chairman

Stefan Weber
Chief Executive Officer

Unaudited interim condensed consolidated financial statements

For the six months ended June 30, 2015

Auditors' Report

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AUDITOR'S 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 accompanying interim condensed consolidated financial statements, (comprising the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of profit and loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows and related explanatory notes) of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Newron Group") as of and for the six-month period ended June 30, 2015. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). 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 Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements does not present fairly, in all material respects, the financial position of the Newron Group as of June 30, 2015, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

Milan, September 11, 2015

Reconta Ernst & Young S.p.A.

Enrico Lenzi
(Partner)

Interim Condensed Consolidated Statement of profit or loss

(In thousand Euro, except per share information)	Note	For the six months ended June 30 2015 (unaudited)	2014 (unaudited)
Licence income	6	1,800	1,300
Royalties	7	93	0
Other income		86	100
Revenue		1,979	1,400
Research and development expenses	8	(4,723)	(2,620)
Marketing and advertising expenses		(41)	(47)
General and administrative expenses	9	(4,058)	(3,498)
Operating result		(6,843)	(4,765)
Financial result net	10	(68)	174
Result before tax		(6,911)	(4,591)
Income tax		(12)	(5)
Net loss		**(6,923)**	**(4,596)**
Loss per share			
Basic and Diluted	11	**(0.52)**	**(0.37)**
Weighted average number of shares (thousands)			
		13,395	**12,324**

Interim Condensed Consolidated Statement of Comprehensive Income

(In thousand Euro)		For the six months ended June 30 2015 (unaudited)	2014 (unaudited)
Net loss for the period		(6,923)	(4,596)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain / (loss) on available-for-sale assets	15	(10)	106
Exchange differences on translation of foreign operations		116	(234)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**106**	**(128)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain / (loss) on benefit plan for employees		4	(9)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**4**	**(9)**
Other comprehensive gain / (loss) for the period, net of tax		110	(137)
Total comprehensive income / (loss) for the period		**(6,813)**	**(4,733)**

(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, 2015 (unaudited)	As of December 31, 2014 (audited)
Assets			
Non-current assets			
Property, plant and equipment		67	67
Intangible assets	12	6,991	6,993
Available for sale investments	13	584	584
Non-current receivables		47	42
		7,689	7,686
Current assets			
Inventories		98	102
Receivables and prepayments	14	3,883	3,584
Available for sale financial assets	15	5,475	6,946
Cash and cash equivalents	16	38,525	18,756
		47,981	29,388
Total assets		**55,670**	**37,074**
Shareholders, equity			
Share capital	17	2,800	2,609
Share premium and other reserves	18	56,915	40,903
Share option reserve	19	4,117	3,559
Retained earnings		(16,010)	(16,980)
Translation differences		(714)	(830)
Total shareholders, equity		47,108	29,261
Liabilities			
Non-current liabilities			
Deferred tax liability		2,268	2,268
Long-term borrowings	20	549	729
Employee severance indemnity		311	327
		3,128	3,324
Current liabilities			
Deferred income		157	299
Short-term borrowings	20	358	358
Trade and other payables		4,919	3,832
		5,434	4,489
Total liabilities		8,562	7,813
Shareholders, equity and liabilities		**55,670**	**37,074**

(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	Total
Balance at January 1, 2014		2,325	28,933	2,374	(229)	(12,313)	21,091
Net loss						(4,596)	(4,596)
Other comprehensive losses					(234)	97	(137)
Total comprehensive loss for the period		0	0	0	(234)	(4,499)	(4,733)
Previous year loss allocation			(5,339)			5,339	0
Issue of shares		279	17,956				18,235
Issuing costs			(809)				(809)
Exercise of options		5	117				122
Exercise of options – reclassification of reserves			42	(42)			0
Share option scheme				499			499
Balance at June 30, 2014		2,609	40,900	2,831	(463)	(11,473)	34,405
Balance at January 1, 2015		2,609	40,903	3,559	(830)	(16,980)	29,261
Net loss						(6,923)	(6,923)
Other comprehensive gain / (loss)					116	(6)	110
Total comprehensive loss for the period		0	0	0	116	(6,929)	(6,813)
Previous year loss allocation			(7,900)			7,900	0
Issue of shares	17 / 18	169	23,260				23,429
Issuing costs	18		(409)				(409)
Exercise of options	17 / 18	23	658				681
Exercise of options – reclassification of reserves	18		402	(402)			0
Share option scheme	19			960			960
Balance at June 30, 2015		**2,800**	**56,915**	**4,117**	**(714)**	**(16,010)**	**47,108**

(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 2015 (unaudited)	2014 (unaudited)
Operating activities			
Loss before tax		(6,911)	(4,591)
Adjustments for:			
Depreciation and amortisation		17	16
Grants and other non monetary income		(1,044)	(844)
Share option expenses	19	960	499
Employee severance indemnity expense		22	341
Changes in working capital:			
Inventories		3	104
Current receivables and prepayments and deferred cost (excluding grants receivable)		436	(918)
Trade and other payables and deferred income (excluding advances of grants)		477	278
Government grants received		788	718
Pension fund paid		0	(46)
Change in non-current receivables		(5)	0
Net cash (used in) operating activities		(5,257)	(4,443)
Cash flows from investing activities			
Purchase of financial assets		0	(9,124)
Proceeds from disposal of financial assets	15	1,470	0
Purchase of property, plant and equipment		(15)	(5)
Purchase of intangible assets	12	(1)	0
Interest received		51	43
Net cash flows from / (used in) investing activities		1,505	(9,086)
Cash flows from financing activities			
Net proceeds from borrowings	20	(180)	(179)
Proceed from issue of shares	17 / 18	24,110	18,357
New shares issuing costs	18	(409)	(809)
Net cash flows from financing activities		23,521	17,369
Net increase / (decrease) in cash and cash equivalents		19,769	3,840
Cash and cash equivalents at January 1,		18,756	18,426
Cash and cash equivalents at the end of the period		**38,525**	**22,266**

(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 central nervous system (CNS) disorders and pain – the parent company;
- Newron Pharmaceuticals US Inc., a fully owned clinical development subsidiary, incorporated on June 6, 2014 under the Delaware rules, based in Morristown, New Jersey (U.S.) whose activities started in July 2014;
- 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);
- Hunter-Fleming Limited, a fully owned biopharmaceutical company based in Brixham (United Kingdom) and focused on neurodegenerative and inflammatory disorders;
- Newron Suisse SA, a fully owned clinical development subsidiary based in Basel (Switzerland).

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 (since August 3, 2015 previously at the Main 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, 2015, were authorised for issuance by the Board of Directors (Board) on September 10, 2015.

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, 2015 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, 2014.

The interim condensed consolidated financial statements have been prepared on a going concern basis.

The presentation currency is Euro. All figures included in these interim condensed consolidated financial statements and notes thereto are rounded to the nearest Euro thousand except where otherwise 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, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015. 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 that are relevant for the Group, did not have any impact on the accounting policies, financial position or performance of the Group:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014.

This amendment is not relevant to the Group since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions that are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement does not apply to Newron ESOP plans.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Company operates in a single business segment, as detailed in Note 3 "Operating segments".

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

The Group did not record any revaluation adjustments during the current interim period.

Annual Improvements 2011 – 2013 Cycle

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Newron is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

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, Switzerland, Sweden and in U.S. 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

Measurement 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 (Euro) 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 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 preparing the present document are detailed in the following table:

	Income statements in Euro (average rates) Six months ended June 30		Balance sheets in Euro (rates as of)	
	2015	2014	June 30, 2015	Year-end 2014
CHF 1	0.94634	0.81870	0.96034	0.83167
GBP 1	1.36556	1.21752	1.40568	1.28386
SEK 1	0.10707	0.11169	0.10852	0.10646
USD 1	0.89622	– *	0.89373	0.82366

*: Since July 2014

6 Licence income

(In thousand Euro)	For the six months ended June 30,	
	2015	2014
Licence income	1,800	1,300

Licence income, amounting to EUR 1,800 (2014: EUR 1,300), is related to the non-refundable milestone payment cashed-in from Zambon S.p.A. upon the approval – obtained from the European Commission on February 24, 2015 – of the use of Xadago® (safinamide) for the treatment of idiopathic Parkinson's disease.

7 Royalties

(In thousand Euro)	For the six months ended June 30,	
	2015	2014
Royalties	93	0

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 the first European country, Germany. Royalties payable to Newron according to the agreement in place with Zambon, have been generated by net sales occurred in the period from May 15 to June 30, 2015 and communicated to Newron by its partner.

8 Research and development expenses net of grants and other reimbursements

(In thousand Euro)	For the six months ended June 30,	
	2015	2014
Services received from subcontractors	1,133	712
Staff costs	1,610	594
Consultancy fees	818	681
Material and consumable used	819	441
Laboratory operating lease cost	101	99
Travel expenses	234	74
Depreciation, amortisation and impairment charge	8	8
Other research and development costs	0	11
	4,723	**2,620**

Staff costs amount to EUR 1,610 (2014: 594). The variance compared to prior period is mainly due to the following effects: a) an overall increase in the number of R&D employees (from July 2014, Newron Pharmaceuticals US Inc. hired two senior managers); b) an increase in stock options' costs (for further details, please refer also to Note 19) and related social contributions expenses (in certain countries, as required by local regulation, Newron has paid – once exercised – and accrued social contribution costs on vested options) and c) a decrease in the hours dedicated to the Xadago® project and thus, a decrease in the reimbursement from its partner.

The increases in Services received from subcontractors, Consultancy fees, and Material and consumable used are due to the studies and activities both ongoing and started by the Group in the first half of the year to develop its own compounds. Travel expenses increased due to cost borne to meet the relevant regulatory authorities both in Europe and U.S.

Since May 14, 2012, research and development expenses borne by the Group to complete the development of safinamide, prepare the applications and file for marketing approval in Europe and the U.S. 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.

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 2,840 (2014: EUR 3,837).

The table below shows the net effects:

(In thousand Euro)	For the six months ended June 30,	
	2015	2014
Research and development expenses, gross	7,563	6,457
Granted project	(1,253)	(360)
Reimbursed by Zambon	(1,587)	(3,477)
	4,723	**2,620**

Since inception, no development costs have been capitalised with the exception of 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,	
	2015	2014
Staff costs	1,572	1,188
Consultancy and other professional services	1,469	1,422
Intellectual properties	679	571
Travel expenses	98	90
Operating lease cost	85	51
Depreciation and amortisation expense	9	8
Other expenses	146	168
	4,058	**3,498**

Staff costs increased in the six months period ending June 30, 2015, due to the increase in stock options' cost (for further details, please refer also to Note 19) and in related social contributions expenses (in certain countries, as required by local regulation, Newron has paid – once exercised – and accrued social contribution costs on vested options).

The increase in Intellectual properties expenses is mainly due to the validation of some patents in all the European countries.

Operating lease cost includes the six months' rent for the new offices in Morristown, New Jersey U.S.

10 Financial result, net

(In thousand Euro)	For the six months ended June 30,	
	2015	2014
Interest income, net	51	43
Foreign exchange gains/ (losses), net	(84)	162
Other costs, net	(35)	(31)
	(68)	**174**

The decision taken by the Suisse National Bank to lift the exchange rate ceiling set at 1.20 CHF per Euro is the main cause of the foreign exchange losses. Moreover, the high liquidity on the financial markets and the uncertainty linked to the Greek crisis have limited Newron's financial incomes.

11 Earnings / Loss per share

The basic earnings / loss 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,	
	2015	2014
Net loss attributable to shareholders	(6,923)	(4,596)
Weighted average number of shares (thousands)	13,395	12,324
Loss per share – basic and diluted (in Euro)	(0.52)	(0.37)

The only category of potential ordinary shares are the stock options granted to certain employees, directors and consultants. During the presented periods, these were anti-dilutive, as their conversion would have decreased the losses per shares. Thus, the values of basic and diluted earnings per share coincide.

In case of future profits, options granted to employees, directors and certain consultants (as of today n. 890,440 – see also Note 19) may have a dilutive effect on the net profit per share.

12 Intangible assets

Intangible assets of EUR 6,991 are almost entirely represented by In-Process Research and Development ("IPR&D") projects (EUR 6,975), as detailed below:

Company	Project	Development phase	Book value
Hunter-Fleming Ltd	HF0220	Clinical phase II	50
	HF0299	Clinical phase I	50
	HF0420	Clinical phase I	50
Newron Sweden AB	sNN0029	Clinical phase I	1,469
	sNN0031	Clinical phase II	5,356
			6,975

IAS 36 requires assessing an asset not in use for impairment on an annual basis and when circumstances indicate the carrying value may be impaired by comparing the carrying value to its recoverable amount. Management performed a full impairment test of the above assets for the 2014 year-end closing. As of June 30, 2015, no impairment indication for the assets was identified. Accordingly, management will perform a full impairment test of in-process IPR&D projects at year-end.

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 Available for sale financial assets – non current

Available for sale financial assets of EUR 584 (2014: EUR 584) is entirely represented by a minority interest held in Trident Pharmaceuticals Inc. set-up to develop novel immunomodulatory drug products for the treatment of autoimmune disorders and allergic diseases. The investment was acquired in 2008 upon the finalisation of Hunter Fleming deal: Trident Pharmaceuticals has successful completed a Phase Ia single ascending dose safety study for HF1020 in healthy volunteers. Trident is now planning to further evaluate the safety and potential clinical efficacy of HF1020 in a Phase Ib/IIa clinical study in patients. As of June 30, 2015, Hunter Fleming Ltd. interest is equal to 13.41% (2014: 13.41%).

Management performed a full Impairment test on the carrying amount of the investment in Trident Pharmaceuticals Inc. at December 31, 2014. As of June 30, 2015, management believes that no impairment indication for the asset was identified. Accordingly, management will perform a full impairment test of investment in Trident Pharmaceuticals Inc. at year-end.

14 Receivables and prepayments

(In thousand Euro)	As of	
	June 30, 2015	December 31, 2014
	unaudited	audited
Receivables	1,683	2,710
Government grants receivable	975	264
Prepayments	936	234
VAT receivable	217	300
Other receivables	72	76
	3,883	3,584

Receivables are almost entirely represented by the accruals related to the reimbursement of safinamide's costs as these expenses are charged by the Group to its partner.

Government grants receivable increased as the Wellcome Trust has approved Newron Sweden AB last report and they are transferring the company the related funds.

15 Available for sale financial assets – current

(In thousand Euro)	As of	
	June 30, 2015	December 31, 2014
	unaudited	audited
Listed bonds	4,943	4,414
Short-term time-deposit	532	2,532
	5,475	6,946

The Group, during the first six months, acquired Italian and foreign listed government and corporate bonds, whereas "Short-term time deposit" refers to a liquid investment with a duration of 3 or 6 months.

Gain and losses arising from the adjustment to the fair value were recognized in the comprehensive income.

All acquired securities and time-deposits are in line with the Group's investment policy.

16 Cash and cash equivalents

(In thousand Euro)	As of	
	June 30, 2015	December 31, 2014
	unaudited	audited
Cash at bank and in hand	28,842	8,513
Short-term investments	9,683	10,243
	38,525	**18,756**

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. All acquired 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 flow 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) is EUR 44 million (EUR 26 million as at December 31, 2014). The variance compared to 2014 year-end is mainly explained by the proceeds obtained through the increase in share capital occurred in 2015, as detailed in Note 17 and 18.

17 Share capital

As of December 31, 2014, Newron's outstanding share capital was EUR 2,608,507.80, consisting of 13,042,539 ordinary shares with a nominal value of EUR 0.20 each. There is no authorized share capital.

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

(In Euro)	Total
As of December 31, 2013 – Newron Group	2,324,900.80
– issue of ordinary share (Capital Increase)	42,294.60
– issue of ordinary share (Capital Increase)	236,719.40
– issue of ordinary share (Stock options exercise)	4,593.00
As of December 31, 2014 – Newron Group	2,608,507.80
– issue of ordinary share (Stock options exercise)	23,137.20
– issue of ordinary share (Capital Increase)	168,614.40
As of June 30, 2015 – Newron Group	**2,800,259.40**

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 pre-emptive rights to the Company's current shareholders to subscribe such capital increase. The Company as of April 30, 2015 announced that existing shareholders and new international institutional investors have subscribed 843,072 ordinary shares (nominal value equal to EUR 0.20) by means of a private placement.

During the six months period ending on June 30, 2015, certain stock option holders have exercised their right: accordingly, the Company issued 115,686 new ordinary shares (nominal value equal to EUR 0.20).

As of June 30, 2015, the subscribed share capital was equal to EUR 2,800,259.40, divided into 14,001,297 ordinary shares with nominal value equal to EUR 0.20 each. There is no authorised share capital.

18 Share premium

(In thousand Euro)	As of	
	June 30, 2015	December 31, 2014
	unaudited	audited
At the beginning of the year	40,903	28,933
Loss allocation	(7,900)	(5,339)
Issue of shares	23,260	17,956
Issue of shares (exercise of options)	658	117
Reclassification from share option reserve	402	45
Share capital issue costs	(409)	(809)
At the end of the period	**56,915**	**40,903**

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

19 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 and ESOP 2014 are still valid. All options have been awarded free of charge.

On March 24, 2015, the extraordinary shareholders' meeting resolved, among other items, to increase Newron's shares capital for a maximum of EUR 80,000 (nominal value of EUR 0.20) corresponding to maximum 400,000 ordinary shares to serve one or more stock incentive plans granting the Board of Directors all relevant powers. On June 4, 2015, in execution of the rights granted to it, the Board of Directors approved a new Options Plan (ESOP 2015) and assigned 229,091 new options to certain Group's employees, directors and consultants, out of which 114,532 can be exercised after two years from the grant date, 57,266 after three years and the remaining 57,293 after four years. The options' strike price is settled at 29.34 CHF (EUR 28.14 as translated at the exchange rate on June 3, 2015) and its fair value is equal to 3,911 CHF (EUR 3,751 at granting date).

The fair values of the issued options have been estimated on the date of grant using, among the 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 both plans.

A summary of the granted options is as follows:

	Employee Share Option Plans				
	2011	2013	2014	2015	Total
At January 1, 2014	130,229	514,496	0	0	644,725
Granted	0	0	192,267	0	192,267
Waived	0	(32,500)	(4,492)	0	(36,992)
Exercised	(22,965)	0	0	0	(22,965)
At December 31, 2014	107,264	481,996	187,775	0	777,035
Granted	0	0	0	229,091	229,091
Exercised	(51,001)	(64,685)	0	0	(115,686)
At June 30, 2015	**56,263**	**417,311**	**187,775**	**229,091**	**890,440**

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 558 and it's related to the following opposite effects: a) additional costs of the period equal to EUR 960 (of which EUR 638 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 402.

As of June 30, 2015, 232,573 options were vested.

20 Borrowings

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.). Approximately 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. On February 16, 2011 the Company cashed-in the first reimbursement of which 2.2 million Euro will bear interest.

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 broken-down as follows: Short-term borrowings are equal to EUR 358 whereas long-term borrowings are equal to EUR 549.

21 Financial instruments by category

The following tables present the breakdown of financial assets and liabilities by category as of June 30, 2015 and December 31, 2014 respectively.

As of June 30, 2015	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	47	–	–	–	–	–
Available for sale financial assets – non current	–	–	–	584	–	–
Available for sale financial assets – current	–	–	–	5,475	–	–
Cash and cash equivalents	38,525	–	–	–	–	–
Trade and other receivables	2,947	–	–	–	–	–
Total	**41,519**	**–**	**–**	**6,059**	**–**	**–**
Liabilities						
Trade and other payables	–	–	–	–	–	4,703
Short-term borrowings	–	–	–	–	–	358
Long-term borrowings	–	–	–	–	–	549
Total	**–**	**–**	**–**	**–**	**–**	**5,610**

The Company has evaluated the fair value of loans and Available for sale financial assets – non-current, at June 30, 2015.

The Company has classified Available for sale financial assets – non current and Borrowings in Level 2 (For additional information, please refer to Note 12 and 19 respectively)

As of December 31, 2014	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	42	–	–	–	–	–
Available for sale financial assets – non current	–	–	–	584	–	–
Available for sale financial assets – current	–	–	–	6,964	–	–
Cash and cash equivalents	18,756	–	–	–	–	–
Trade and other receivables	3,350	–	–	–	–	–
Total	**22,148**	**–**	**–**	**7,548**	**–**	**–**
Liabilities						
Trade and other payables	–	–	–	–	–	3,564
Short-term borrowings	–	–	–	–	–	358
Long-term borrowings	–	–	–	–	–	729
Total	**–**	**–**	**–**	**–**	**–**	**4,651**

22 Related party transactions

The following tables present the breakdown of financial assets and liabilities by category as of June 30, 2015 and December 31, 2014 respectively.

As of June 30, 2015	Sales to / Cost reimbursed by related parties	Purchases from related parties	Amounts owed by related parties, net
Zambon (whole group)	3,542	60	1,680
As of June 30, 2014			
Zambon (whole group)	4,878	60	58

As detailed in the above paragraphs, sales to Zambon are mainly related to: a) the non-refundable milestone payment cashed-in from Zambon S.p.A. upon approval – obtained from the European Commission on February 24, 2015 – of the use of Xadago® (safinamide) for the treatment of idiopathic Parkinson's disease and b) 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 Europe and the U.S. Purchases from Zambon are related to the leasing of the premises located in Bresso and additional archiving space.

23 Commitments and contingent liabilities

Other commitments

The Company shall not incur material penalty fees for the closure of any of its contracts, other than for the contract with Merck KGaA for which the Company has the option to cancel future purchases of product batches paying a penalty fee of EUR 650.

Contingent liabilities

According to the agreement signed with Merck KGaA, the achievement of certain future results related to the development of sarizotan project will trigger the payment of certain milestones fees up to 1 million Euro.

24 Events after the balance sheet date

On July 14, 2015, Newron Pharmaceuticals S.p.A. announced that the US Food and Drug Administration has granted Orphan Drug Designation to its new chemical entity sarizotan for the treatment of patients with Rett syndrome.

Bresso, September 10, 2015

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, 2015	14,001,297
52-week high (in CHF)	35.85
52-week low (in CHF)	13.50
June 30, 2015 closing share price	27.35
Loss per share (in EUR)	0.52
Cash and cash equivalents, other short-term financial assets as at June 30, 2015 (in EUR 1,000)	44,000
Market capitalization as at June 30, 2015 (in CHF)	382,935,473

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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 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.

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