Newron Pharmaceuticals

Half-Year Report 2011

Corporate Profile

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

The Company has two late-stage product candidates in development and a promising pipeline of earlier compounds.

Phase III trials of safinamide are currently underway for the treatment of Parkinson's disease (PD). As per the agreement signed with Newron in 2006, Merck Serono, a division of Merck KGaA, Darmstadt, Germany, has exclusive worldwide rights to develop, manufacture and commercialize the compound in PD, Alzheimer's disease, and other therapeutic applications.

Newron is currently evaluating the further clinical development of ralfinamide for pain and psychiatric diseases.

Newron's additional projects are at various stages of preclinical and clinical development, including HF0220 for neuroprotection, NW-3509 for the treatment of schizophrenia, as well as pruvanserin and sarizotan for treatment of CNS diseases.

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Half-Year 2011 Highlights

- Newron and Merck KGaA/Merck Serono broaden collaboration on new therapies for CNS diseases
- New data on safinamide presented as late breaking news at AAN 2011 Annual Meeting, Hawaii
- Completion of patient enrolment in MOTION – phase III pivotal clinical trial with safinamide in early Parkinson's disease
- Completion of patient enrolment in SETTLE – phase III pivotal clinical trial with safinamide in advanced Parkinson's disease
- Submission to and approval of IND by the US FDA for NW-3509, a novel compound with potential as an add-on treatment for patients with schizophrenia
- EUR 7.9m cash inflow from Italian grant programme and the ongoing collaboration with Merck KGaA/Merck Serono

Shareholders' Letter

Rolf Stahel

Luca Benatti

Dear Shareholder,

In the first six months of 2011 we have seen some solid progress in our development programmes, in particular with safinamide as it moves towards completion of the phase III programme.

Importantly, Newron and its partner Merck Serono, a division of Merck KGaA, Darmstadt, Germany, were able to report the completion of enrolment of both the MOTION[1] and SETTLE[2] phase III pivotal clinical trials with safinamide. Both studies are part of the clinical development programme of safinamide in Parkinson's disease, together with completed studies 015, 016, 017 and 018. This clinical programme is designed to investigate safinamide as an add-on therapy to dopamine agonist therapy in patients with early Parkinson's disease and as an add-on to levodopa therapy in patients with advanced Parkinson's disease.

MOTION is a randomized, double-blind, placebo-controlled, international phase III pivotal trial designed to evaluate the efficacy and safety of two dose regimens of safinamide (50 and 100 mg once daily), as add-on therapy to a stable dose of a single dopamine agonist, compared with dopamine agonist monotherapy. A total of 679 patients with early-stage Parkinson's disease have been randomized in the study.

SETTLE is a randomized, double-blind, placebo-controlled, international phase III pivotal trial designed to evaluate the efficacy and safety of a dose range of safinamide (50 – 100 mg once daily), as an adjunctive therapy to a stable dose of levodopa. A total of 549 patients with mid- to late-stage Parkinson's disease with motor fluctuations were randomized in the study.

We were delighted by the fact that new data on safinamide was classified and presented as late breaking news by the organizers of the AAN 2011 Annual Meeting. The results were derived from study 018, the first randomized, placebo-controlled, long-term clinical trial showing that safinamide may reduce dyskinesia or involuntary movements in mid- to late-stage Parkinson's disease. Although the primary endpoint was not met, the findings over a

[1] MOTION: SafinaMide add-On To dopamine agonist for early Idiopathic ParkinsON's disease

[2] SETTLE: SafinamidE Treatment as add-on To LEvodopa in idiopathic Parkinson's disease with motor fluctuations

two-year treatment period suggest in exploratory analyses that taking safinamide in addition to levodopa and other dopaminergic treatments could help patients who continue to experience dyskinesia (involuntary movements). The results are an important step forward in understanding how safinamide impacts patients with severe Parkinson's disease. Symptoms of Parkinson's disease, motor fluctuations and dyskinesia can severely affect a person's daily living and quality of life.

For the two-year study, 669 patients with mid- to late-stage Parkinson's disease who were already taking levodopa and other dopaminergic treatments were given 50 or 100 milligrammes of safinamide per day or a placebo pill. Scientists tested participant's movement ability using the Unified Parkinson's disease rating scale that measures activities such as tremor, speech, behaviour, mood and daily activities including swallowing, dressing and walking. A specific tool measuring severity of dyskinesia (DRS) was used in addition as primary efficacy endpoint. At the start of the study, patients who took the 50-milligramme dose of safinamide had an average score of 3.9 compared to a score of 3.4 for those taking a placebo pill. Patients who took the 100-milligramme dose had an average score of 3.7. After two years, researchers discovered in a post-hoc analysis that safinamide at 100 milligrammes a day on top of taking levodopa reduced dyskinesia, or involuntary movements, by 24 per cent ($p<0.05$ comparing least square means) in the one-third of participants who had scored a four or higher on the dyskinesia rating scale at the beginning of the study, compared to those taking a placebo. There were no relevant differences for people who took the 50-milligramme dose. Side effects were comparable among the three treatment groups.

Approval to start first in-man trial in the US with NW-3509

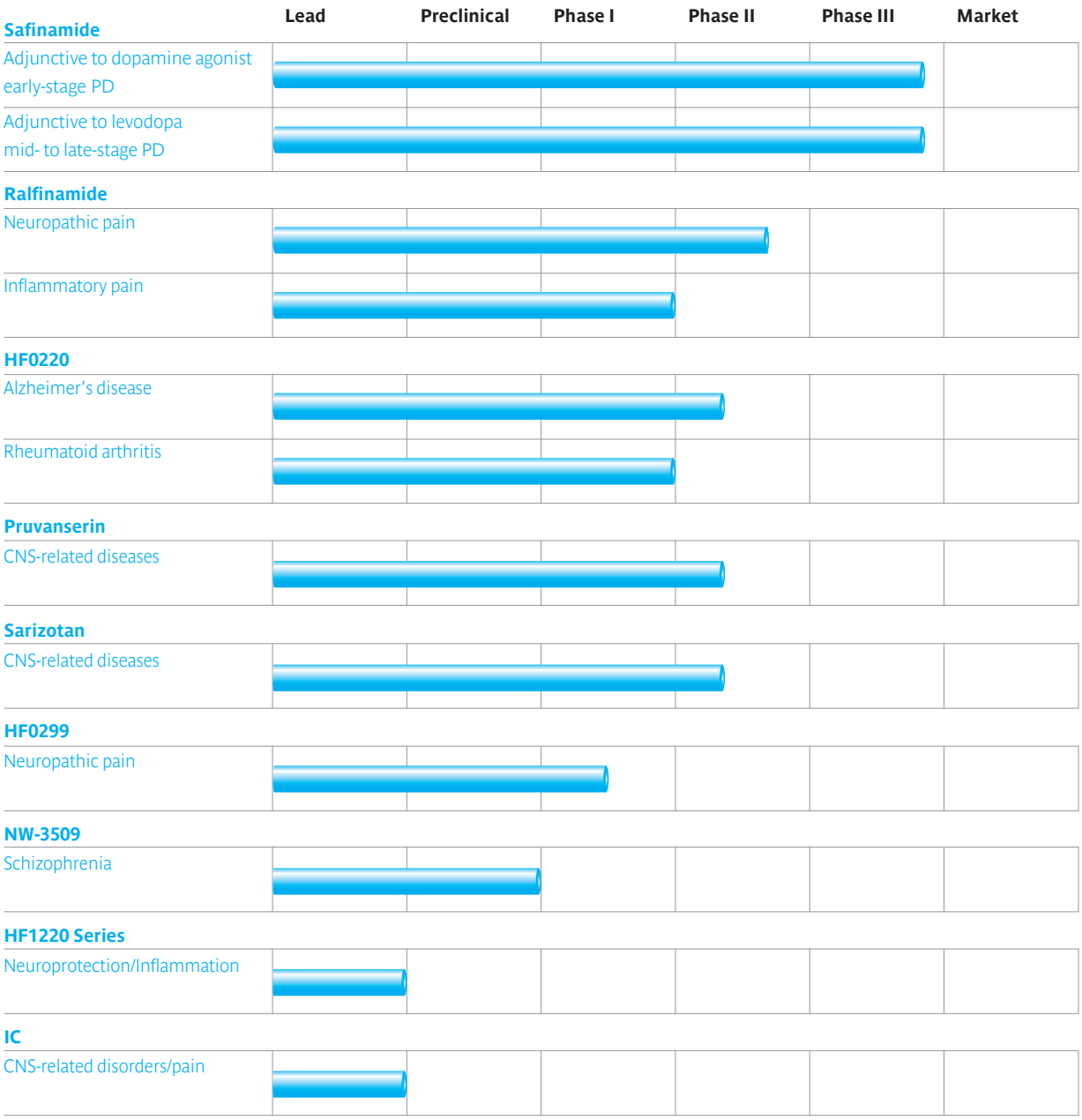
Although outside this period, the approval received early August to start Newron's first in-man trial in the US with NW-3509, having filed the IND only on July 5, 2011, is extremely important, as it allows Newron to move forward with the development of this exciting new approach to treating a major neurological disorder. Newron has discussed with regulatory authorities innovative pathways to expediting the early clinical development of NW-3509 that will allow assessment of efficacy (PoC) and safety to be conducted at an early stage. NW-3509 selectively inhibits voltage-gated sodium channels and normalizes aberrant neuronal firing and glutamatergic hyperactivity, that have been implicated in the pathophysiology of schizophrenia. These effects are predicted to enhance the efficacy of current serotonergic and dopaminergic blocking drugs, that are the main stay of schizophrenia, but have been shown to be associated with sub-optimal efficacy in a large number of patients. Therefore, the addition of NW-3509 to the current treatments may extend the benefits in symptoms of psychosis, reduce their dose, and significantly reduce the side effects of these drugs.

Newron and Merck Serono broaden collaboration on new therapies for CNS diseases

At the end of March, we and our partner Merck Serono, a division of Merck KGaA, Darmstadt, Germany, announced a broadening of the scope of our collaboration. Under the terms of the agreement, Newron received a development licence for two Merck clinical-stage compounds, pruvanserin and sarizotan. Merck will retain buy-back options for each compound, exercisable upon completion of proof of concept trials. Should these options be exercised by Merck, Newron will have a co-development option. Pruvanserin and sarizotan are highly selective compounds for specific serotonin or dopamine receptors and modulate the activity of these

neurotransmitters in the brain. Both compounds exhibit pharmacological properties and have clinical data that support further evaluation and development. Newron will assess the potential of these compounds in additional preclinical experiments prior to initiating proof of concept studies in Central Nervous Systems (CNS) diseases. Management sees this agreement as an excellent opportunity for Newron to expand its development pipeline with innovative compounds within our field of expertise. Merck Serono should benefit by leveraging Newron's strong expertise in the early-stage development of compounds targeting CNS indications.

Drug Portfolio



Newron is undertaking phase III trials with safinamide for the treatment of PD together with its partner Merck Serono
IC= Ion Channel Programme
HF1020 in preclinical development for inflammatory disorders is part of Newron's equity holding in Trident

Interim financial statements

Compared to the first six months of 2010, revenues in the reporting period have substantially increased by EUR 3.7m to EUR 4.1m. This is mostly due to the payment of EUR 4m received in the context of the ongoing collaboration between Newron and Merck KGaA/ Merck Serono. Investment into ongoing drug development has significantly been reduced from EUR 9.7m in the first six months 2010 to EUR 2.3m. This reduction is mostly related to the high cost in the previous year of terminating the SERENA study with ralfinamide, as well as the restructuring that was executed by mid-2010. Currently, our R&D efforts focus on preparing ralfinamide for a next PoC study as well as advancing NW-3509 into the first in-man study. Safinamide expenses as in previous years are fully reimbursed by Merck Serono. The R&D costs are net of such reimbursements as well as Italian government grants and Italian tax credits. The gross R&D expense for the reporting period was EUR 3.5m in the reporting period, compared to EUR 13.3m in 2010. Also G&A expenses were substantially lower in the reporting period, at EUR 2.7m, compared to EUR 3.5m in 2010. Again, this is due to overall cost containment and restructuring efforts. The net loss in the first six months of 2011 was thus reduced to EUR 0.8m, compared to EUR 12.9m in the previous year. Due to the cash inflow from the licence income and the pay-out of EUR 3.7m government grants from the ongoing Italian R&D programme, of which EUR 2.1m is a loan to be repaid in the years from 2012 to 2017, the net cash used in operating activities was only EUR 0.1m in the reporting period, compared to EUR 11.7m in 2010.

During the first six months of 2011, Newron has further pursued its stringent control of spending and only supported activities that allow fast value creation at limited risk.

Outlook

Newron's number one priority is to work with Merck Serono on the successful conclusion of safinamide's clinical trials to allow regulatory filing of safinamide in PD.

Newron's cash position, at EUR 10.2m in cash plus an option to another CHF 27.5m under our Yorkville equity line, is taking us through most of 2012.

With respect to the earlier pipeline, following the progress made with the approval of the US IND for NW-3509, the licencing of sarizotan and pruvanserin and preparations for a PoC study for ralfinamide, additional funding will be required to engage into further clinical activities.

Our efforts to look for strategic M&A opportunities continue.

Rolf Stahel
Chairman

Luca Benatti
Chief Executive Officer

Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

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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 statement of financial position, the statements of income, comprehensive income, changes in shareholders' equity and cash flows and related explanatory notes) of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Newron Group") for the six-month period ending June 30, 2011. 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 are not prepared, in all material respects, in accordance with IAS 34.

Milan, September 7, 2011

Reconta Ernst & Young S.p.A.

Paolo Zocchi
(Partner)

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Interim Consolidated Statement of Income

(In thousand euro, except per share information)	Note	For the six months ended June 30 2011 unaudited	2010 unaudited
Licence income	6	4,146	424
Other income		9	15
Revenue		4,155	439
Research and development expenses	7	(2,275)	(9,747)
Marketing and advertising expenses		(27)	(61)
General and administrative expenses	8	(2,702)	(3,517)
Operating result		(849)	(12,886)
Financial result net		15	(29)
Result before tax		(834)	(12,915)
Income tax expense		(4)	(9)
Net loss		**(838)**	**(12,924)**
Loss per share			
Basic and diluted	16	(0.13)	(1.96)

Interim Consolidated Statement of Comprehensive Income

(In thousand euro)	For the six months ended June 30 2011 unaudited	2010 unaudited
Net loss for the period	(838)	(12,924)
Currency translation differences	15	(2)
Other comprehensive income / (loss), net of tax	15	(2)
Total comprehensive loss for the period	(823)	(12,926)

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

Interim Consolidated Statement of Financial Position

(In thousand euro)	Note	As of June 30, 2011 (unaudited)	December 31, 2010 (audited)
Assets			
Non-current assets			
Property, plant and equipment		93	128
Intangible assets	9	5,178	5,188
Available for sale investments		584	584
Non-current receivables		134	126
		5,989	6,026
Current assets			
Inventories		395	396
Receivables and prepayments	10	2,458	4,623
Cash and cash equivalents	11	10,167	8,087
		13,020	13,106
Total assets		**19,009**	**19,132**
Shareholders' equity			
Share capital	12	1,453	1,453
Share premium	13	12,827	36,551
Share option reserve	14	3,619	3,310
Retained earnings		(6,188)	(29,074)
Translation differences		(34)	(49)
Total shareholders' equity		**11,677**	**12,191**
Liabilities			
Non-current liabilities			
Deferred income		64	0
Deferred tax liability		1,718	1,718
Long-term borrowings	15	1,980	0
Employee cash-settled share-based liabilities		1	1
Employee severance indemnity		600	587
		4,363	2,306
Current liabilities			
Deferred income		190	400
Short-term borrowings	15	177	0
Trade and other payables		2,602	4,235
		2,969	4,635
Total liabilities		7,332	6,941
Shareholders' equity and liabilities		**19,009**	**19,132**

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

Interim Consolidated Statement of Changes in Equity

(In thousand euro) unaudited	Note	Share capital	Share premium	Share option reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2010		1,312	52,399	3,065	(71)	(27,422)	29,283
Total comprehensive loss for the period					(2)	(12,924)	(12,926)
Previous-year loss allocation			(18,892)			18,892	0
Issue of shares		9	575				584
Share option scheme				158			158
Balance at June 30, 2010		**1,321**	**34,082**	**3,223**	**(73)**	**(21,454)**	**17,099**
Balance at January 1, 2011		1,453	36,551	3,310	(49)	(29,074)	12,191
Total comprehensive loss for the period					15	(838)	(823)
Previous-year loss allocation	12/13		(23,724)			23,724	0
Share option scheme	14			309			309
Balance at June 30, 2011		**1,453**	**12,827**	**3,619**	**(34)**	**(6,188)**	**11,677**

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

Interim Consolidated Statement of Cash Flow

(In thousand euro)	Note	For the six months ended June 30 2011 unaudited	2010 unaudited
Loss before tax		(834)	(12,915)
Adjustments for:			
Depreciation and amortization		44	76
Interest income		(23)	(16)
Grants and other non-monetary income	10	(228)	(905)
Share option expenses		309	(16)
Employee severance indemnity expense		76	83
Changes in working capital			
Inventories		1	(86)
Current receivables and prepayments and deferred cost (excluding grants receivable)		378	2,634
Trade and other payables and deferred income (excluding advances of grants)		(1,632)	(553)
Cash used in operations		(1,909)	(11,698)
Cash flows from operating activities			
Cash used in operations		(1,909)	(11,698)
Government grants received	10	1,898	0
Pension fund paid		(81)	(27)
Change in non-current receivables		(8)	(15)
Net cash used in operating activities		(100)	(11,740)
Cash flows from investing activities			
Disposal of financial assets		0	1,602
Purchase of property, plant and equipment		0	(7)
Interest received		23	16
Net cash flows from/(used in) investing activities		23	1,611
Cash flows from financing activities			
Net proceeds from borrowings	15	2,157	0
Proceed from issue of shares		0	584
Net cash flows from financing activities		2,157	584
Net increase/(decrease) in cash and cash equivalents		2,080	(9,545)
Cash and cash equivalents at January 1		8,087	22,689
Cash and cash equivalents at the end of the period		**10,167**	**13,144**

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

Notes to the Interim Condensed Consolidated Financial Statements

1 General 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 Suisse SA, a fully owned clinical-development subsidiary based in Basel (Switzerland) established during 2007;
- Hunter-Fleming Limited, a fully owned biopharmaceutical company based in Bristol (United Kingdom) and focused on neurodegenerative and inflammatory disorders, which has been acquired on April 24, 2008.

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

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 and the United Kingdom. The Company does not consider the geographies to be separate segments.

These interim consolidated financial statements have been approved for issuance by the Board of Directors on September 6, 2011.

2 Basis of presentation and accounting policies

The interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2011, have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2010, as they provide an update of previously reported information.

The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the condensed consolidated interim financial statements have been prepared on a going-concern basis.

The presentation currency is euro. All figures included in these financial statements and notes to the financial statements are rounded to the nearest euro thousand except where otherwise indicated.

Accounting policies

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, 2010, except for the following new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2011:

IAS 24 (amendment), "Related-party disclosures"
The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related-party. The new definitions emphasize a symmetrical view of related-party relationships as well as clarifying in which circumstances persons and key management personnel effect related-party relationships of an entity.

IAS 32 (amendment), "Financial instruments: Presentation on classification of rights issues"
The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments.

IFRIC 14 "Prepayments of Minimum Funding Requirements (amendment)"
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as pension asset.

In addition, in May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording, with separate transitional provision for each standard.

The adoption of these standards, amendments to standards and interpretations did not have an effect on the financial position or on the disclosure.

The following new standards, amendments to standards and interpretations have been issued but are not mandatory for the financial year beginning January 1, 2011, and have not been early adopted:

IAS 1 (amendment), "Presentation of financial statements", on other comprehensive income (OCI), effective July 1, 2012;
IAS 12 (amendment), "Income taxes", on deferred tax, effective January 1, 2012;
IAS 19 (amendments), "Employee benefits", effective January 1, 2013;
IAS 27 (revised 2011), "Separate financial statements", effective January 1, 2013;
IAS 28 (revised 2011), "Associates and joint ventures", effective January 1, 2013;
IFRS 7 (amendments), "Financial instruments: Disclosures", on derecognition, effective July 1, 2011;
IFRS 9 "Financial instruments", effective January 1, 2013;
IFRS 10 "Consolidated financial statements", effective January 1, 2013;
IFRS 11 "Joint arrangements", effective January 1, 2013;
IFRS 12 "Disclosure of interests in other entities", effective January 1, 2013;
IFRS 13 "Fair-value measurement", effective January 1, 2013.

The Group is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective from July 1, 2011, and beyond, and which the Group has not early adopted. The Group does not anticipate that these will have a material impact on the Group's overall results and financial position.

3 Seasonality

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

4 Related-party transactions

No significant transactions with related parties have been performed in the six-month period ending June 30, 2011.

5 Exchange rates of principal currencies

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) June 30	
	2011	2010	2011	2010
CHF 1	0.78876	0.69642	0.82843	0.75284
GBP 1	1.15089	1.14943	1.10797	1.22324

6 Licence income

	For the six months ended June 30	
	2011	2010
Licence income	4,146	424

Licence income of EUR 4,146 (2010: EUR 424) is referable to: i) for EUR 146 to the down payment received from Merck Serono International SA in October 2006, which is being recognized as revenue on a straight-line basis over the estimated period of collaboration required to finalize the development of safinamide and ii) for EUR 4,000 to a payment received in the context of the broadening of the collaboration between Newron and Merck KGaA, Darmstadt, Germany, and Merck Serono, a division of Merck KGaA, as signed and disclosed in March 2011. Amongst others, Newron has received a development licence for two Merck clinical-stage compounds. Merck will retain

buy-back options for each compound upon completion of proof-of-concept trials. Should these options be exercised by Merck, Newron will have a co-development option. As another component of the agreements signed, Newron has received in May 2011 a payment of EUR 4m from Merck Serono. Further financial details of the agreements will only be disclosed upon affecting the financial statements.

7 Research and development expenses

(In thousand euro)	For the six months ended June 30	
	2011	2010
Services received from subcontractors	961	6,715
Staff costs	765	1,825
Consultancy fees	341	513
Material and consumables used	12	259
Laboratory operating lease cost	114	167
Travel expenses	63	145
Depreciation and amortization expense	7	32
Other research and development costs	12	91
	2,275	**9,747**

Research and development expenses related to safinamide are reimbursed by Merck Serono according to the collaboration and licence agreement pursuant to which Newron granted Merck Serono the exclusive worldwide right and licence to develop and commercialize the compound. In addition, research and development expenses related to other projects are partially reimbursed as detailed at note 10. Accordingly, research and development expenses are presented net of reimbursements totalling EUR 1,213 (2010: EUR 3,567).

Services received from subcontractors decreased by EUR 5,754. The variation is mainly explained by the termination, executed in 2010, of the SERENA trial in Neuropathic Low Back Pain.

The decrease in Staff costs is related to the redundancy process Newron started on July 5, 2010. Initially, the Company has placed 16 employees in "Cassa Integrazione Guadagni" (CIG); currently only 9 of them are still in such a programme. "Cassa Integrazione Guadagni" is a government-supported programme under Italian law, which allows to put the employees in a "garden leave" paid for the government, for a given period of time (after the first year, the CIG is now extended quarter by quarter). The employees remain employed with no material cost for the Company, thus allowing the saving of the whole cost of the workforce in CIG for the given period.

Since inception, no development costs have been capitalized with the exception of the intangible assets recognized in the context of the purchase price allocation process of Hunter-Fleming Ltd.

8 General and administrative expenses

(In thousand euro)	For the six months ended June 30	
	2011	2010
Staff costs	1,059	1,406
Consultancy and other professional services	756	1,099
Intellectual properties	529	530
Travel expenses	128	149
Operating lease cost	76	114
Depreciation and amortization expense	37	44
Other expenses	117	175
	2,702	**3,517**

General and administrative expenses decreased in 2011 by EUR 815 as a consequence of the cost containment process initiated last year.

Staff costs' decrease is related to the redundancy process explained in note 7 above.

9 Intangible assets

Intangible assets of EUR 5,178 are almost entirely represented by in-process research and development projects (EUR 5,144) as detailed below:

Project	Development phase	Allocated purchase price
HF0220	Clinical phase II	5,044
HF0299	Clinical phase I	50
HF1220	Discovery	50
		5,144

IAS 36 requires assessing an asset not in use for impairment on an annual basis by comparing the carrying value to its recoverable amount. Management performed a full impairment test of the above assets at December 31, 2010. As at June 30, 2011, no impairment indication for the assets was identified. Management will perform a full impairment test of in-process research and development 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 stays.

10 Receivables and prepayments

(In thousand euro)	As of	
	June 30, 2011	December 31, 2010
	unaudited	audited
Receivables	1,098	498
Government grants receivable	293	2,066
Prepayments	176	475
Deferred costs	51	51
VAT receivable	163	31
Other receivables	677	1,502
	2,458	**4,623**

Receivables are entirely represented by the accruals related to the reimbursement of safinamide's research and development costs. According to the collaboration agreement in force from 2006, such costs will be reimbursed to Newron by Merck Serono. The outstanding balance refers to the reimbursement of both the first and the second quarter expenses; the payment (equal to EUR 682) of the first quarter's invoice arrived on July 1, 2011.

At June 30, 2011, Government grants receivable decreased by EUR 1,773: the delta is due to the combined effect of the following: a) on February 16, 2011, the Company cashed-in the first reimbursement of EUR 1,579 related to the grant awarded to the Company by the Italian Government's *Ministero dell'Istruzione dell'Università e della Ricerca* – M.I.U.R.; b) on March 8, 2011, the Company cashed-in EUR 328 related to the last tranche of a scientific project awarded by DGR n. 4032 – January 24, 2007, and c) the accrual of EUR 125 related to the ongoing granted projects. Please refer to Note 15 for additional information regarding the cash received from M.I.U.R.

Prepayments mostly include advanced payments to suppliers which decreased by EUR 299 with respect to December 31, 2010.

Other receivables include, amongst others, a research and development Tax Credit (EUR 497).

11 Cash and cash equivalents

(In thousand euro)	As of	
	June 30, 2011	December 31, 2010
	unaudited	audited
Cash at bank and in hand	6,589	4,522
Short-term investments	3,578	3,565
	10,167	**8,087**

The Short-term investments are highly liquid investments easily convertible into cash, not subject to significant changes in value and with no withdrawal penalty. 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 research and development activities in the short term. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium-long term is highly dependent on the Group's ability to raise further funds from the out-licensing of its development stage products, the issuance of new shares as well as other funding options.

12 Share capital

As of December 31, 2010, the subscribed share capital was equal to EUR 1,452,875.60, divided into 7,264,378 ordinary shares with nominal value equal to EUR 0.20 each. The authorized share capital is equal to EUR 1,622,875.60 (divided into n. 8,114,378 ordinary shares).

A summary of the changes occurred during the last 18 months in share capital is as follows:

(In euro)	Total
As of December 31, 2009 – Newron Group	1,311,510.40
Issue of ordinary shares (SEDA executions)	9,286.20
Issue of ordinary shares (capital increase)	132,079.00
As of December 31, 2010 – Newron Group	1,452,875.60
As of June 30, 2011 – Newron Group	**1,452,875.60**

As of June 30, 2011, the subscribed share capital was equal to EUR 1,452,875.60, divided into 7,264,378 ordinary shares with nominal value equal to EUR 0.20 each. The authorized share capital is equal to EUR 1,622,875.60 (divided into n. 8,114,378 ordinary shares).

13 Share premium

(In thousand euro)	As of	
	June 30, 2011	December 31, 2010
At the beginning of the year	36,551	52,399
Loss allocation	(23,724)	(18,892)
Issue of shares	0	3,210
Share capital issue costs	0	(166)
At the end of the period	**12,827**	**36,551**

14 Share option reserve

To incentivize the efforts directed at the growth of the Company and its subsidiaries in the medium term, on March 24, 2011, Newron's Board assigned 192,230 new options to certain employees, of which 38,376 can be exercised upon vesting 12 months after assignment, while the remaining 153,854 can be exercised upon vesting three years after assignment (Option Plan March 2011). The options' strike price is CHF 6.78 (EUR 5.29 as translated at the exchange rate on March 24, 2011) and their fair value is CHF 452,465. The Board of Directors, with regards of the options assigned according to the Option Plan March 2011, has – at its sole discretion – the opportunity to provide to the option holder who exercises his rights alternatively Newron shares or the payment of an amount equal to the difference, at the time of exercise of the option, between the exercise price and the market value of Newron shares.

During the above-mentioned meeting, the Board of Directors amended the Company's stock option plans to allow for the grant of options with a lower exercise price with respect to previous terms. New options have been assigned, subject to waiver of previous rights, in the number of n. 3 options for each n. 4 options owned. Such a change has been accounted for based on rules set forth by IFRS2, Share-based Payment, and will result in the next year in additional fair-value of awards granted totalling CHF 380,449.

The fair value of all the changes approved by the Board on March 24, 2011, have been estimated on the date of grant using, among the others, the following assumptions:

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

The total increase of share option reserve of EUR 309 includes EUR 282 of incremental fair-value related to Option's Plan amendments approved by the Board of Directors during the last years.

15 Borrowings

In 2008 Newron was awarded a 5 million euro grant by the Italian government's *Ministero dell' Istruzione, dell' Università e della Ricerca* – M.I.U.R. – about 60% of the grant bears interest of 0.5% per year and is required to be fully repaid within 10 years from the grant date.

On February 16, 2011, the Company cashed-in the first reimbursement of which EUR 2,157 will bear interest.

The loan has to be reimbursed in two yearly instalments (July 1 and January 1), starting from July 1, 2012, and ending on January 1, 2018. The first instalment, equal to EUR 177, is shown under short-term borrowings, while the remaining amount of EUR 1,980 is shown under long-term borrowings.

16 Loss per share

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

(In thousand euro)	For the six months ended June 30	
	2011	2010
Net loss attributable to shareholders	(838)	(12,924)
Weighted average number of shares (thousands)	6,614	6,591
Loss per share – basic (in euro)	(0.13)	(1.96)

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

17 Events after the balance sheet date

As of September 6, 2011, no relevant events occurred.

Bresso, September 6, 2011

Luca Benatti
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 shares	7,264,378 (June 30, 2011)
52-week high (in CHF)	8.70 (January 26, 2011)
52-week low (in CHF)	3.85 (August 8, 2011)
Loss per share (in EUR)	0.13 (period from January 1 to June 30, 2011)
Cash, cash equivalents and other short-term financial assets June 30, 2011 (in EUR)	10.17m
Market capitalization (in CHF)	42.1m (based on 7,264,378 outstanding shares and a share price of CHF 5.80 as per June 30, 2011)

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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.

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

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

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