

# Annual Report 2020

# 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's shares are listed on the Swiss Stock Exchange SIX (ticker symbol: NWRN) and on the Düsseldorf Stock Exchange/XETRA (ticker symbol: NP5). 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, the UK, the USA, Australia, Canada, Brazil, Colombia, Israel, the United Arab Emirates, Japan and South Korea, and is commercialized by Newron's Partner, Zambon. Supernus Pharmaceuticals holds the commercialization rights in the USA. Meiji Seika has the rights to develop and commercialize the compound in Japan and other key Asian territories.

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 [newron.com](https://www.newron.com)

# Key Corporate Events

## 2020 Highlights

### Evenamide – Schizophrenia

- All evenamide pre-clinical studies requested by the US Food and Drug Administration (FDA) have been completed with no toxicity concerns identified
- Despite the Covid-19 pandemic, we have successfully completed enrollment for explanatory study 008 with evenamide in patients with schizophrenia, with results expected by the end of March 2021
- Newron remains on track to initiate its pivotal Phase III program in Q3 2021
- Newron continues to evaluate potential options for partnering/co-developing evenamide

### Xadago®/safinamide – Parkinson's disease

- Newron noted that Supernus Pharmaceuticals acquired the CNS portfolio of US WorldMeds, including the US rights to Xadago®/safinamide, effective June 2020
- Agreement signed with Zambon for potentially pivotal study with safinamide in patients suffering from Levodopa-induced dyskinesia (PD LID)

### Corporate

- Newron continues to evaluate opportunities to broaden its pipeline of treatments for central and peripheral nervous system diseases
- Newron received third tranche of EUR 7.5 million under its financing agreement with the European Investment Bank (EIB)

# Table of Contents

Shareholder Letter .....	3
<b>Corporate Governance</b> .....	<b>8</b>
Group Structure and Shareholders .....	9
Capital Structure .....	12
Board of Directors .....	18
Senior Management .....	28
Compensation, Shareholdings and Loans .....	30
Shareholders' Participation .....	35
Change of Control and Defence Measures .....	38
Auditors .....	39
Information Policy .....	41
<b>IFRS Consolidated Financial Statements</b> .....	<b>42</b>
Consolidated Statement of Profit or Loss .....	43
Consolidated Statement of Comprehensive Income .....	44
Consolidated Statement of Financial Position .....	45
Consolidated Statement of Changes in Equity .....	46
Consolidated Statement of Cash Flow .....	47
Notes to the Consolidated Financial Statements .....	48
Auditor Report .....	79
Information for Investors .....	84

# Shareholder Letter



Ulrich Köstlin



Stefan Weber

Dear Shareholder,

The onset of the Covid-19 pandemic in 2020 presented enormous challenges for societies across the world. The healthcare industry, in particular, was challenged with identifying the resources to cope with the pandemic and with finding ways to fight it. We are proud of the way that Newron has adapted to this fast-evolving situation and of our ability to continue making operational progress, despite the pandemic and the difficulties it presents. 2020 has demonstrated that Newron's business remains resilient and we move into 2021 and beyond confident in our strategy for the future.

We overcame the temporary delay in the initiation of our clinical trial in evenamide due to the Covid-19 pandemic and were pleased to reach full enrollment in the safety and efficacy study of evenamide in patients with schizophrenia in January 2021. We are grateful to the investigational staff, patients and CRO employees who remained committed to the study, despite the ongoing pandemic. We are excited by the potential of this compound for schizophrenia patients that are either showing an inadequate response to their current medication or are treatment-resistant to clozapine. We remain on track for the initiation of our pivotal Phase III program Q3 2021.

With our marketed product Xadago®/safinamide, we have been able to execute the agreement covering a potentially pivotal study to evaluate the efficacy of the drug in Parkinson's patients with levodopa-induced dyskinesia (PD LID). The aim is to achieve a label extension for PD LID in key global markets.

As previously disclosed, we enter into 2021 assessing a number of exciting strategic opportunities and additional compounds to expand our pipeline of novel therapies, and we will update the market accordingly.

## Newron's current Pipeline

Product		Phase I	Phase II	Phase III	Market	Commercial Rights
<b>Xadago® (safinamide)</b>	Adjunctive therapy in PD					Zambon
	Adjunctive therapy in PD					Zambon / Supernus
	Adjunctive therapy in PD					Meiji Seika / Eisai
	Levodopa Induced Dyskinesia (PD LID)					Zambon / Supernus
<b>Evenamide (NW-3509)</b>	Adjunctive therapy in Schizophrenia					Newron
	Adjunctive therapy in Clozapine TRS					Newron
<b>Ralfinamide</b>	Orphan indication in neuropathic pain					Newron

### Evenamide – Schizophrenia

Present treatments are unsatisfactory for most schizophrenics and some 30% of patients with schizophrenia do not respond adequately to conventional therapy. Evenamide, as potentially the first add-on therapy to currently marketed antipsychotics, holds promise to change the treatment management paradigm: improve functioning, allow patients to continue longer on their maintenance antipsychotic treatment. This would likely translate into lower rates of relapse, helping reduce the personal, societal and economic burden to patients, their families, and society.

In the reporting year, we made significant progress with evenamide for the treatment of patients with inadequately treated or clozapine treatment-resistant schizophrenia. In January 2020, Newron reached an agreement with the US Food and Drug Administration (FDA) on the design and conduct for additional short-term pre-clinical explanatory studies with evenamide, as well as the protocol for the first, four-week safety study in patients with schizophrenia.

The requested pre-clinical studies were successfully completed, and no toxicity concerns were identified. Additionally, we have initiated explanatory study 008, a clinical study designed to evaluate the safety, tolerability, electroencephalography (EEG) effects and preliminary efficacy of two fixed doses of evenamide in outpatients suffering from chronic schizophrenia receiving treatment with a second generation atypical antipsychotic. Despite anticipated delays associated with the Covid-19 pandemic, the study was ongoing during 2020 and in January 2021 we announced that enrolment has been completed with 138 patients randomized to treatment with placebo, 7.5 mg BID, or 15 mg BID of evenamide at study centers in the USA and India.

Results from this four-week, randomized, double-blind placebo-controlled study are expected by the end of March 2021. Together with the pre-clinical results, the data from study 008 will be a key component in the package of information to be submitted to the FDA to support the approval of the initiation of Newron's planned Phase III pivotal trial program for evenamide.

Newron remains on track to initiate the Phase III studies with evenamide in Q3 2021, contingent on no delays due to Covid-19 restrictions. The proposed Phase III clinical trial program with evenamide targets patients with schizophrenia experiencing worsening of psychosis while on atypical antipsychotics, and treatment-resistant patients not responding to clozapine. The latter represents an orphan-like indication with approximately 25,000 patients in the USA (with similar numbers in the EU). Positive results in both studies could lead to the approval of evenamide as an add-on treatment for patients with schizophrenia and therefore a new treatment concept for this debilitating condition.

In key territories, we continue to expect to commercialize evenamide ourselves in the clozapine treatment-resistant schizophrenia indication. For the larger indication of patients showing inadequate response to their current atypical antipsychotics and experiencing worsening of psychosis, we are currently evaluating potential partnering or co-development opportunities.

#### **Xadago®/safinamide – Parkinson's disease**

Safinamide has received marketing authorization for the treatment of Parkinson's disease in the European Union, Switzerland, the UK, the USA, Canada, Australia, countries in Latin America, Israel, the United Arab Emirates, Japan and South Korea. It is commercialized by Newron's partner Zambon, their partners, and Meiji Seika and Eisai under the brand names Onstryv® in Canada, Equifina® in Japan and South Korea, and Xadago® in the rest of the world.

Zambon had previously held discussions with the FDA on the design of a potentially pivotal study to evaluate the efficacy of the compound in Parkinson's disease patients with levodopa induced dyskinesia (PD LID). The intention is to perform the study in centers in the USA, Europe, and Asia/Australia.

Given Newron's extensive experience in the development of Xadago®/safinamide, Newron and Zambon have agreed on Newron taking responsibility for conducting the study. Zambon will remain associated with the study; Newron and Zambon will share the cost of the study, equally and Newron will qualify for a one-time milestone payment and a greater share of royalties, should the outcome of the trial lead to a label extension. We will now work with international clinical experts and regulatory authorities to finalize the design of the study.

In April, we noted the agreement between US WorldMeds and Supernus Pharmaceuticals, under which Supernus intended to acquire the central nervous system (CNS) portfolio of US WorldMeds, including the US rights to Xadago®/safinamide. Supernus' focus is in the development and commercialization of CNS products. The transaction subsequently closed in June. On a quarter to quarter-basis, we see first encouraging signs of improved take-up of Xadago®/safinamide in the US market, since the effective transfer date. Supernus has declared its recognition of the substantial potential benefits a label extension covering PD LID, if approved by the FDA, would offer to the patients.

### Sarizotan – Rett syndrome

As previously disclosed in Q2 2020, we were very disappointed to announce that our STARS study did not demonstrate evidence of efficacy on the primary or secondary endpoints. Following this clinical outcome, Newron decided to terminate the development program. Despite the study being well-designed and executed and based on highly promising data from a genetic model of Rett syndrome in mice, the results demonstrate the inherent difficulties in translating effects in animal models, even if genetic, to human clinical studies.

### Corporate

As the Covid-19 pandemic unfolded in the reporting year, Newron implemented enhanced safety and monitoring standards designed to address and mitigate the spread of the virus to protect our employees and ensure business continuity. Specifically, we promoted remote working and strengthened the health and hygiene standards in our facilities. We are encouraged by the roll out of Covid-19 vaccination programs globally and will continue to closely monitor the effects of the pandemic as it evolves, amending our plans and policies as needed to ensure the safety of our employees.

Our shareholders approved all resolutions at our 2020 Annual General Meeting, which included the approval of our financial statements as of December 31, 2019 and the appointment of all members of the Board of Directors for a three-year term.

### ESG commitment

Newron acknowledges and supports the efforts of its business partners and investors who are working to have a positive impact on the world by addressing environmental, social, and governance (ESG) issues, such as climate change. It is Newron's ambition to be a responsible corporate citizen, and therefore in the last reporting year we have identified five key areas to focus our efforts to enable us to achieve future success, namely: patients, employees, R&D and business partners, investors, and local communities. We are committed to furthering our dialogue with these groups regarding our ESG-related activities to identify areas for further development. More information is available on our website.

### Financials

In 2020, Newron reported a net loss of EUR 21.0 million, compared to EUR 20.2 million in 2019. Cash used in operating activities has been reduced to EUR 15.6 million from EUR 22.0 million in 2019. Xadago® royalty income increased by 10% to EUR 5.2 million versus EUR 4.8 million in 2019, when a one-time milestone payment for approval in Japan of net EUR 2.0 million was incurred, on top. Newron's net R&D expenses have seen a reduction to EUR 14.9 million from EUR 17.4 million in 2019, largely due to the termination of the development program in Rett syndrome. Due to substantial changes of the regulations covering the Italian R&D tax credits, we could only accrue an additional EUR 1.4 million in 2020 versus EUR 5.0 million in 2019; the cumulated tax credits of EUR 15.9 million can be offset with future tax and social contribution payments by Newron. In 2020, G&A expenses have been reduced to EUR 8.1 million compared to EUR 9.9 million in 2019. Cash and Other current financial assets at December 31, 2020, were at EUR 31.3 million, compared to EUR 39.2 million at the beginning of the year.



In April, we were pleased to receive the third tranche as part of our financing agreement with the European Investment Bank (EIB) announced in 2018. Tranche 3 consisted of EUR 7.5 million out of a potential EUR 40 million total funding amount. The funds will primarily be used to support the Company's development programs in diseases of the peripheral and central nervous system. Newron received its first tranche of EUR 10 million in early July 2019, and the second tranche of EUR 7.5 million in November 2019.

Newron's total available funding, including the EIB funds not yet drawn down, in addition to its royalty income and Italian R&D tax credits, will fund the Company's planned development programs and operations to early 2023.

### Outlook

We move forward into 2021 confident in our vision for the future, and excited by our current pipeline of novel drugs. We continue to evaluate opportunities to broaden our pipeline of treatments for central and peripheral nervous system diseases, as well as exploring partnering opportunities. In particular, we look forward to initiating our Phase III clinical program evaluating evenamide in schizophrenia and progressing in our preparations towards the new label study with Xadago®/safinamide.

We are pleased with the progress we have made over the period, despite the constraints of the Covid-19 pandemic, and would like to thank all our shareholders once again for their continued support for the business.

Yours sincerely



Dr. Ulrich Köstlin  
Chairman  
Newron Pharmaceuticals S.p.A.



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

# Corporate Governance

# Group Structure and Shareholders

Newron Pharmaceuticals S.p.A. (the “Company” or “Newron”) is a joint stock company (Società per Azioni or S.p.A.) organized under the laws of the Republic of Italy. Since April 17, 2002, it has been registered with the Chamber of Commerce in Milan, Italy, under the name “Newron Pharmaceuticals S.p.A.” and with its registered offices and principal business in Via Antonio Meucci 3, 20091 Bresso (Milan), Italy.

The operations of the Company focus on the development of pharmaceutical products. Currently, the Company is not generating revenues from the direct sale of any commercial pharmaceutical product. Following the out licencing of safinamide in 2012, the Company interacted with the European Commission and the U.S. Food and Drug Administration until both, respectively in 2015 and 2017, have approved the use of Xadago® (safinamide) for the treatment of idiopathic Parkinson’s disease. Since then, the Company receives royalties and milestones from its partners.

The operations of the Company are managed by the Chief Executive Officer (CEO) together with the other members of the management team: the Chief Medical Officer (CMO), the Executive Vice President Business Development, the Vice President Finance, and the Vice President Commercial Affairs.

## Segment reporting

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

## Listed company

The shares of Newron Pharmaceuticals S.p.A., Via Antonio Meucci 3, 20091 Bresso (Milan), Italy, are listed according to the international reporting standard (IFRS) of the SIX Swiss Exchange, Zurich, Switzerland. Effective June 26, 2019, they are also listed on the primary market of the Düsseldorf Stock Exchange and traded on Xetra (Ticker: NP5). The primary trading venue remains SIX Swiss Exchange.

Swiss Security Number	2 791 431
ISIN	IT0004 147 952
Common Code	27612440
Ticker Symbol	NWRN
Market capitalization on December 31, 2020	CHF 38,367,492 (based on 17,845,345 outstanding shares and a share price of CHF 2.15)

## Related entities

Newron Pharmaceuticals S.p.A. has four fully-owned subsidiaries (collectively, “Newron Group”): Newron Pharmaceuticals US, Inc., is a U.S. limited liability company, incorporated under the laws of the State of Delaware, USA. The Company has been registered with The Secretary of the State of Delaware with a share capital of USD 10.00, divided into 1,000 shares with a par value of USD 0.01, each. All shares are held by Newron. Its operating offices are located at 89 Headquarters Plaza, North-Suite 306, 07960 Morristown, New Jersey, USA. The operations of Newron Pharmaceuticals US focus on the research and development, manufacturing and distribution of pharmaceutical products and services. They are managed by Marco Caremi as President and Roberto Galli as Secretary and Treasurer. Stefan Weber, Marco Caremi and Roberto Galli are members of the Board of directors of Newron Pharmaceuticals US.

Newron Sweden AB is a Swedish limited liability company, incorporated under the laws of Sweden. The Company has been registered with the Swedish Companies Registration Office with a share capital of SEK 3,130,284.30, divided into 330,110,154 shares with a par value of SEK 0.0094825 each, and registered office at c/o C&E SystemDesign AB, Alpstigen 6, 182 78 Stocksund, Sweden. All shares are held by Newron. The Company is a biopharmaceutical company engaged in the development of novel therapies for the treatment of disorders of the central nervous systems. The operations of Newron Sweden – currently inactive – are managed by Marco Caremi and Stefan Weber as General Managers.

Marco Caremi and Stefan Weber are members of the Board of directors of Newron Sweden.

Newron Suisse SA is a joint stock company (Société anonyme/Aktiengesellschaft) organized under the laws of Switzerland. The company has been registered with the commercial register of the canton of Basel-Stadt, for an unlimited duration, under the name Newron Suisse SA, on September 13, 2007. In May 2016, the company moved its registered seat to Zurich. Its domicile is c/o Ostschweizerische Treuhand Zürich AG, Giesshübelstrasse 45, CH-8045 Zurich, Switzerland. The company has a share capital of CHF 100,000, divided into 1,000 fully paid-in registered shares with a nominal value of CHF 100 each. All shares are held by Newron. The operations of Newron Suisse SA – currently inactive – are focused on the research and development, manufacturing and distribution of pharmaceutical products and services. The operations of Newron Suisse SA are managed by Stefan Weber as General Manager (Geschäftsführer). Philippe A. Weber and Roberto Galli are members while Stefan Weber is the Chairman of the Board of directors (Verwaltungsrat) of Newron Suisse SA.

Hunter-Fleming Ltd. is a private limited company incorporated under the laws of England with its registered office and principal business office is c/o I.A.W. Accounting Services in Grosvenor House, 1 New Road, TQ5 8LZ Brixham, Devon, U.K. The Company has a share capital of GBP 220,328, divided into 220,328 ordinary shares of GBP 1 nominal value, each. All shares are held by Newron. The operations of Hunter Fleming Ltd. – currently inactive – are managed by Stefan Weber and Marco Caremi as directors.

Operations related to the development compounds of Newron Group are taken care of by Newron Pharmaceuticals US, Inc. and Newron Pharmaceuticals S.p.A.

Newron Pharmaceuticals S.p.A. is the only listed company within the Newron Group.

### Significant shareholders

Shareholders of the Company must comply with the ownership disclosure laws as set forth in Article 120 et seq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of June 19, 2015, as amended (“FMIA”) as well as pertinent regulations, including Articles 10 et seq. of the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of December 3, 2015, as amended (“FMIO-FINMA”) (all such laws and regulations, the “Swiss Ownership Disclosure Laws”). Such Swiss Ownership Disclosure Laws provide, among other things, that anyone who directly or indirectly or acting in concert with third parties acquires or disposes of shares or acquisition or sale rights relating to shares of the Company and thereby reaches, falls below or exceeds the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% of the voting rights, whether exercisable or not, shall notify the Company and SIX Swiss Exchange of such transactions within four (4) trading days. Following receipt of such notification, the Company is also obliged to publish the disclosure within two

(2) trading days via the SIX electronic publishing platform. For purposes of calculating whether a threshold has been reached or crossed, shares and purchase positions, on the one hand, and sale positions, on the other hand, may not be netted. Rather, the shares and purchase positions and the sale positions must be accounted for separately and may each trigger disclosure obligations if the respective positions reach, exceed or fall below one of the thresholds.

In addition, actual share ownership must be reported separately if it reaches, exceeds or falls below one of the thresholds. The beneficial owners of equity securities under Art. 120 para. 1 FMIA are subject to the notification duty. A beneficial owner is the party controlling the voting rights stemming from a shareholding and bearing the associated economic risk (Art. 10 para. 1 FMIO-FINMA).

If the voting rights are not exercised directly or indirectly by the beneficial owner, then Art. 120 para. 3 FMIA applies. Whoever has discretionary powers to exercise voting rights is subject to notification duty; alternatively, the legal entities directly or indirectly controlling this entity can report all positions on a consolidated basis.

The Company's information about the exact holding position of individual shareholders depends on and is derived from the reports filed with SIX and the Company by such shareholders. As at December 31, 2020, the following shareholders reported holdings of 3% or more of the equity capital and therefore, voting rights of Newron (the number of shares shown in the below table as well as the holding percentages are based on the last disclosure of shareholding notification reported by such shareholder to SIX and the Company in accordance with Article 120 et seq. FMIA; the number of shares held by the relevant shareholder and/or the holding percentages may have changed since the date when the respective notification was made):

Shareholder	Note	Number of Shares reported	% of voting rights reported
Zambon Company S.p.A. Bresso, Italy (The shares are indirectly held by GEFIM S.p.A., Milan, Italy) (SIX publication date: October 10, 2017)		785,448	4.41%

The individual reports of significant shareholders can be found on the website of the Swiss Stock Exchange (SIX): <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?issuedBy=NEWRONPH#/> (Issuer: Newron Pharmaceuticals S.p.A.). Any changes in the shareholder structure since December 31, 2020 can also be found on this website.

Furthermore, Newron Pharmaceuticals S.p.A. – on November 30, 2019 – communicated to SIX that it held 1,902,217 rights corresponding to 10.66% of the voting rights as sale positions in connection with several granted derivative holdings such as options and warrants. Since then, the number of rights held by the Company has changed – as of December 31, 2020 it was 2,353,740 corresponding to 13.2% of the voting rights.

### Cross-shareholdings

As of December 31, 2020, there are no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

# Capital Structure

Amount in EUR	December 31, 2020	December 31, 2019	December 31, 2018
Number of ordinary shares with par value of EUR 0.20	17,845,345	17,845,345	17,845,345
Share capital	3,569,069	3,569,069	3,569,069
Number of authorized shares with par value of EUR 0.20	0	0	0
Authorized share capital (up to)	0	0	0
Number of conditional shares with par value of EUR 0.20	1,025,001	1,025,001	1,025,001
Conditional share capital (up to)	205,000.20	205,000.20	205,000.20

As of December 31, 2020, Newron's outstanding share capital was EUR 3,569,069.00, consisting of 17,845,345 ordinary shares with a nominal value of EUR 0.20 each. All shares are fully paid-in.

As of December 31, 2020, Newron had conditional (pre-authorized) capital of EUR 205,000.20, representing 1,025,001 Newron's ordinary shares with a nominal value of EUR 0.20 per share, related to the purpose of implementing stock-based incentive compensation plans for employees and directors of the Company and its subsidiaries. The maximum amount of the conditional capital of EUR 205,000.20 equates to 5.74% of the existing share capital. The period to carry out an increase in conditional capital lasts until September 2027.

## Changes in capital

On March 27, 2018, an extraordinary shareholders' meeting resolved, inter alia, to:

- a) Grant to the Board of Directors of the powers, pursuant to articles 2443 and 2420-ter of the Italian Civil Code, to issue shares and/or convertible bonds, up to EUR 1,426,987.60 even with the exclusion of option rights pursuant to article 2441, parts 4, first section, 5, 6 and/or 8 of the Italian Civil Code, eventually cum warrant and
- b) Grant to the Board of Directors of the powers to create American Depositary Shares and to list them on the Nasdaq or on any other market in the United States of America, which is an option we are considering.

On July 5, 2018, an extraordinary Board meeting resolved to increase the share capital with exclusion and/or limitation of option rights pursuant to article 2441, parts 5, 6 and/or 8 of the Italian Civil Code, up to EUR 82,051.80 as a nominal value and, therefore, up to no. 410,259 ordinary shares of Newron Pharmaceuticals S.p.A. to serve one or more incentive plans.

On November 28, 2018, the Board of Directors resolved to issue and allot, free of charge, 807,169 warrants as well as the approval of the relevant warrant regulation, and to increase the Company's share capital, severally (in via scindibile), for payment, pursuant to Article 2443 of the Italian Civil Code, with the exclusion of option rights, in accordance with Article 2441, paragraphs 5 and 6 of the Italian Civil Code, for a maximum par value of EUR 161,433.80 (and therefore for a maximum of 807,169 ordinary shares with a par value of EUR 0.20 per share), to be issued in the event of exercise of the warrants. Such warrants were allotted to The European Investment Bank EIB in connection with the up to EUR 40 million funding facility, the EIB Loan, entered into by the Company with EIB on October 29, 2018. For more detail on the potential exercise of these warrants, please see page 14.

On March 31, 2020 an extraordinary Board meeting resolved, inter alia, to increase the share capital with exclusion and/or limitation of option rights pursuant to article 2441, parts 5, 6 and/or 8 of the Italian Civil Code, up to Euro 72.377,20 as a nominal value and, therefore, up to no. 361.886 ordinary shares of Newron Pharmaceuticals S.p.A. to serve one or more incentive plans.

#### **Shares and participation certificates**

As of December 31, 2020, Newron's outstanding share capital was EUR 3,569,069.00, consisting of 17,845,345 ordinary shares with a nominal value of EUR 0.20 each. All shares are fully paid-in.

Each share is entitled to one vote at the shareholders' meeting. All shares are entitled to full dividend rights. In the event of a capital increase through the issuance of new shares, the existing shareholders have subscription rights in proportion to their existing shareholding, unless the shareholders' meeting restricts or excludes such rights for important reasons, in particular in connection with the acquisition of investments or employee participation.

Newron has not issued any non-voting participation certificates.

#### **Dividend-right certificates**

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

#### **Transfer of shares**

The transfer of shares is affected by corresponding entry in securities accounts, which record the transfer of financial instruments opened with authorized financial intermediaries and in accordance with the applicable law. Upon registration of the transfer and upon request of the shareholder, the financial intermediaries shall inform the Company of the transfer of shares, and the Company shall update the Libro Soci (Shareholders' Ledger) in accordance with Italian law. A shareholder may ask for his registration at any time. No restrictions apply to the transferability of Newron shares. For the year 2020, the transfer of Newron's shares has been exempted from taxation under the Italian Financial Transaction Tax IFTT. The exemption will be valid also for the year 2021 (<https://www.newron.com/investors/shareprice-information>).

#### **Convertible bonds**

Newron has no convertible bonds outstanding.

## Warrants

Newron entered into a EUR 40 million funding facility with the European Investment Bank (EIB) on October 29, 2018. In connection with the disbursement of borrowings under the EIB Loan, Newron is obligated to issue EIB warrants to purchase up to 807,169 ordinary shares at an exercise price of EUR 9.25 per share. The warrants are divided into five tranches, with the first tranche consisting of warrants to purchase 201,793 ordinary shares and each of the remaining four tranches consisting of warrants to purchase 151,344 ordinary shares.

Upon issuance, the warrants are subject to lock-ups and may not be exercised until the earlier of: (i) in the case of the first tranche of warrants, the repayment in full of the first tranche of the EIB Loan and March 15, 2024, (ii) in the case of the second tranche of warrants, the repayment in full of the second tranche of the EIB Loan and September 15, 2025, (iii) in case of the third tranche of warrants, the repayment in full of the third tranche of the EIB Loan, respectively, and September 15, 2025, and (iii) in the case of the fourth and fifth tranches of warrants, the repayment in full of each respective tranche of the EIB Loan, respectively, and September 15, 2026.

## Stock-based remuneration

### 2013 Stock Option Plan

By decision of the Board dated January 18, 2013, the 2013 Stock Option Plan was established, and up to 560,000 stock options were allocated to this plan. Of these, by January 18, 2013, 493,496 options were granted to Company's and its subsidiaries' employees, consultants and directors of the Company. The exercise price for these options is EUR 6.32. Further 28,500 options were granted to new directors and one new employee on April 18, 2013. The exercise price for these options is EUR 6.66.

During 2013, 7,500 of the options granted were waived by employees leaving the Company. As a result, by December 31, 2013, 514,496 options were still validly granted to the beneficiaries. During 2014, further 32,500 of the options granted were waived by employees leaving the Company. As per December 31, 2015, 72,384 of these options were exercised and 409,612 were left of which 389,612 options at a strike price of EUR 6.32 and 20,000 at a strike price of EUR 6.66.

During 2016, 21,875 of the options granted were exercised of which 6,750 at an exercise price of EUR 6.66 and the remaining 15,125 at an exercise price of EUR 6.32.

During 2017, 59,563 of the options granted were exercised of which 53,563 at an exercise price of EUR 6.32 and the remaining 6,000 at an exercise price of EUR 6.66.

During 2018, 8,000 of the options granted were exercised at an exercise price of EUR 6.32. As of December 31, 2020, 320,174 options were left, all vested. The options will expire as at March 31, 2023.



### 2014 Stock Option Plan

By decision of the Board dated January 28, 2014, the 2014 Stock Option Plan was established, and up to 192,267 stock options were allocated to this plan.

Of these, by January 28, 115,773 were granted to Company's and its subsidiaries' employees, consultants, and directors of the Company. The exercise price for these options is EUR 13.94. Further 76,494 options were granted to new employees and new directors on July 16, 2014. The exercise price for these options is EUR 13.88.

During 2015, 4,492 of the options granted were waived by employees leaving the Company. In 2016 and 2017 respectively a number of 2,227 options and 4,614 options were exercised at an exercise price of EUR 13.94. As a result, by December 31, 2020, a total of 180,934 were still validly granted to the beneficiaries, of which 104,440 options at a strike price of EUR 13.94 and 76,494 options at a strike price of EUR 13.88: all options are vested. The options will expire as at March 31, 2023.

### 2015 Stock Option Plan

By decision of the Board dated June 4, 2015, the 2015 Stock Option Plan was established, and up to 400,000 stock options were allocated to this plan.

Of these, by June 4, 2015, n. 229,091 were granted to Company's and its subsidiaries' employees, consultants, and directors of the Company. The exercise price for these options is EUR 28.14. Further 48,373 options were granted to employees on September 10, 2015, and on November 19, 2015 of which 19,918 were granted at an exercise price of EUR 24.90 while the remaining 28,455 were granted at an exercise price of EUR 25.41. On July 27 and September 9, 2016, the Board granted additional 36,992 options to new Newron's employees of which 8,537 were granted at a strike price of EUR 15.22 while the remaining 28,455 were granted at a strike price of EUR 20.22. During 2017, 28,455 options were waived by an employee leaving the Company and additional 113,999 options were granted to Company's and its subsidiaries' employees, consultants, and directors of which 36,992 were granted at a strike price of EUR 21.87 and the remaining 77,007 at a strike price of EUR 15.97. During 2018, 7,309 of the options granted were waived by employees leaving the Company. During 2019, 7,551 of the options granted were waived by an employee leaving the Company. During 2020 additional 2,908 options, were waived by employees leaving the Company.

As of December 31, 2020, a total of 382,232 options have been granted under the 2015 Stock Option Plan of which 357,868 are vested while 24,364 options will in 2021. The options will expire as at March 24, 2025.

### 2017 Stock Option Plan

By decision of the Board dated September 5, 2017, the 2017 Stock Option Plan was established, and up to 277,806 stock options were allocated to this plan of which, 260,732 were granted at the same date to Company's and its subsidiaries' employees, consultants, and directors. The exercise price for these options is EUR 15.97. During 2018, 13,948 of the options granted were waived by employees leaving the Company. During 2019, 6,974 of the options granted were waived by an employee leaving the Company. During 2020, 2,617 of the options granted were waived by employees leaving the Company; on December 22, 2020 – following the offer made by the Board to swap options assigned under ESOP 2017 for new options conditionally assigned on December 22, 2020 (for additional Info, please refer to the below paragraph 2020 December Stock Option Plan) several Company's and its subsidiaries' employees have voluntarily waived a total of 152,736 options.

As of December 31, 2020, a total of 102,953 options were granted, of which 71,059 are vested, 22,465 will vest in 2021, 4,715 will vest in 2022 while 2,358 and 2,356 will vest respectively in 2023 and 2024. The options will expire as at September 8, 2027.

### 2018 Stock Option Plan

By decision of the Board dated July 5, 2018, the 2018 Stock Option Plan was established, and up to 410,259 stock options were allocated to this plan, of which 344,808 were granted at the same date to Company's and its subsidiaries' employees, consultants, and directors. The exercise price for these options is EUR 10.06. On November 8, 2018, the Board granted additional 54,066 options to new and existing Newron employees at a strike price of EUR 7.27. On March 31, 2020 the Board granted additional 46,951 options to new and existing Newron' employees at a strike price of EUR 4.40. During 2018, 13,046 of the options granted were waived by employees leaving the Company. During 2019, 18,257 of the options granted were waived by an employee leaving the Company. During 2020 additional 35,321 options were waived by employees leaving the Company and Its subsidiaries.

As of December 31, 2020, a total of 379,201 options were granted, of which 176,098 are vested while 87,324 will vest in 2021, 101,552 will vest in 2022, 7,113 will vest in 2023 and the remaining 7,114 in 2024. The options will expire as at July 4, 2028.

### 2020 March Stock Option Plan

By decision of the Board dated March 31, 2020, the 2020 March Stock Option Plan was established, and up to 410,259 stock options were allocated to this plan, of which 361,886 were granted at the same date to Company's and its subsidiaries' employees, consultants, and directors. The exercise price for these options is EUR 4.40. During 2020, 12,923 of the options granted were waived by employees leaving the Company and its subsidiaries.

As of December 31, 2020, a total of 348,963 options were granted, of which 174,478 will vest in 2022, 87,236 will vest in 2023 and the remaining 87,249 in 2024. The options will expire as at March 31, 2028.

## 2020 December Stock Option Plan

To incentivize the efforts of employees and certain consultants directed at the growth of the Company and its subsidiaries and with the aim to retain its employees and managers in the medium term, during the meeting held on December 22, 2020 the Board approved the 2020 December Stock Option Plan allocating up to 134,802 options. The Plan differs from the previous ones mainly for the following reasons: a) options were not allocated to Newron' Directors; b) to receive these options, recipients must voluntarily waive the options they were granted under the ESOP 2017; c) the new amount of options granted is about 75% of the options waived and, the vesting of each tranche, is conditional to a defined trigger event (company objective). In the days following the Board meeting, all recipients have officially communicated to the Company their intention to waive the options granted under the 2017 ESOP. Accordingly, as of December 31, 2020 a total of 134,802 options were granted at a strike price of EUR 1.97. The options will expire as at September 8, 2027.

As per December 31, 2020, the total volume of granted stock options under the above plans was 1,849,259 options to acquire one share, each, at nominal value of EUR 0.20 (plus premium) each, an equivalent of 10.36% of the total number of fully paid-in ordinary shares of the Company.

Please refer to the below table for a summary of the granted options as of December 31, 2020:

Plan's name	Granting date	Exercise price (in EUR)	Expiring date				Total
			31/03/2023	24/03/2025	08/09/2027	04/07/2028	
ESOP 2013	18/01/2013	6.32	312,924				312,924
	18/04/2013	6.66	7,250				7,250
ESOP 2014	28/01/2014	13.94	104,440				104,440
	16/07/2014	13.88	76,494				76,494
ESOP 2015	04/06/2015	28.14		225,391			225,391
	10/09/2015	24.90		14,938			14,938
	19/11/2015	25.41		28,455			28,455
	27/07/2016	15.22		8,537			8,537
	24/02/2017	21.87		34,857			34,857
	08/09/2017	15.97		70,054			70,054
ESOP 2017	08/09/2017	15.97			93,524		93,524
	28/02/2020	6.10			9,429		9,429
ESOP 2018	05/07/2018	10.06				313,754	313,754
	08/11/2018	7.27				36,992	36,992
	31/03/2020	4.40				28,455	28,455
ESOP 2020 March	31/03/2020	4.40				348,963	348,963
ESOP 2020 December	22/12/2020	1.97			134,802		134,802
<b>Total</b>			<b>501,108</b>	<b>382,232</b>	<b>237,755</b>	<b>728,164</b>	<b>1,849,259</b>

# Board of Directors

## Members of the Board of Directors

The Company's by-laws establish that the Board shall consist of a minimum of four (4) and a maximum of eight (8) members. As per December 31, 2020, the Board was comprised of six (6) directors who all have been elected by the ordinary shareholders' meeting as of March 31, 2020. One of these directors was first elected in 2008. One member was first elected in 2012. Two directors were first elected in 2013. The remaining two directors were first elected in 2014. All directors are elected for the three-year term expiring on the date of the shareholders' meeting scheduled to approve Newron's financial statements for the year ending December 31, 2022. All Newron Board members are due for re-election at the same time. Board members can be re-elected for an unlimited number of terms. In case of replacements of Board members, the replacing new members take over the mandate for the left period of the leaving member. The shareholders' meeting elects the new members by individual vote.

Neither Newron' by-laws nor Italian company laws set a limit on the number of mandates a director can have in other companies (either listed or not).

The following table sets forth certain information about the Company's directors (more information can be found in the descriptions of each director below):

<b>Name</b>	<b>Position</b>	<b>Member since</b>	<b>Relevant external positions</b>
Ulrich Köstlin	Chairman, Non-executive director, Chairman of compensation and nomination committee	2013	Former member of Board of Management of Bayer Schering Pharma AG; Curator of the AREPO Foundation, Liechtenstein; Deputy Chairman on the Board of Constantia Flexibles AG.
Stefan Weber	Executive director, CEO	2012	Former CFO of Biofrontera and Girindus, Head of Finance Lohmann Group
Patrick Langlois	Non-executive director, Chairman of audit and risk committee, member of compensation and nomination committee	2008	Former CFO and Vice-Chairman of the Management Board of Aventis; General Partner of PJJ Conseils. Director on the Board of Directors and Chairman of the Audit Committee of Innate Pharma S.A. (France) and Chairman of BCELL DESIGN (France).
Robert Holland	Non-executive director, member of R&D committee	2013	Former VP & Head of Neuroscience Therapeutic Area at AstraZeneca, currently Senior Clinical Fellow at Sosei Heptares Therapeutics Ltd. Until 2018 consultant to the Wellcome Trust, Executive Director of Early Clinical Development Consulting Ltd. and CMO of Oxford Gene Technology Ltd (all U.K.).
Don deBethizy	Non-executive director, Chairman of R&D committee and member of the audit and risk committee	2014	Co-Founder, Former CEO & President of Targacept, Inc.; former President, CEO & director on Board of Management of Santaris Pharma; President of Innovent LLC (USA) and White City Consulting ApS (Denmark), as well as Managing Director of Albumin Holding ApS; Director at argenx NV (Netherlands), Lophora ApS (Denmark), Noxxon Pharma NV (Netherlands) and Proterris Inc (USA), as well as Chairman of the boards of Albumedix Ltd (UK) and Saniona AB (Denmark).
Luca Benatti	Non-executive director, member of R&D and audit and risk committees	2014	Co-founder, former CEO of Newron; current CEO and member of the Board of EryDel S.p.A.; Board member at Intercept Pharmaceuticals, Inc (USA) and Metis Precision Medicine (Italy); Chairman of Italian Angels for Biotech; member of the Strategic Advisory Board of Zambon S.p.A. and member of the Advisory Board of Sofinnova Telethon Fund.

None of the non-executive members of the Board as per December 31, 2020 was a member of Newron's management in the three financial years preceding the current year.

None of the Board members but Luca Benatti (who is a member of the Strategic Advisory Board of Zambon S.p.A.) or companies or organizations they represent had significant business connections with the Company or its subsidiaries. None of the Board members exercises official functions or holds political posts.



**Ulrich Köstlin** Chairman of the Board since 2013. He was member of the Board of Management of Bayer Schering Pharma AG until 2011 and was responsible for multiple regions globally – Europe, Asia Pacific, Latin America, Japan and North America. He began his pharmaceutical career with Schering AG as a management trainee in 1982. Over the years, he served as General Manager for several subsidiaries of Schering AG across the globe, including from

1990 to 1993 as Vice President Sales and Marketing and General Manager Diagnostic Imaging of the U.S. subsidiary. In 1994, Ulrich was appointed to the former Schering AG's Executive Board. He currently serves as Curator of the AREPO Foundation, Liechtenstein and is Deputy Chairman on the Boards of Constantia Flexibles AG, Vienna. He holds multiple honorary positions in cultural institutions. Ulrich studied law at the Universities of Erlangen and Tübingen in Germany, and the University of Geneva in Switzerland. He holds a Dr. iur. Doctorate from Tübingen University and a Master of Laws (LL.M.) degree from the University of Pennsylvania Law School. Ulrich is the Chairman of Newron's compensation and nomination committee. He is a German citizen.

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



**Stefan Weber** was appointed Chief Executive Officer and Executive Director of Newron in 2012: his functions include coordination and supervision of the Company's ordinary and extraordinary business as better detailed on the following page 23. He had been Chief Financial Officer of the Company since April 2005. Stefan holds a master's degree in business management from FernUniversität Hagen (Diplom-Kaufmann). He has more than 30 years of

industry experience in finance and general management. From 2001 to 2005, he was the Chief Financial Officer of Biofrontera, a company active in drug discovery and development. He joined Girindus, a fine chemistry process development and scale-up provider, in 1999, and was appointed Chief Financial Officer in 2000. From 1987 to 1999, he was with Lohmann Group, a worldwide producer of pharmaceutical, medical, technical and consumer products. His final position was Head of Finance of the Group. Stefan has closed numerous major financing transactions, debt, equity and mezzanine as well as obtained national and European grants. He has also executed successful IPOs to the Frankfurt and Zurich stock exchanges and has been involved in a number of M&A transactions, divestments and strategic restructurings. He is a German citizen.

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



**Patrick Langlois**, a director since 2008, was the CFO and Vice-Chairman of the Management Board of Aventis from 2002 to 2005 and served for 30 years in various senior financial functions at Rhône-Poulenc and the Aventis Group in France and the USA. Prior to that, he was with Banque Louis-Dreyfus. He currently is General Partner of PJP Conseils, a consulting firm in healthcare. He holds a doctorate in economics from the University of Rennes

(France). Patrick Langlois is Director on the Board of Directors and Chairman of the Audit Committee of Innate Pharma S.A. (France) and Chairman of BCELL DESIGN, French Private Company in Immuno oncology (France). He is a French citizen. Patrick is the Chairman of Newron's audit and risk committee and member of the compensation and nomination committee.

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



**Robert Holland**, a director since 2013, served at Astra-Zeneca as a member of the R&D Leadership Team with roles including: Vice President & Head, Personalised HealthCare & Biomarkers 2010 to 2012; and Vice President & Head, Neuroscience Therapeutic Area 2005 – 2010. Currently, he is Senior Clinical Fellow at Sosei Heptares. Until 2018 he was Executive Director, Early Clinical Development Consulting Ltd., a consultant to the Well-

come Trust and Chief Medical Officer of Oxford Gene Technology. Previously, Robert held positions in research and clinical development at Upjohn, Solvay, Rhone Poulenc and the Wellcome Foundation and has served as a Non-Executive Director at Karolinska Development AB. He has extensive experience in the discovery, development and commercialization of drugs for both neurological and psychiatric conditions and in the in-licensing and successful co-development of medicines originating from partner companies. He has been a lecturer at The Royal London Hospital and at Merton College, Oxford in human physiology and in anatomy, respectively. He holds an MD and a PhD from the University of Oxford. Robert is a member of Newron's R&D committee. Robert is a British citizen.

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





**J. Donald (Don) deBethizy**, PhD, a director since 2014, has more than 30 years of experience in managing and financing life science-related technologies and has played a key role in building and advising several life sciences companies. In his role as President, Chief Executive Officer and Director on the Board of Santaris Pharma A/S, he led the sale of the company to Roche. He co-founded Targacept, Inc. and served as its President and Chief Exec-

utive Officer for 15 years. Donald led Targacept's private and public financings totaling approximately \$330 million, including the Company's Initial Public Offering (IPO) in April 2006. He played a key role in developing business relationships with GlaxoSmith-Kline, AstraZeneca, Aventis, and Dr. Falk Pharma, which generated non-dilutive revenues totaling over \$300 million. He holds a B.S. in Biology from University of Maryland and an M.S. and PhD from Utah State University. He is currently President of Innovent LLC (USA) and White City Consulting ApS (Denmark), Managing Director of Albumin Holding ApS, a Director at argenx NV (Netherlands), Lophora ApS (Denmark), Noxxon Pharma NV (Netherlands) and Proterris Inc (USA), as well as Chairman of the boards of Albumedix Ltd (UK) and Saniona AB (Denmark). Don is the Chairman of Newron's R&D committee and, since May 2019, member of the audit and risk committee. He is a U.S. citizen and resident of Denmark.

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



**Luca Benatti**, a director since 2014, is Chief Executive Officer and member of the Board of EryDel S.p.A. since 2012. He has over 30 years' experience in Pharma and Biotech. He was the Co-founder and CEO of Newron Pharmaceuticals (NWRN, Swiss Stock Exchange). Under his guidance, Newron developed a pipeline of innovative therapies including Xadago, approved worldwide for the treatment of Parkinson's disease. He is an independent

Board member at Intercept Pharmaceuticals (ICPT, Nasdaq), Newron Pharmaceuticals, Metis Precision Medicine, Chairman of the Italian Angels for Biotech, Member of the Strategic Advisory Board of Zambon, and Member of the Advisory Board of the Sofinnova-Telethon fund. He has authored several scientific publications and holds numerous patents. Luca Benatti is an Italian citizen. Luca is a member of the R&D and the audit and risk committees.

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



## Responsibilities and organization

Pursuant to the Company's by-laws, the Board has complete power over the administration of the Company's business and it has the power to take actions deemed advisable for the pursuit of the Company's corporate purposes. Within the limits prescribed by Italian law, the Board may delegate its general powers to an executive committee and/or any executive director. The Board has delegated certain of its powers, excluding, amongst others, the conduct of litigation exceeding the value of EUR 300 thousand, expenditures exceeding more than 10% of the operating expenses as defined in the annual budget approved by the Board, entering into joint ventures, M&A, licensing, lending agreements exceeding EUR 1 million, variation in share option schemes, approval of the annual budget and actions on the intellectual property exceeding ordinary administration to the Company's Executive Director, Stefan Weber, whose functions include coordination and supervision of the Company's ordinary business within the limits set out before.

Although the Company's by-laws specifically permit the Board to appoint an executive committee, as of December 31, 2020, this right has not been exercised by the Board. The Board also determines the duration of the term of the Company's Executive Director. The Chairman of the Board, any Deputy Chairman as well as any director are the legal representatives of the Company. The Board and any director may delegate the power to carry out certain acts within the scope of their respective authority.

The Company's directors are elected at the Company's annual ordinary meeting of shareholders for a term of up to three financial years (save for any different shareholder's resolution for a shorter term). During the meeting, shareholders are requested to express their favorable or contrary vote to the appointment of each candidate. The Company's directors may be re-elected for an unlimited number of consecutive terms. If the shareholders fail or skip to elect a Chairman at the shareholders' meeting, the members of the Board elect, from amongst themselves, the Chairman, and one or more Deputy Chairmen and/or Executive Directors.

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

## Meetings

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

In 2020, a total of 7 meetings of the full Board were called. All of them, due to the Covid-19 pandemic, were held by phone/videoconference. In addition, both the audit and risk committee and the compensation and nomination committee convened by phone/videoconference two times. The R&D committee convened by phone/videoconference 5 times. Generally, the physical meetings of the full board are mostly called on a quarterly basis and usually take a business day while the phone meetings are called upon requirement and usually take between one and two hours. In 2020, because of the difficulties in organizing international travels and the issues related to physical meetings, the Company decided to skip physical Board meetings and instead had extended videoconference meetings. The committee meetings usually take between half an hour and two hours. The committees have a predetermined annual agenda to ensure that important reviews take place at the appropriate time throughout the year. The Board undergoes a periodic self-review to ensure continued effectiveness.

Members of senior management attend all Board meetings and, as described below, those committee meetings in which a senior manager acts as main contact to report on areas of the business within their responsibility, to present proposals for decision and to participate, if requested by the Board, to the discussion prior to a vote being taken by the Board.

In 2020, external advisors were participating during one meeting of the Board: the topics discussed refer to the new Data Protection Laws and the yearly report by the Data Protection Officer.

### Information and control instruments

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

The members of the Board, on a quarterly basis (or more frequently if requested by directors ahead of planned meetings) receive a comprehensive management report designed to provide them with an update on business activities in general and relevant developments with regard to clinical trials and preclinical activities, the collaboration with licensing partners, as well as on legal, business development and financial matters. The reports are subject to discussion during the Board meetings, which senior management regularly attends. With regard to the committees as described below, the CEO is the main contact to the members of the compensation and nomination committee, while the Vice President Finance (cf. Section on Senior Management, page 29) takes this function towards the members of the audit and risk committee and the Chief Medical Officer (cf. Section on Senior Management, page 28) towards the members of the R&D committee. Yet, decisions might be taken by the members of the Board as well as each committee without the attendance of senior management, but following presentation of facts by, and discussion with senior management.

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

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

The Board and the committees closely follow the progress on the major activities, as presented by management. Analyses of deviations are to be provided and explained in writing regularly, required action will be closely monitored via update phone calls. Each member of

the Board may demand information on any business of Newron's affairs and may inspect all books, business files and corporate documents upon request at any time.

On a quarterly basis, the Board of Statutory Auditors is updated as well, as required by Italian law (please see at page 26). The permanent observation and control of the Company's risks is a management objective. For identified risks, mainly clinical development and financial risks, a risk assessment is performed. Appropriate actions (including for example the performance of additional preclinical or clinical studies, fundraising activities etc.) are defined and executed to minimize the risk. Management and Board of the Company during the Board meetings review the identified risks, discuss and decide on the measures and reassess the situation after an adequate period of time. Due to the size of the Company, there is no internal auditing function in place.

### Committees

The Board has formed three permanent committees, an audit and risk committee, a compensation and nomination committee and a research and development (R&D) committee to support its work. The overall responsibility of the Board is not limited by these committees. The role of such committees is to exercise review and control and to report the findings to the Board and to express certain recommendations to the Board, while decisions are finally taken by the Board, with the exception described below for the compensation and nomination committee.

As at December 31, 2020, the audit and risk committee consisted of Patrick Langlois (Chairman), Luca Benatti and Donald deBethizy, each of whom is a non-executive member of the Board. The audit and risk committee meets at the option of its members on the same date as the Company's scheduled Board meetings and at such other times as its chairperson deems it appropriate. Main objectives of the committee are to contribute to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of financial information and the compliance with laws and regulations, including the by-laws, the internal procedures and the internal control system – including risk management and issuing recommendations to the Board regarding the acceptance of the Company's annual budgets and accounts. The committee's chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. For further detail with respect to the audit committee, please see Note "Auditors" on page 39.

As at December 31, 2020, the compensation and nomination committee consisted of Ulrich Köstlin (Chairman) and Patrick Langlois, each of whom is a non-executive and independent member of the Board. The main tasks of the compensation and nomination committee are to review periodically the Company's remuneration strategy, to review and approve corporate goals and objectives relevant to compensation, to evaluate the performance of the Company's executives, to propose to the full Board the compensation of the executive director, to set the compensation of the other executives, to make recommendations to the full board on the remuneration of the non-executive directors of the Company, to review incentive compensation and equity-based plans and make recommendations to the full board on such plans, to review the Company's executive succession plan and make recommendations to the full Board and to approve dismissal and redundancy plans.

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

As at December 31, 2020, the R&D committee consisted of Don deBethizy (Chairman), Robert Holland, and Luca Benatti, each of whom is a non-executive and independent member of the Board. The main tasks of the R&D committee are to evaluate the research and development strategies of the Company, to review and report to the Board scientific trends and emerging areas of science relevant to the Company strategy, to review and evaluate internal research and development projects from a scientific and strategic perspective, to review and provide guidance related to business development opportunities, to assist the Company in developing and accessing a network of world class scientific advisors for the purposes of guidance as well as for the identification and attraction of new opportunities and to review the Company's compliance systems with reference to scientific and regulatory matters.

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

### **Board of Statutory Auditors**

Pursuant to Italian Law, in addition to electing the Board, the Company's ordinary shareholders' meeting also elects a board of statutory auditors, which is required to meet at least once every 90 days. Members of the Company's Board of Statutory Auditors are elected for a three-year term with a voting list (voto di lista) system.

The Company's current Board of Statutory Auditors has been elected on April 2, 2019, for a three-year term expiring upon the approval of the Company's financial statements for the year ending December 31, 2021. The Board of Statutory Auditors is composed of three permanent statutory auditors, plus two alternate statutory auditors who would automatically replace a permanent statutory auditor who resigns or otherwise becomes unable to perform his duties. At least one regular member of the Board of Statutory Auditors and one alternate member must be selected among those registered with the national register of auditors (Registro dei Revisori Contabili). The other members, if not registered with the national register of auditors, must be registered in specific professional registers or must be chosen among permanent university professors of economics or law. All members of the Company's Board of Statutory Auditors are registered with the national register of Auditors.

The Company's Board of Statutory shall supervise the observance of the law and the by-laws, compliance with the principles of proper management and on the adequacy of the organization, administrative and accounting structure adopted by the Company and on its functioning. In particular, it is required to supervise the Company's activities in order to determine compliance with the by-laws and applicable Italian law, as well as report specific matters to the shareholders and to the court. The Board of Statutory Auditors, among other things, shall supervise (i) that the Company be managed in a sound manner and (ii) that the Company's internal auditing, accounting and administrative procedures be adequate. The review of the Company's books and records performed by its Board of Statutory Auditors does not constitute an audit in accordance with Italian auditing standards.

The Board of Statutory Auditors issues an annual report (Relazione al bilancio di esercizio) on the Company's annual accounts which shall remain on deposit at the legal address of the Company during the fifteen days which precede the shareholders' meeting that approves the statutory yearly financial statements.

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

The following table sets forth certain information about the current members of the Company's Board of Statutory Auditors, who have been appointed by the shareholders' meeting of April 2, 2019:

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

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

# Senior Management

## Members of the senior management

Name	Position at the Company
Stefan Weber	Chief Executive Officer, Executive Director
Ravi Anand	Chief Medical Officer
Marco Caremi	Executive Vice President Business Development
Roberto Galli	Vice President Finance
Dennis Dionne	Vice President Commercial Affairs

For a biography of Stefan Weber, Newron's CEO, see page 20.

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

Neitner Newron' by-laws nor Italian company law set a limit on the number of mandates a member of the senior management can have in other companies (either listed or not).



**Ravi Anand**, a Swiss resident, has been the Company's Chief Medical Officer since 2005. He received his university education in New Delhi, India, and his medical training, specialising in psychiatry and neurology, in the U.S. For over 25 years, Ravi has worked in international drug development and regulatory affairs at major pharmaceutical companies, including F. Hoffmann-La Roche (Switzerland), Sandoz/Novartis (USA) and Organon (Netherlands). From 1993 to 1997, Ravi was the Medical Director

of CNS, Clinical Research at Sandoz Research Institute. From 1997 to 2001, he served as the international Head of CNS Medical Affairs at Novartis and, from 2001 to 2003, as the global Head of CNS Clinical Research at Organon. Since 2003, Ravi has been acting as a consultant for Newron and other clients. During his tenure in the pharmaceutical industry, he worked in all phases (I through III) of drug development as well as in post-marketing studies (Phase IV). In total, he has been responsible for the conduct of clinical trials in over 30 countries and been involved in over 30 investigational new drug applications, and over seven international new drug applications. He has published over 50 papers and 200 abstracts, posters and presentations. He is both a U.S. and a Swiss citizen.



**Marco Caremi** has been Executive Vice President Business Development since 2012. Since September 2002, he held various Vice President positions at the Company. Marco holds a degree in Natural Science from the University of Milan and successfully completed the Accelerated Development Programme at the London Business School. He has more than 35 years of experience in the pharmaceutical industry. From 1998 to 2002, he was the Director of Business

Development at Schwarz Pharma S.p.A., where he was responsible for researching and evaluating all in- and out-licensing deals, analysing companies for potential acquisitions and developing strategic plans for forthcoming market opportunities. From 1996 to 1998, he was the Business Development Manager at Schering-Plough S.p.A. From 1990 to 1996, Marco held several marketing and sales positions at Schering-Plough S.p.A. Before that, he was a sales representative, sales specialist and sales district coordinator at Polifarma S.p.A. Marco Caremi is an Italian citizen.



**Roberto Galli** has been Vice President Finance since 2012. He has almost 25 years of experience in industry finance and auditing. He joined Newron in 2002. He has held several management positions within the Finance Department and has been involved in the Company's IPO, as well as M&A and other strategic corporate transactions: he was instrumental in finalizing the EIB funding facility. Before joining Newron, he was Senior Auditor & Business

Advisor at PricewaterhouseCoopers (PwC), leading auditing projects in mid-size and listed companies/groups. He started his career as an auditor at Coopers & Lybrand. He holds a degree in business economics from the University Luigi Bocconi in Milan and is registered with the national register of auditors. He is also a member of the Italian Angels for Biotech Association. Roberto Galli is an Italian citizen.



**Dennis Dionne** has been Vice President of Commercial Affairs since January 2017. He joined Newron Pharmaceuticals as Executive Director of Commercial Operations in 2015. Dennis has tremendous experience in the CNS arena and served in a variety of commercial leadership roles at Johnson & Johnson (21 years), at Novartis (6 years), and has pioneered a number of small venture start-ups. He has proven abilities in planning and management at both

strategic and operational levels, including building full life-cycle commercial strategies at the pre-launch stage and managing the business through various stages of growth. Dennis holds a BA in Biology & Chemistry from Roger Williams University, Bristol, RI and has successfully completed executive leadership programs in general management and operational leadership, commercial policies and practices, marketing and project management and global cross functional team leadership. Dennis Dionne is a U.S. citizen.

### Management contracts

The Company does not have management contracts with third parties.



# Compensation, Shareholdings and Loans

In line with Italian law, the maximum total annual compensation for the members of the Board is proposed to the shareholders' meeting by the Company's management and Board and approved by decision of the shareholders' meeting. The current maximum compensation of EUR 320,000 per year was approved by the shareholders' meeting of March 31, 2020 and, is applicable for the three years-term expiring on the date of the shareholders meeting scheduled to approve Newron's financial statements for the year ending December 31, 2022. Directors' maximum compensation is based on a review of European peer companies' remuneration schemes as per analyses performed by a leading human resources consulting firm in 2015 and 2017 (for detail, see below). It is within the competence of the compensation and remuneration committee to propose to the full Board the allocation of all or a part of the maximum total remuneration to the individual members, mainly according to their role and responsibilities within the Board and its committees. The resolutions are taken by the majority of the Directors present during the meeting. As per December 31, 2020, the compensation of the members of the Board consists of a fixed annual remuneration of EUR 63,038 for the Chairman of the Board and EUR 34,671 for the other members of the Board.

The Chairman of the compensation and nomination committee qualifies for an additional remuneration of EUR 7,880, whereas the Chairmen of the R&D committee and the audit and risk committee qualify for an additional remuneration of EUR 10,506, each.

The other members of the committees qualify for an additional remuneration of EUR 5,253. Effective January 1, 2021 the above compensations will be increased by 2.5%.

Furthermore, non-executive directors are participating to the 2013, 2014, 2015, 2017, 2018 and March 2020 Company stock option plans, based on capital increases approved by the Company's shareholders see page 14, 15 and 16. Under such plans, till end of December 2020, non-executive directors have been allocated a total of 475,624 stock options, each (for details see page 33).

The amount of options allocated to directors are based on an assessment performed by the remuneration and compensation committee of European peer companies' remuneration schemes, in 2015, and during 2017 (for detail, see below). It is the current policy not to pay a variable cash remuneration to non-executive members of the Board.

For the fiscal year ended December 31, 2020, Stefan Weber has waived his compensation as member of the Board.

Generally, the compensation (base salary, bonus and stock-based remuneration) of the members of the Senior Management (excluding the Executive Director's one, for which the full board decision is required under Italian law), is set and reviewed annually by the compensation and nomination committee of the Board, in accordance with Newron's compensation practice and suggestions received from the external advisor mentioned below. The review is based on experience of the members of the committee, publicly available information (e.g. peer companies' annual reports) as well as advice from a leading human resources consulting firm with regards to remuneration packages required to attract internationally experienced senior executive managers from the biopharmaceutical industry, including information available on peer companies. The compensation and nomination committee is required to inform the Board of the decisions taken.



In December 2017, the compensation and nomination committee of the Board as well as the full Board were presented a report on Board and senior management compensation (including annual salary; stock options and other benefits) by one of the leading human resources consulting firms, comparing Newron to peer companies in Europe (16, including amongst others AC Immune, CH; Biofrontera, Germany; Nanobiotix, France; Paion, Germany; Pharming Group, NL; Quotient, U.K.; Santhera Pharmaceuticals, CH; Silence Therapeutics, U.K.) and the United States (21, including amongst others, Adamas Pharmaceuticals, Curis, Intra-Cellular Therapies, Palatin Technologies, Revance Therapeutics, Syndax Pharmaceuticals, Verastem) with a comparable status of corporate and development project status, market cap, revenues and team size. When reviewing the results, the compensation and nomination committee proposed to the full Board who agreed to apply the 50th percentile of the European peer group's data. Because of the Covid-19 pandemic and the sarizotan results published on May 4, 2020, the compensation and nomination committee has delayed an updated analysis to the end of 2021. Since the last report, the advisor has not been awarded additional mandates.

Senior management compensation consists of base salary, cash bonus and stock-based remuneration (stock options, for more details see Note "Stock-based remuneration" on page 14). The maximum bonus for senior management is 30% (CEO: 50%) of the base salary, based on Company performance objectives as described below. In addition, Newron offers to senior management company cars (in Europe only), mandatory social security payments and certain life and disability insurance coverage.

The compensation and nomination committee of the Board sets, at the beginning of the year, Company performance objectives and attributes a weight to them in %. At year end, the committee decides at its own discretion on the level of achievement of the Company performance objectives: accordingly, all Newron Group' are rewarded in proportion of their personal level of bonus. These objectives are related to the key value drivers of the Company like development progress, licensing and M&A transactions, financing and budgetary discipline.

For 2020, Company's senior management has been rewarded a bonus reflecting achievement of 50% of the Company objectives, among which the resilience of the full team in light of the Covid-19 pandemic which allowed the Company to move ahead the Evenamide program without major delays and, related to the sarizotan trial ended in May 2020, the efficient termination of the development program, respecting the needs of the patients and the Rett community.

The amount of options allocated to members of the senior management are based on an assessment performed by the remuneration and compensation committee of European peer companies' remuneration schemes, in 2015, and during 2017 (for detail, see above).

The total gross compensation of the members of the Board in 2020 is outlined below:

(In thousand EUR)	Cash compensation (gross amount)	Stock options**	Total 2020	Total 2019
Ulrich Köstlin, non-executive Chairman, Chairman of compensation and nomination committee	71	49	120	134
Stefan Weber, executive director*	403	179	582	691
Patrick Langlois, non-executive director, Chairman of audit and risk committee, member of compensation and nomination committee	50	49	99	114
Robert Holland, non-executive director, member of R&D committee	40	49	89	104
Don deBethizy, non-executive director, Chairman of R&D committee and member of the audit and risk committee (from May 2019)	50	49	99	112
Luca Benatti, non-executive director, member of R&D committee, member of audit & risk committee	45	49	94	109
<b>Total</b>	<b>659</b>	<b>424</b>	<b>1,083</b>	<b>1,264</b>

\* Full year remuneration in his function as CEO

\*\* Evaluation under IFRS rules, not necessarily reflects personal income

For the fiscal year ended December 31, 2020, the aggregate compensation (consisting of statutory auditors' fees) paid by Newron to the Company's Board of Statutory Auditors was about thousand EUR 60 (2019: EUR 55).

The total gross compensation and the highest individual compensation of the members of the senior management in 2020 are outlined below:

(In thousand EUR)	Base salary/ remuneration (gross amount)	Bonus (gross amount)	Stock options	Total 2020	Total 2019
Ravi Anand, CMO	969	57	125	1,151	1,218
Total senior management	2,154	294	698	3,146	3,499

#### Payments to former management and directors

None.

### Share allotment

In the year ended December 31, 2020, no shares have been allotted to any members of the Board nor the senior management or parties closely linked to them.

The holdings of shares and stock options in Newron by members of the Board, senior management and parties closely linked to them as of December 31, 2020, are outlined below:

	<b>Shares *</b>	<b>Stock options</b>	<b>of which vested</b>
Ulrich Köstlin non-executive Chairman of BoD	40,249	40,658	21,642
Stefan Weber, CEO, executive member of BoD	20,351	236,334	149,107
Patrick Langlois non-executive director	5,000	51,408	32,392
Robert Holland non-executive director	0	44,408	25,392
Don deBethizy non-executive director	0	51,408	32,392
Luca Benatti non-executive director	0	51,408	32,392
Ravi Anand, CMO	32,040	152,325	91,266
Marco Caremi, Executive Vice President Business Development	0	97,341	53,818
Roberto Galli, Vice President Finance	2,500	117,682	74,069
Dennis Dionne, Vice President Commercial Affairs	0	174,625	87,259

\* As far as the Company is aware.

The weighted average exercise price of the granted stock options is EUR 11.03. The exercise ratio in all cases is 1 share for 1 stock option. For additional information please refer to section "Stock based remuneration" above.

#### **Additional fees and remunerations**

No additional fees and remunerations have been charged to Newron by any member of the Board or of the senior management or parties closely linked to them for additional services performed during 2020.

#### **Loans and credits to the Board and senior management in the sense of Article 15 of the Ordinance Against Excessive Compensation:**

No loans or credits were granted during 2020 to current and former members of the Board or senior management. In addition, as of December 31, 2020, no such loans or credits were outstanding.

#### **Compensation, loans and credits to related persons in the sense of Article 16 of the Ordinance Against Excessive Compensation**

In 2020, no non-market standard compensation has been paid by the Company, whether directly or indirectly, to persons related to Board and senior management members of the Company.

No loans or credits at non-market conditions were granted during 2020 to persons related to Board and senior management members of the Company. In addition, as of December 31, 2020, no such loans or credits were outstanding.

# Shareholders' Participation

## Ordinary meetings

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

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

## Extraordinary meetings

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

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

## Notice of meetings

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

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

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

### Attendance and voting rights

To attend any shareholders' meeting, a Company shareholder must give evidence of its status as shareholder. Accordingly, a shareholder has to ask the Bank where its shares are deposited, to send to the Company the so called "comunicazione dell'intermediario"/"biglietto d'ammissione" (communication/admission ticket) requested by the Italian law. The above communication will allow the Company to recognize the shareholder and to know how many Company shares (i.e. voting rights) he holds: this communication must reach the Company at least one business day prior to the shareholders' meeting. The registration procedure may require up to 10 working days to be duly finalized. Therefore, the Company suggests its non-Italian shareholders to start it immediately after the publication of the official call of the shareholders' meeting.

For additional information regarding the attendance procedure, please check <https://www.newron.com/investors/shareholders-meeting> – at due time ahead of each shareholders' meeting.

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

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

Each share is entitled to one vote at the shareholders' meeting. The by-laws of the Company do not contain any limitations on the voting rights in respect of shares held by any shareholder.

### Minority shareholders' rights

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

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

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

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

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

# Change of Control and Defence Measures

In line with Swiss law, which is applicable to Newron as an Italian entity since May 1, 2013, Newron's shareholders (and any direct or indirect holder, acquirer, or seller of shares) are required to comply with the provisions as set forth in Articles 125 ss. of the FMIA and pertinent regulations, including FMIO-FINMA Articles 30 ss. and the Ordinance of the Takeover Board on Public Takeover Offers of August 21, 2008, as amended ("TOO") (all such laws and regulations, the "Swiss Tender Offer Laws"). The Swiss Tender Offer Laws provide, among other things, that if a person acquires shares of a company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33 <sup>1</sup>/<sub>3</sub>% of the voting rights (whether exercisable or not) of such company, that person must make an offer to acquire all of the listed shares of that company.

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

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

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



# Auditors

Upon proposal by the management and Board of the Company, on April 2, 2019, the shareholders' meeting has appointed EY S.p.A. as the Company's independent auditors in relation to the audit of the Company's financial statements for the three financial years until December 31, 2021. The recommendation by the Company's management and Board, who had asked alternative audit companies to provide offers for a 3-year period (as foreseen by Italian law) of collaboration was based on the high quality of the audit team proposed by EY, its audit experience in the pharmaceutical industry, the capability to support international projects and the financial terms offered for the work expected to be done for Newron.

The auditor in charge, starting with the review of the Half Year Report 2016, is Paolo Zocchi: he will stay in charge until the approval of the financial statements dated December 31, 2021. EY will receive an expected fee of about thousands EUR 105 (2019: EUR 108) exclusively due to the audit of the Company's Italian GAAP Financial Statements, the financial statements of the subsidiaries under the local GAAP standards, and the Group's consolidated IFRS Financial Statements. Further fees of thousands EUR 36 (2019: EUR 295) were charged by EY for the audit procedures on royalty revenues received in 2020 and the activities related to the R&D Tax Credit official reports.

## **Supervisory and control instruments pertaining to the audit**

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

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

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

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

In 2020, the audit committee has held two meetings with EY S.p.A., during which the members were presented the planned audit scope, timelines, budget and results of the work performed by EY S.p.A. in auditing the IFRS Consolidated Financial Statements and the Italian GAAP Financial Statements for Newron for the year 2019, in reviewing the Interim Consolidated Financial Statements for the six months ended June 30, 2020, as well as the other services provided by EY S.p.A. The members of the audit and risk committee do regularly give their input to such presentations and might ask for changes or a special focus of the audit/review work, thereby controlling audit focus, performance and cost.

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

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

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

# Information Policy

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

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

<https://www.newron.com/news-and-media/regulatory-news/year/all> and our web page push service, where interested parties can register under here: <https://www.newron.com/investors/email-alerts>

It is our aim to reach out to all potentially interested addressees in the field and once attracted to Newron, keep them up to the news. In order to keep satisfaction at high levels, we do commit to give a true and fair view to the news. Newron's PR and IR representatives are at your disposal.

## Important dates for 2020

- Annual General Meeting of Shareholders: April 13, 2021, in the Company's offices at Via Antonio Meucci 3, 20091 Bresso (Mi), Italy
- Publication of half-year results: September 16, 2021

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### Non-applicability/negative disclosure

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

# IFRS Consolidated Financial Statements

# Consolidated Statement of Profit or Loss

(In thousand Euro, except per share information)

	Note	For the year ended December 31	
		2020	2019
Licence income from contracts with customers		23	2,284
Royalties from contracts with customers	8	5,235	4,754
<b>Revenue</b>		<b>5,258</b>	<b>7,038</b>
Research and development expenses	9/10	(14,853)	(17,440)
Marketing and advertising expenses		(331)	(634)
General and administrative expenses	9/11	(8,140)	(9,863)
<b>Operating result</b>		<b>(18,066)</b>	<b>(20,899)</b>
Financial income	12	969	1,560
Financial expenses	12	(2,521)	(823)
<b>Result before tax</b>		<b>(19,618)</b>	<b>(20,162)</b>
Income tax	13	(1,380)	(45)
<b>Net loss</b>		<b>(20,998)</b>	<b>(20,207)</b>
<b>Loss per share</b>			
Basic and Diluted loss per share	14	(1.18)	(1.13)
<b>Weighted average number of shares (thousands)</b>		<b>17,845</b>	<b>17,845</b>

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

# Consolidated Statement of Comprehensive Income

(In thousand Euro)	Note	For the year ended December 31	
		2020	2019
Net loss for the year		(20,998)	(20,207)
Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods:			
Net gain/(loss) on other current assets	18	(11)	20
Exchange differences on translation of foreign operations		10	9
Net other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods		(1)	29
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurements on defined benefit plans	26	(14)	(3)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		(14)	(3)
Other comprehensive income for the period, net of tax		(15)	26
<b>Total comprehensive loss for the period, net of tax</b>		<b>(21,013)</b>	<b>(20,181)</b>

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

# Consolidated Statement of Financial Position

(In thousand Euro)		As of December 31	
	Note	2020	2019 restated <sup>1</sup>
<b>Assets</b>			
Non-current assets			
Property, plant and equipment		105	116
Right-of-use assets	15	629	136
Intangible assets		11	20
Non-current receivables	16	12,579	14,525
		13,324	14,797
Current assets			
Receivables and prepayments	17	6,624	6,328
Other current financial assets	18	18,037	17,111
Cash and cash equivalents	19	13,213	22,052
		37,874	45,491
<b>Total assets</b>		<b>51,198</b>	<b>60,288</b>
<b>Shareholders' equity</b>			
Share capital	20	3,569	3,569
Share premium and other reserves	21	26,099	46,306
Share option reserve	22	14,605	13,144
Retained earnings		(26,157)	(25,341)
Translation differences		(870)	(880)
<b>Total shareholders' equity</b>		<b>17,246</b>	<b>36,798</b>
<b>Liabilities</b>			
Non-current liabilities			
Interest-bearing loan	23	25,674	16,749
Non-current lease liabilities	24	520	78
Cash-settled share-based liabilities	25	181	436
Employee severance indemnity	26	685	632
		27,060	17,895
Current liabilities			
Current lease liabilities	24	151	60
Trade and other payables	27	6,741	5,535
		6,892	5,595
<b>Total liabilities</b>		<b>33,952</b>	<b>23,490</b>
<b>Shareholders' equity and liabilities</b>		<b>51,198</b>	<b>60,288</b>

1): In 2020, Management restated the 2019 figures related to the R&D tax credit receivables (item into "Current Assets – Receivables and prepayments"). For additional information, please refer to Note 3 Change in accounting policies and disclosures – New standards, interpretations and amendments adopted by the Group and Note 16.

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



# Consolidated Statement of Changes in Equity

(In thousand Euro)	Note	Share capital	Share premium and other reserves	Share option reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2019		3,569	61,341	11,018	(889)	(20,203)	54,836
Net loss						(20,207)	(20,207)
Other comprehensive income/(loss)					9	17	26
Total comprehensive loss for the period		0	0	0	9	(20,190)	(20,181)
Previous year loss allocation	21		(15,035)			15,035	0
Share option scheme	22			2,126			2,126
Fair value reserve release						17	17
Balance at December 31, 2019		3,569	46,306	13,144	(880)	(25,341)	36,798
Net loss						(20,998)	(20,998)
Other comprehensive income/(loss)					10	(25)	(15)
Total comprehensive loss for the period		0	0	0	10	(21,023)	(21,013)
Previous year loss allocation	21		(20,207)			20,207	0
Share option scheme	22			1,461			1,461
Balance at December 31, 2020		3,569	26,099	14,605	(870)	(26,157)	17,246

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

# Consolidated Statement of Cash Flows

(In thousand Euro)	Note	For the year ended December 31	
		2020	2019
Result before taxes		(19,618)	(20,162)
Interest received		75	290
Interest paid		(606)	(56)
Adjustments for:			
Depreciation and amortisation		219	206
R&D tax credit and other non monetary income/expense		(1,014)	(5,087)
Share option expenses	22	1,461	2,126
Employee severance indemnity expense		172	170
Changes in working capital:			
Current receivables and prepayments and deferred cost		1,227	(158)
Trade and other payables and deferred income		557	707
Pension fund paid	26	(7)	(25)
Change in non-current receivables	16	1,946	13
Cash used in operating activities		(15,588)	(21,976)
Cash flows from investing activities			
Purchase of financial assets		(2,215)	(3,056)
Disposal of financial assets		1,634	2,175
Purchase of property, plant and equipment		(34)	(51)
Purchase of intangible assets		(1)	0
Net cash flows from/(used in) investing activities		(616)	(932)
Cash flows from financing activities			
Proceeds from borrowings	23	7,500	17,500
Lease liabilities	24	(135)	(163)
Net cash flows from financing activities		7,365	17,337
Net increase in cash and cash equivalents		(8,839)	(5,571)
Cash and cash equivalents at January 1,	19	22,052	27,623
Cash and cash equivalents at the end of the year		13,213	22,052

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

# Notes to the Consolidated Financial Statements

## 1 Corporate information

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

- Newron Pharmaceuticals S.p.A. (the Company), a clinical stage biopharmaceutical company focused on the discovery and development of drugs for the treatment of central nervous system (CNS) disorders and pain – the parent Company;
- Newron Pharmaceuticals US Inc., a fully owned clinical development subsidiary, incorporated on June 6, 2014 under the Delaware rules, based in Morristown, New Jersey (USA) whose activities started on July 8, 2014;
- Newron Sweden AB, a fully owned, private biotechnology company with registered offices based in Stocksund (Sweden) developing new medicines to treat illnesses caused by necrosis of the Central Nervous System (CNS);
- Newron Suisse SA, a clinical development fully owned subsidiary with registered offices based in Zurich (Switzerland), established during 2007;
- Hunter-Fleming private limited company, a private biopharmaceutical company with registered offices based in Brixham, Devon (United Kingdom) and focused on neurodegenerative and inflammatory disorders.

Newron Sweden AB, Newron Suisse SA and Hunter-Fleming are currently inactive.

The Company is incorporated and domiciled in Milan, Italy. The address of its registered office is Via Antonio Meucci 3, 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 and, since June 26, 2019, is also listed at the Dusseldorf Stock Exchange and traded on the XETRA electronic platform under the trade name NP5.

The Group is principally engaged in discover, develop and commercialise novel drugs to treat diseases of the Central Nervous System (CNS) and pain.

These consolidated financial statements have been approved for issuance by the Board of Directors on March 11, 2021.

## 2 Basis of preparation

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

The consolidated financial statements are based on the financial statements of the subsidiaries prepared for the same reporting period using consistent accounting policies. The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities which are measured at fair value, as described in the notes.

The presentation currency is EUR. All figures included in these consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest thousand EUR except when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period.

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

Considering the Group's current cash position and the level of spending planned in management's budgets, the directors believe that the Group will be able to meet its obligations as they fall due for a period of at least 12 months from the date of signing of the finan-

cial statements, and hence the consolidated financial statements have been prepared on a going concern basis. Moreover, on October 29, 2018 the Company signed a financing agreement with the European Investment Bank which will allow Newron to borrow up to EUR 40 million over the coming years, subject to achieving a set of agreed performance criteria; as of December 2020, EUR 25 million have been already borrowed. Please refer to Note 23 and 25 for additional information.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to make judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### *Covid-19 pandemic effects*

The spread of the Covid-19 pandemic resulted in a significant impact on production and commercial activities in many countries, mainly as a consequence of the restrictions and containment measures adopted by local governments, including travel bans, quarantines and other public emergency measures. The Covid-19 pandemic has also resulted in significant volatility in the financial and commodities markets worldwide.

The Group experienced a limited impact, almost fully recovered before year end, on the valuation of the fair value of its financial assets and, from a business perspective, a slight delay on the expected timing of certain studies. In this respect, the Group is working closely with the vendors to mitigate any potential disruption to the on-going or planned clinical trials as a result of the Covid-19 pandemic. Should the Covid-19 pandemic persist for an extended period or worsened, the Group could experience a disruption or a significant delay in the ability to initiate trial sites, enrol and assess patients. In addition, as the Group relies on the support by Clinical Research Organizations and other third parties to perform its clinical trials, the Group cannot guarantee that its subcontractors will continue

to perform their contractual duties in a timely and satisfactory manner as a result of the Covid-19 pandemic.

Although the Group put in place measures to ensure the protection of its employees and business continuity, it cannot be ensured that these safeguards are able to guarantee their effectiveness. In particular, the adoption of hygiene and safety measures cannot exclude that Group's employees are infected by the virus. Furthermore, it cannot be excluded that any interruption in development activities or trials could occur. The aforementioned circumstances, could entail the risk for the Group of being unable to conduct its development plans as expected, with a substantial negative effect on its business, economic, equity and/or financial situation.

#### **A Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements of Newron Group include the accounts of Newron Pharmaceuticals S.p.A., Newron Suisse SA, Hunter-Fleming private limited company, Newron Sweden AB and Newron Pharmaceuticals US Inc. as of December 31, 2020. The four subsidiaries are fully owned by Newron Pharmaceuticals S.p.A., the parent company.

## B Summary of significant accounting policies

### a) Segment reporting

The Company operates in a single business segment, which is research and development of pharmaceutical drugs. Geographically the research and development activities are mainly performed in Italy and United States of America (USA). The Company does not consider the geographies to be separate segments.

### b) Related party transactions

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions; please refer to Note 31 for additional details.

### c) Foreign currency translation

The Group's consolidated financial statements are presented in 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.

#### Measurement currency

Items included in the financial statements of each entity are recognised and subsequently measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

#### Transactions and balances

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

#### Group companies

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

	Income statements in Euro (average rates)		Rates as of December 31	
	2020	2019	2020	2019
CHF 1	0.93414	0.89892	0.92575	0.92132
GBP 1	1.12397	1.13925	1.11231	1.17536
SEK 1	0.09538	0.09444	0.09966	0.09572
USD 1	0.87550	0.89328	0.81493	0.89015

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

### d) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

- The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

#### e) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows,

based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### f) Business combination and goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date,

allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

#### g) Property, plant and equipment

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

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

Office equipment and other assets	3 – 10 years
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The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

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

#### h) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below EUR 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Group recognises "Right-of-use assets" representing the right to use the underlying assets and "Lease liabilities" to make lease payments.

##### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.



Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term; depreciations rate are the following:

- Offices 6 to 12 years
- Motor vehicles 3 to 4 years

Right-of-use assets are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than four years and hence not exercising any renewal options.

#### **i) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### *Computer software and licences*

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

#### *Brands*

Costs incurred in depositing the Group's name and logo and obtaining their exclusive use world-wide are classified as brands and are shown at historical cost. Brands have a definite useful life and are carried at cost less accumulated amortisation. Asset's estimated useful life is three years.

#### *In-process research and development*

In-process research and development ("IPR&D") projects acquired in a business combination are capitalized as intangible assets if the project meets the definition of an asset and its fair value can be measured reliably. Expenditure incurred on each project after acquisition is accounted for in accordance with the policy stated for internally incurred research and development costs. Before the achievement of the corresponding market authorization IPR&D projects are tested annually for impairment. When selling approval has been obtained, the projects are reclassified to developed technologies with the subsequent commencement of the amortization process.

#### **j) Impairment of non-current assets**

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

#### **k) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Financial Assets**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15; please refer to Note 18 for additional details.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Based on Group's business model, financial assets' categories adopted by the Group are classified as:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss.

#### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

*Financial assets at fair value through OCI (debt instruments)*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments.

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

### Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, including bank overdrafts.

Subsequent measurement of financial liabilities depends on their classification.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

### l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are subject to an insignificant risk of changes in value.

### m) Share capital

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

### n) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The "Sale of licenses" is recognised when the Group assigns the rights of ownership to the customer, and collectability of the related receivables is reasonably assured. Receipts of "Upfront payments" and other similar non-refundable payments relating to the sale or licensing of products or technology are initially reported as contract assets and recognised as income on a straight-line basis over the estimated period of the collaboration required to finalise the development period.

Income from "Royalties" is recognised on an accrual basis and represents income earned as a percentage of product sales, in accordance with the terms of the relevant agreement.

"Reimbursements" received in relation to the licensing and collaboration agreement with Zambon Company S.p.A. or other entities like the European Community or Foundations are booked as a decrease of the related costs incurred since they are not considered as "ordinary operating activities" under the Group's business model.

#### **o) Government Grants**

Grants relating to income are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

As far as the presentation of the R&D tax credit, Management decided to present in the Profit & Loss the R&D tax credit as a deduction to the related expenses, as allowed by IAS 20 – Government Grants.

#### **p) Research and development costs**

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

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

#### **q) Current and deferred income taxes**

The income tax charge is based on profit for the year and includes deferred taxes. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured

using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on enacted or substantially enacted tax rates as of the balance-sheet date.

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

Deferred tax assets resulting from unused tax losses and temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilized. Since inception, no tax assets have been ever recognised to offset income taxes.

#### **r) Employee benefits**

*Employee severance indemnity*

*(Trattamento di Fine Rapporto, T.F.R.)*

In accordance with Italian legislation, an employee benefit is accrued for service to date and is payable immediately when the employee leaves the Company virtually for any reason. Accordingly, the benefit payable will depend on the employee's years of service and compensation.

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

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

The Group recognizes all actuarial gains and losses in full in the period in which they occur in other comprehensive income in accordance with IAS 19.93A. Further details are disclosed in Note 26.

#### *Pension costs*

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

#### *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan (Employees Stock Option Plan – ESOP). As stated by IFRS 2, the cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The total amount to be expensed over the vesting period is measured by reference to the fair value at the date on which the options were granted. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### **s) Provisions**

Provisions are recognised when i) the Group has a present obligation (legal or constructive) as a result of a past event; ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and iii) a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.



### 3 Change in accounting policies and disclosures

The accounting policies used in the preparation of the consolidated financial statements are consistent with those applied in the previous year.

In this respect, it should be noted that in 2020, Management restated the 2019 figures due to the reclassification of the R&D tax credit receivable, amounting to EUR 16,655 as of December 31, 2019. The receivable was entirely classified among Current assets in the financial statements as of December 31, 2019, instead of being split between Current and Non-current assets, as a portion of the receivable would have been realised in a period longer than twelve months. In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, Management reclassified the figures as of December 31, 2019 disclosing the receivable related to R&D tax credit that expect to be realized in a period longer than twelve months among Non-current assets (EUR 14,455) and the remaining part among Current assets (EUR 2,200). In 2018, the Non-current assets related to R&D tax credit would have been equal to EUR 11,686, while EUR 1,939 would have been reclassified among Current assets.

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

#### New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any other standard, interpreta-

tion or amendment that has been issued but is not yet effective.

#### Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

#### Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

#### Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on

the consolidated financial statements of, nor is there expected to be any future impact to the Group.

#### *Amendments to IFRS 16 Covid-19 Related Rent Concessions*

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

#### *Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

#### **4 Significant accounting judgements, estimates and assumptions**

The preparation of the consolidated financial information requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and

assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Summarized below are the Group's accounting estimates that require the most subjective judgment: Group management based the estimates on historical experience and on various other assumptions assessed as reasonable, the results of which form the basis for making judgments about the carrying value of assets, liabilities and equity and the amount of revenues and expenses. While making estimates and assumptions, Group management has taken in due account the actual and potential effects of the Covid-19 pandemic together with other assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the financial statements.

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

#### *Revenue from contracts with customers*

The nature of the Group's business is such that many sales transactions do not have a simple structure and may consist of various performance obligations that are satisfied at different times. Contracts entered typically include performance obligations for "Sales of licences", "Upfront payments" and "Royalties".

The "Sale of licenses" is recognised when the Group assigns the rights of ownership to the customer, and collectability of the related receivables is reasonably assured. Receipts of "Upfront payments" and other similar non-refundable payments relating to the sale or licensing of products or technology are initially reported as contract assets and recognised as income on a straight-line basis over the estimated period of



the collaboration required to finalise the development period.

Income from “Royalties” is recognised on an accrual basis and represents income earned as a percentage of product sales, in accordance with the terms of the relevant agreement.

#### *Cost accruals*

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

#### *Government grants receivables*

In accounting for the Research and Development (R&D) tax credit, Management has to exercise significant assumptions and judgments.

Grants related to the R&D tax credit, are booked as a reduction of “Research and development expenses”. According to the Italian Law 190/2014 and following amendments, the Group is entitled to receive from the Italian Tax authorities the R&D tax credit: such grant does not provide for a direct reimbursement of incurred expenses as relevant Research and development expenses are only used to calculate the amount that the Group can recognize as a receivable. Such receivable can be used to offset the payment of certain taxes and contributions (e.g. social contributions, VAT payments, registration fees, income and withholding taxes and all other tax-related items that companies pay on a monthly basis) with the aim of reducing the actual monthly cash-out of the companies investing in R&D activities.

The recognition of the R&D tax credit is not based on taxable profits, whereas it depends on the existence of R&D expenses recognized by the companies in specified periods as detailed by the applicable law. The R&D tax credit falls within the scope of IAS 20 – Government Grants as the eligible entities become entitled to the right to obtain and use a tax credit in return of past compliance with certain conditions relating to the operating activities of the entity.

Government grants for the acquisition of tangible fixed assets reduce the asset’s carrying acquisition cost.

#### *Capitalisation of development costs*

IAS 38 requires the capitalisation of development costs upon the completion of certain requirements about commercial and technical feasibility of projects, the availability of adequate funding resources and the ability to measure costs reliably. All development costs incurred until December 31, 2020 have been treated as expenses as commercial and technical feasibility continues to be assessed. There are no intangible assets in relation to development expenditure except the In-process R&D projects recognised as part of business combinations.

#### *Deferred tax assets*

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

## **5 Seasonality**

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

## **6 Financial risk management**

### **Financial risk factors**

The Group’s activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and it is aimed at minimizing potential adverse effects on the Group’s financial performance. Risk management, such as identification, evaluation and management of

financial risks, is carried out by the Group's finance department under the policies approved by the Board of Directors. The Board of Directors has provided written principles with regard to overall risk management, as well as written policies covering specific area such as investing excess liquidity. There is no use of valuation techniques for financial assets or liabilities.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

Newron Group exposure to interest rate risk is limited as, according to a policy approved in 2016, *"All investments in financial instruments by the Company shall be for capital preservation purposes, aimed at safeguarding its capital, reserves and liquidity until the funds are used in the Company's primary business"*. It is also stated that *"Any investment in derivative financial instruments shall need to be previously authorised by the Company's Board of Directors"*.

Consequently, to reduce the volatility of its investments, the Group has always invested in financial instrument rated  $\geq$  BBB (Fitch) with very few exceptions. As detailed, the financial instruments owned by the Group, which are mainly represented by bonds and funds, are exposed to a limited volatility and market risk, which is more relevant for equity investments, being subject to equity price changes. Group management prepared a sensitivity analysis assuming variances of  $\pm 1\%$  and  $\pm 3\%$  in the market price of financial instruments and the variances were respectively equal to 0.6% and 1.7% of total Group's liquidity.

Accordingly, Newron consider itself to be exposed to limited interest rate risk and other price risk arising from the holding of listed/government bonds and investment funds.

Newron Group is mainly exposed to currency risk i.e. the risk that the fair value or future cash flows of an

exposure will fluctuate because of changes in foreign exchange rates, whereas it is not exposed to commodity price risk and other price risk.

The Group operates internationally and is exposed to currency risk arising from various exposures, primarily with respect to the Swiss Francs, UK Pounds, Swedish Krona and US Dollars. Foreign exchange risk arises from future purchase and service transactions, recognised assets and liabilities and net investments in foreign operations. To manage foreign exchange risk, the Group maintains foreign currency cash balances to cover anticipated future requirements. Accordingly, starting from December 2016, the Board of Directors and Management have decided to purchase an amount of US Dollars representing the expected needs for nine to twelve month rolling period expenses as per approved budget.

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

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instruments or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operative activities since its receivables are related to only one partner. Credit risk from balances with banks and financial institutions is managed by Group's Finance in accordance with the Group's policies: consequently, cash and cash equivalents are held with approved financial institutions with at least BBB (Fitch) or higher ranking (please refer to Note 18 & 19 for additional information).

#### Liquidity risk

Management monitors the Group's cash position on rolling forecasts based on expected cash flow to enable the Group to finance research and development activi-

ties. The Group's principal source of liquidity is its cash reserves which were obtained through the issuing of new shares at IPO and through subsequent fund raisings including borrowings by financial institutions. The Group's policy states to invest these funds in low risk investments including interest bearing deposits. The financial status at December 31, 2020 assures that the Group's operations will be well funded into 2021 and for a period of at least 12 months from the date of signing of the financial statements, not taking into account further cash generating revenue streams.

The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group's ability to raise further funds from the out-licensing of its development stage products and the issuance of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term.

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

#### December 31, 2020

Maturity table	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade and other payables	6,741	-	-	-	6,741
Interest-bearing loan, undiscounted	-	-	25,000	-	25,000
Interest on loan, undiscounted	-	571	11,241	-	11,812
Non-current lease liabilities	-	-	520	-	520
Current lease liabilities	38	113	-	-	151
<b>Total</b>	<b>6,779</b>	<b>684</b>	<b>36,761</b>	<b>-</b>	<b>44,224</b>

#### December 31, 2019

Maturity table	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade and other payables	5,535	-	-	-	5,535
Interest-bearing loan, undiscounted	-	-	17,500	-	17,500
Interest on loan, undiscounted	-	525	7,819	-	8,344
Non-current lease liabilities	-	-	78	-	78
Current lease liabilities	15	45	-	-	60
<b>Total</b>	<b>5,550</b>	<b>570</b>	<b>25,397</b>	<b>-</b>	<b>31,517</b>

## 7 Group information

### Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest as of December 31,	
			2020	2019
Newron Suisse SA	Clinical development	Switzerland	100	100
Hunter Fleming private limited company	Biotech	United Kingdom	100	100
Newron Sweden AB	Biotech	Sweden	100	100
Newron Pharmaceuticals US Inc.	Clinical development	United States	100	100

Entity with significant influence over the Group  
None.

## 8 Royalties from contracts with customers

(In thousand Euro)	For the year ended December 31	
	2020	2019
Royalties from contracts with customers	5,235	4,754

In 2020, net Royalties from contracts with customers (royalties) increased by 10%. During the second quarter, Supernus Pharmaceuticals, Inc. announced the closing of the acquisition of the entire CNS portfolio of US WorldMeds, thus becoming the commercial partner of Zambon for the USA.

Royalties payable to Newron according to the agreement in place with Zambon, have been communicated to Newron by its partner.

## 9 Staff costs net of other reimbursements

The following table summarizes the staff costs recognized among R&D and G&A expenses detailed in Notes 10 and 11.

(In thousand Euro)	For the year ended December 31	
	2020	2019
Wages and salaries	4,723	4,072
Pension costs – defined contribution plans	664	635
Share options granted to directors and employees	1,461	2,126
Employee severance indemnity costs	160	162
Social security costs	109	160
	<b>7,117</b>	<b>7,155</b>

The average number of Group employees in 2020 was 23 (2019: 26), of whom 1 (2019: 1) was part-time. The increase in Staff costs is mostly related to the combined effect of: i) the decrease in number of employees and ii) the reduction, from EUR 923 in 2019 to EUR 244 in 2020, of the yearly benefit related to the R&D tax credit impact (please refer to Note 10 for additional information).

## 10 Research and development expenses net of grants and other reimbursements

(In thousand Euro)	For the year ended December 31	
	2020	2019
Services received from subcontractors	9,451	10,896
Staff costs	2,924	2,584
Consultancy fees	1,216	1,363
Material and consumable used	295	1,425
Travel expenses	267	655
Depreciation, amortisation and impairment expense	64	58
Other research and development costs	636	459
	<b>14,853</b>	<b>17,440</b>

The decrease in Services received from subcontractors is mainly due to the decision taken by Management and communicated to the market on May 4, 2020, to terminate the phase III double-blind, placebo-controlled study performed to evaluate the efficacy of sarizotan in Rett Syndrome patients due to the lack of evidence of efficacy on the primary or secondary efficacy variables. Therefore the Company also interrupted its activities related to the optimization of a liquid formulation of sarizotan, thus reducing the Material and consumable used expenses.

The increase in Staff costs is mainly due to the reduction of the R&D tax credit yearly benefit partially compensated by the reduction of stock options costs. Please refer to Note 9 for additional information.

As far as relates the travel expenses, the spread of Covid-19 pandemic – that forced governments to impose restrictions and containment measures in several countries – resulted in reduction of travel expenses.

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 2015–2020. The R&D tax credit does not provide for a

direct reimbursement of incurred expenses as such expenses are only used to calculate the amount that each company can recognize as a receivable. Such receivable can be used to offset the payment of certain taxes and contributions (e.g. social contributions, VAT payables, registration fees, income and withholding taxes and all other tax-related items that companies pay on a monthly basis) with the aim of relieving the actual monthly cash-out.

The “2020 Stability Law” has ceased the old structure of the R&D Tax Credit. Starting from January 1, 2020, companies investing in research and development activities are allowed to recognize an R&D tax credit that will be equal to the 12% of certain R&D expenses incurred in the year. For the year 2020, the total R&D tax credit that can be granted, is limited to EUR 3 million.

Expenses incurred by the Company in 2020 granted a total R&D tax credit amounting to EUR 1,411 (2019: 4,969). Therefore, Services received from sub-contractors, Consultancy fees and Material and consumable used have been reduced respectively by EUR 1,078 (2019: 3,204), EUR 49 (2019: 383) and EUR 40 (2019: 440). The overall effect is detailed in the following table. Please refer to Note 9 for additional information regarding the impact of R&D Tax credit on Staff Costs.

Since May 14, 2012, all safinamide/Xadago®-related research and development expenses borne by the Group are reimbursed by Zambon: accordingly, research and development expenses are presented net of the reimbursement by Zambon, amounting to EUR 66 as of December 2020 (2019: EUR 50).

The following table presents research and development expenses net of the effects described above.

(In thousand Euro)	For the year ended December 31	
	2020	2019
Research and development expenses, gross	16,330	22,459
Reimbursed by Zambon	(66)	(50)
R&D Tax Credit	(1,411)	(4,969)
	<b>14,853</b>	<b>17,440</b>

Since inception, no development costs have been capitalised.

## 11 General and administrative expenses

(In thousand Euro)	For the year ended December 31	
	2020	2019
Staff costs	4,193	4,571
Consultancy and other professional services	2,592	3,683
Intellectual properties	732	683
Travel expenses	91	322
Operating lease cost	80	87
Depreciation and amortisation expense	155	149
Other expenses	297	368
	<b>8,140</b>	<b>9,863</b>

The decrease in Staff costs by EUR 378 is mainly due to the decrease in stock options costs and the effect of one employee leaving the company. Please refer to Note 9 for additional information on the development of Staff costs.

In 2019, the Company was assessing a potential dual listing and was also getting its shares traded on the primary market of the Düsseldorf Stock Exchange as well as XETRA: all activities related to the potential dual listing were terminated in 2019 and no similar expenses were incurred in 2020. Accordingly, Consultancy and other professional services as of December 31, 2020, were lower by EUR 1,091 in comparison with the 2019 figures.

## 12 Financial results

The following table summarize the financial income of the period:

(In thousand Euro)	For the year ended December 31	
	2020	2019
Interest incomes	61	191
Foreign exchange gains	87	141
Other income	821	1,228
	<b>969</b>	<b>1,560</b>

The Group invested available financial resources pursuant to the policy approved by the Board of Directors as described in Note 2 k) Financial Instruments. For additional information, please refer also to Notes 18 and 19.

During the year, the fair value of certain financial assets held by the Company increased: the positive effect has been booked into Other income. Moreover, Other Income also includes the effects of valuation of warrants issued by the Company in accordance with the contracts in place with the European Investment Bank (EIB): at year end, such effect was equal to EUR 429 (2019: EUR 764). Please refer to Note 25 for additional information on warrants.

The following table summarize the financial losses of the period:

(In thousand Euro)	For the year ended December 31	
	2020	2019
Interest expense	2,230	566
Lease interest expense	9	6
Foreign exchange losses	256	159
Other costs	26	92
	<b>2,521</b>	<b>823</b>

During the year, the Company has drawdown additional EUR 7.5 million from its financing agreement with the EIB: the increase in Interest expense is due to the accrual of the interest that the Company will pay to the European Investment Bank.

Other costs reflect the decrease in the fair value of Group' Financial assets recognized at fair value through profit or loss. According to the investment policy approved by the Board of Directors in December 2006,

“all investments in financial instruments by the Company shall be for capital preservation purposes, aimed at safeguarding its capital, reserves and liquidity until the funds are used in the Company's primary business”.

## 13 Income tax

Income tax amounted to EUR 1,380 (2019: 45) and included the one-time substitute tax amounting to EUR 1,363 that the Parent Company has to pay to recognize for tax purposes the revaluation of an IP performed on its statutory financial statements as allowed by article 110 of the Law issued on October 13th, 2020, n. 126 converting the Law Decree 104/2020.

## 14 Loss per share

The basic loss per share is calculated dividing the net loss attributable to shareholders by the weighted average number of ordinary and preferred (if any) shares outstanding during the year.

(In thousand Euro)	For the year ended December 31	
	2020	2019
Net loss attributable to shareholders	(20,998)	(20,207)
Weighted average number of shares (thousands)	17,845	17,845
Loss per share – basic and diluted (in EUR)	(1.18)	(1.13)

The categories of potential ordinary shares that have dilutive effect are the stock options and warrants. At the end of the year, Newron has granted a total of n.1,849,259 – out of which, n.1,106,133 already vested (see also Note 22 for additional information) – stock options to certain employees, directors and consultants and a total of n.504,481 warrants to EIB (please refer to Note 25 for additional information). As of December 31, 2020, these are anti-dilutive, as their conversion would decrease the loss per share. Thus, the values of basic and diluted loss per share as of December 31, 2020, coincided.



## 15 Right of use assets

The Group has in place lease contracts mainly for offices and motor vehicles used in its operations as per the below list:

- Newron Pharmaceuticals S.p.A., leases its offices from Open Zone S.p.A. (formerly Zambon Immobiliare S.p.A.). As detailed below, since January 1, 2020, the Company has leased new offices from Open Zone S.p.A., resulting in an increase of the right of use recognized in 2020;
- Newron Pharmaceuticals US Inc. leases its offices from Symphony Workplaces. The lease expired on January 31, 2019 and has been renewed until January 31, 2021: the agreement allows the Company to vary the occupied space according to short-terms requirements;
- Newron Suisse SA, Newron Sweden AB and Hunter-Fleming private limited company do not rent premises.

Lease of offices generally have lengths between 6 and 12 years, while leases for motor vehicles generally have lengths between 3 and 5 years. The Group is restricted from assigning and subleasing the leased assets.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application at January 1, 2019.

The table below summarizes the development of the Group's right-of-use assets.

(In thousand Euro)	Right-of-use assets		
	Offices	Motor vehicles	Total
As at December 31, 2018	165	103	268
Additions	0	89	89
Depreciation	(92)	(62)	(154)
Write-off	(67)	0	(67)
As at December 31, 2019	6	130	136
Additions	624	35	659
Depreciation	(108)	(39)	(147)
Write-off	0	(19)	(19)
As at December 31, 2020	522	107	629

Effective from January 1, 2020, the Company has moved its offices and its registered address within the same municipality to Via Antonio Meucci 3 (previously the offices and the registered address was Via Ludovico Ariosto 21). The previous agreement with the lessor has been early terminated at December 31, 2019. The new lease agreement started on January 1, 2020, has a six years duration and can be renovated for additional six years if no termination note is provided, within a year before the end of the first contractual period. Under the agreement an "Exit Option" and an "Extension option" are provided. These options have been negotiated by management to provide space flexibility and to have an alignment with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

## 16 Non-current receivables

(In thousand Euro)	As of December 31	
	2020	2019 restated
Guarantee deposits for leases	64	70
R&D tax credit	12,515	14,455
	12,579	14,525

As stated in Note 3 Change in accounting policies and disclosures – New standards, interpretations and amendments adopted by the Group – Management restated the 2019 figures due to the classification of the R&D tax credit receivable, whose portion realizable in a period longer than twelve months has been reclassified among Non-current receivables.

As of December 31, 2020, the Company was entitled to receive a total R&D tax credit equal to EUR 15,865 (2019: EUR 16,655) out of which EUR 12,515 reclassified among the Non-current asset (2019: EUR 14,455) and EUR 3,350 reclassified among the Current asset (2019: EUR 2,200). The net decrease represents the combined effect of the amount used to offset the payments of certain taxes and contributions incurred during the current fiscal year and the year-end net accrual equal to EUR 1,411 (2019: EUR 4,969).

According to the Group business plan, the total amount of R&D tax credit receivable recognized as of December 31, 2020, will be recovered through the offset of the payments of certain social contributions and other tax expenses of the upcoming years.

## 17 Receivables and prepayments

(In thousand Euro)	As of December 31	
	2020	2019 restated
Receivables	1,836	1,749
Prepayments	868	1,322
VAT receivable	201	706
R&D tax credit	3,350	2,200
Other receivables	347	351
	<b>6,624</b>	<b>6,328</b>

Receivables are almost entirely represented by invoices and accruals related to both the royalties on net sales performed either by Zambon Group or its partners and the reimbursement, by Zambon Group, of safinamide research and development costs borne by the Company. The increase is related to royalties' performance.

Prepayments reflects the comparison between the invoices received from CROs involved in long-lasting studies and the assessment regarding the percentage of completion of their ongoing development activities.

The R&D tax credit receivable reflects the amount that Management expect to use within the next twelve months to offset the payments of certain social contributions and other tax expenses, including the substitute tax that the Parent Company will pay to recognize for tax purposes the revaluation of an IP recognized on its statutory financial statements. For additional information, please refer to Note 10 and 13.

## 18 Other current financial assets

(In thousand Euro)	As of December 31	
	2020	2019
Listed bonds	6,553	6,155
Government bonds	506	506
Investment funds	10,978	10,450
	<b>18,037</b>	<b>17,111</b>

Gains and losses arising from the adjustment to the fair value of Other current financial assets were recognised in the statement of profit and loss or in the statement of other comprehensive income, consistently with the policy described in paragraph 2B, section k. All acquired securities and time-deposits are in line with the Group's investment policy.

## 19 Cash and cash equivalents

(In thousand Euro)	As of December 31	
	2020	2019
Cash at bank and in hand	13,213	20,272
Short-term investments	0	1,780
	<b>13,213</b>	<b>22,052</b>

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

Cash at December 31, 2020 is mainly composed by Euro and Dollars: compared to Group's liquidity, translation's effect at year-end are not material.

Group's liquidity (Other current financial assets plus Cash and cash equivalent) amounts approximately to EUR 31 million (EUR 39 million as at December 31, 2019). Expenses of the period have been partially financed by royalties, existing cash and the loan with EIB.



## 20 Share capital

As of December 31, 2019, the subscribed share capital was equal to EUR 3,569,069.00, divided into 17,845,345 ordinary shares with par value equal to EUR 0.20 each. There was no authorised share capital.

A summary of the changes occurred during the last 24 months in share capital is as follows (amounts are shown in Euro):

(In Euro)	Total
As of December 31, 2018 – Newron Group	3,569,069.00
As of December 31, 2019 – Newron Group	3,569,069.00
As of December 31, 2020 – Newron Group	3,569,069.00

As of December 31, 2020, the subscribed share capital was equal to EUR 3,569,069.00, divided into 17,845,345 ordinary shares with par value equal to EUR 0.20 each. There was no authorised share capital.

## 21 Share premium and other reserves

(In thousand EUR)	As of December 31	
	2019	2019
At the beginning of the year	46,306	61,341
Loss allocation	(20,207)	(15,035)
At the end of the period	26,099	46,306

Share premium and other reserves decreased in 2020 as a consequence of the previous year loss allocation.

## 22 Share options reserve

To incentivise the efforts of employees, directors and certain consultants directed at the growth of the Company and its subsidiaries in the medium term, the Group has approved during its existence, various Share Option Plans among which ESOP 2013; ESOP 2014; ESOP 2015, ESOP 2017, ESOP 2018 are still valid. All options have been awarded free of charge. The options granted have different vesting, maturity and exercise dates. Since there is no market for trading share options, management must use a fair value method to value them. The fair value of each of the granted share options has been determined separately with the support of an external appraiser using an enhanced binomial model. Estimates have been based on Group history or market data where appropriate.

On February 28, 2020, the Board of Directors granted 18,496 options (ESOP 2017) to two new Newron employees at a strike price of CHF 6.49 (EUR 6.10 as translated at the exchange rate on February 27, 2020).

On March 30, 2020, the remaining 55,451 options assigned under the ESOP 2011 expired; therefore, the plan is no more longer existing.

On March 31, 2020, Newron' Board of Directors – partially executing the power granted by the Company's shareholders' meeting held on March 27, 2018 – resolved to increase, with exclusion of options rights pursuant to article 2443 and 2441, parts 5, 6 and/or 8 of the Italian Civil Code, Newron' share capital up to EUR 72,377,20 corresponding to up to n. 361,886 ordinary shares to be dedicated to a new stock option plan (ESOP 2020 March) approved during the same meeting. ESOP 2020 March characteristics are in line with the ones of the existing plans. During the meeting, the Board of Directors granted a total of n. 361,886 options to all Newron' employees and directors plus certain consultants at a strike price of CHF 4.65 (EUR 4.40 as translated at the exchange rate on March 30, 2020).

During the same meeting, the Board of Directors granted additional n. 46,951 options (ESOP 2018) to certain Newron employees at a strike price of CHF 4.65 (EUR 4.40 as translated at the exchange rate on March 30, 2020).

On December 22, 2020 the Board approved the ESOP 2020 December allocating up to 134,802 options to all Newron' employees plus certain consultants at a strike price of CHF 2.13 (EUR 1.97 as translated at the exchange rate on December 21, 2020). The plan differs from the previous ones mainly for the following reasons: a) options were not allocated to Newron' Directors; b) to receive these options, recipients must voluntarily waive certain options they were granted under the ESOP 2017; c) the new amount of options granted is about 75% of the options waived and, the vesting of each tranche, is conditional to a defined triggering event (company objective). In the days immediately following the Board meeting, all recipients have officially communicated to the Company their intention to waive a total of 152,736 options granted under the 2017 ESOP.

The Group's Board of Directors can grant further options under ESOP 2020 March.

As of December 31, 2020, the Company has granted a total of n. 1,849,259 options as shown in the following tables (granted options per plan):

	Employee Share Option Plans						Mar 2020	Dec 2020	Total
	2011	2013	2014	2015	2017	2018			
At January 1, 2019	55,451	320,174	180,934	392,691	246,784	385,828	0	0	1,581,862
Waived	0	0	0	(7,551)	(6,974)	(18,257)	0	0	(32,782)
At December 31, 2019	55,451	320,174	180,934	385,140	239,810	367,571	0	0	1,549,080
Expired	(55,451)	0	0	0	0	0	0	0	(55,451)
Granted	0	0	0	0	18,496	46,951	361,886	134,802	562,135
Voluntarily waived	0	0	0	0	(152,736)	0	0	0	(152,736)
Waived	0	0	0	(2,908)	(2,617)	(35,321)	(12,923)	0	(53,769)
At December 31, 2020	0	320,174	180,934	382,232	102,953	379,201	348,963	134,802	1,849,259

The fair values of the options issued in 2020 have been estimated by an external appraiser on the date of grant using, among others, the following assumptions:

Dividend yield (%):	0.00
Expected volatility (%):	73.00
Resignation rate expected (%):	3.00

Covid-19 pandemic has increased the Expected volatility from 65% to 73%. The options granted are recognised as personnel expenses over the original vesting period.

In 2020, option grants resulted in personnel net expenses of EUR 1,461 (2019: EUR 2,126), with a corresponding increase in the share option reserve. R&D personnel expenses are equal to EUR 331 (2019: EUR 446) whereas EUR 1,130 refers to G&A personnel (2019: EUR 1,680).

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 1,461 and it's related to the following combined effects: a) recognition of cost of the year equal to EUR 1,550 (out of which EUR 1,138 refers to G&A employees and the remaining EUR 412 to R&D employees), and b) write-off of the reserve (EUR 89) related to options waived by four employees that left the Company.

The following table shows additional information regarding options granted as of December 31, 2020:

Plan's name	Exercise price (in Euro)	Number of out-standing options	Weighted-average remaining contractual life (years)	Number of exercisable options
ESOP 2013	6.32	312,924	2.25	312,924
	6.66	7,250	2.25	7,250
ESOP 2014	13.94	104,440	2.25	104,440
	13.88	76,494	2.25	76,494
ESOP 2015	28.14	225,391	4.25	225,391
	24.90	14,938	4.25	14,938
	25.41	28,455	4.25	28,455
	15.22	8,537	4.25	8,537
	21.87	34,857	4.25	27,743
ESOP 2017	15.97	70,054	4.25	52,804
	15.97	93,524	6.66	71,059
	6.10	9,429	6.66	0
ESOP 2018	10.06	313,754	7.51	157,602
	7.27	36,992	7.51	18,496
	4.40	28,455	7.51	0
ESOP 2020 March	4.40	348,963	7.51	0
ESOP 2020 December	1.97	134,802	6.66	0

On February 24, 2021, n. 7,114 options became exercisable and further n. 127,039 will become exercisable during the second half of 2021, out of which n. 87,324 on July and n. 39,715 on September. In 2021, a total of n. 134,153 options will vest, out of which n. 24,364 will expire on March 24, 2025; n. 22,465 on September 8, 2027 and the remaining n. 87,324 on July 4, 2028.

### 23 Interest-bearing loan

On October 29, 2018, the Group entered into a financing agreement with EIB granting Newron with up to EUR 40 million term loan facility over the coming years, subject to achieving a set of agreed performance criteria. The loan may be drawn in five tranches within a 36-month period from signing. The facility has a five-year term from the date of drawdown for each tranche. Group's obligations under the EIB agreement are secured by a security interest in certain cash accounts for the benefit of EIB.

Following Newron's requests, EIB approved to transfer three tranches (identified as Tranche 1, Tranche 2 and Tranche 3) amounting respectively to EUR 10 million (cashed-in on July 1, 2019), EUR 7.5 million (cashed-in on November 25, 2019) and EUR 7.5 million (cashed-in on April 14, 2020). The tranches have an interest rate of 3% to be paid on an annual basis in arrears. A further, annual fixed rate is payable together with the outstanding principal amount on expiry of the relevant facility: Tranche 1 fixed rate is equal to 6.75%, while Tranche 2 and 3 fixed rates are equal to 6.25%. Furthermore, according to the agreement between the parties, Newron has granted EIB with a total of n. 504,481 warrants (out of which n. 201,793 related to Tranche 1, n. 151,344 related to Tranche 2 and n. 151,344 related to Tranche 3) to purchase ordinary shares of Newron (for additional information, please refer to Note 20). The un-used tranches of the financing agreement still available at December 31, 2020, amount to EUR 15 million.

As of December 31, 2020, the Interest-bearing loan is equal to EUR 25,674 (2019: EUR 16,749) recognized at amortized cost.

### 24 Lease liabilities

In the table below are shown the carrying amounts of lease liabilities and the split, as of December 31, 2020, between Non-current and Current.

	Offices	Motor vehicles	Total
As at December 31, 2018	172	104	276
Additions	0	89	89
Interest	3	3	6
Payments	(99)	(65)	(164)
Write-off	(69)	0	(69)
As at December 31, 2019	7	131	138
Additions	624	35	659
Interest	6	3	9
Payments	(75)	(60)	(135)
As at December 31, 2020	562	109	671
Non-current lease liabilities	463	57	520
Current lease liabilities	99	52	151

Please refer to Note 2B section h) and 15 for additional information on the lease agreement in place as at December 31, 2020.

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

(In thousand Euro)	As of December 31	
	2020	2019
No later than 1 year	481	299
Later than 1 year and not later than 5 years	1,163	155
	<b>1,644</b>	<b>454</b>

Effective January 1, 2020, Newron Pharmaceuticals S.p.A. has signed a new lease agreement that will last six years: increase reflects the new lease costs.

## 25 Cash-settled share-based liability

As a consideration for the three tranches cashed-in from EIB, the Company awarded EIB, free of charge, with n. 504,481 warrants, representing 2.49% of the fully-diluted share capital as of the granting date, calculated taking into consideration not only the issued share capital but also the outstanding stock options (please refer to Note 22). Under the agreement, warrants will expire on November 28, 2028 and until then, EIB will be entitled to receive one newly issued Newron' share per each warrant at an exercise price equal to EUR 9.25. If no triggering events as defined in the contract with EIB will occur, n. 201,793 of the issued warrants can't be exercised before March 15, 2024 while the remaining n. 302,688 issued warrants can't be exercised before September 15, 2025. The agreement includes a cash-settlement option.

Warrant's Fair Value has been calculated at the issuance of each tranche (June 28, 2019, November 25, 2019 and April 14, 2020) and is determined at each reporting date.

The fair value of each tranche of issued warrants, has been calculated by an external appraiser who applied the binomial model assuming no arbitrage, a risk-neutral framework, a volatility equal to 70% and no issuance of dividends. As of December 31, 2020, warrants' fair value, calculated using the Suisse Interest Rate Swap curve, was equal to EUR 181 (2019: EUR 436).

## 26 Employee severance indemnity

Newron Pharmaceuticals S.p.A. provides for their employee severance indemnities, which are considered to be defined benefit schemes.

The following table shows the development of the Defined Benefit Obligation through the current and previous year:

(In thousand EUR)	As of December 31	
	2020	2019
Defined Benefit Obligation at the beginning of the period	632	606
Service cost	44	44
Interest costs	2	4
Indemnity paid out	(7)	(25)
Actuarial (gains)/losses	14	3
<b>Defined Benefit Obligation at the end of the period</b>	<b>685</b>	<b>632</b>

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

Actuarial assumptions (In percent)	As of December 31	
	2020	2019
Discount rate	-0.02	0.37
Inflation rate	0.80	1.20
Future salary increase	1.50	1.50
Future pension (TFR) increase	2.10	2.40

## 27 Trade and other payables

(In thousand Euro)	As of December 31	
	2020	2019
Trade payables	1,273	2,406
Accrued expenses	2,744	1,889
Pension contribution payable	348	319
Social security	191	191
Other payables	2,185	730
	<b>6,741</b>	<b>5,535</b>

The aggregate increase of Trade payables and Accrued expenses reflects the increased number of clinical studies running at year end. For additional information please refer to Note 10.

The rise in Accrued expenses reflects the increased number of clinical studies running at year end.

Other payables included the amount the Company owes to its employees at year end and the one-time tax amounting to EUR 1,363 payable by Newron Pharmaceuticals S.p.A. to recognize for tax purposes the revaluation of an IP recognized in its statutory financial statements, as described in Note 13.

## 28 Deferred income taxes

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

(In thousand Euro)	For the year ended December 31,	
	2020	2019
Other (IAS 19)	(92)	(86)
Local gaap effect on depreciations	45,447	0
Non deductible interest expense	2,686	529
Net gain/(loss) on other financial assets	(11)	20
<b>Net temporary differences</b>	<b>48,030</b>	<b>463</b>
<b>Tax losses carry forwards</b>	<b>244,320</b>	<b>219,147</b>
<b>Total differences</b>	<b>292,350</b>	<b>219,610</b>
<b>Theoretical Deferred tax asset</b>	<b>68,894</b>	<b>51,475</b>

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

Tax loss carry-forwards expire as follows:

(In thousand Euro)	For the year ended December 31,	
	2020	2019
No expiry date	34,643	35,296
No expiry date – DL 98/2011	209,677	183,850
	<b>244,320</b>	<b>219,146</b>

The loss identified as “No expiry date” includes EUR 6,008 related to Newron Pharmaceuticals S.p.A. (since they have been incurred during to the start-up period); EUR 18,559 related to Hunter-Fleming private limited company (equal to GBP 16,685 translated at the year-end exchange rate) and EUR 10,076 related to Newron Sweden AB (equal to SEK 101,101 translated at the year-end exchange rate). This amount has been negatively affected (about EUR 0,6 million) by the exchange rate fluctuation that have impacted both the UK Sterling and the Swedish Krona.

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

During 2018, the Company has filed within the Tax Authority the application of the Paten Box for its Intellectual Properties called safinamide: the tax relief started in 2016 and will end in 2021 and consists of an exclusion from the taxable base – for both corporation tax (IRES, with an ordinary rate of 24%) and regional tax (IRAP, with an ordinary rate of 3.9%) purposes – of a percentage of the income sourced from the usage of intellectual property. The regime is optional, lasts irrevocably for five years and can be renewed. As Newron doesn't pay income taxes, the cumulated relief – as of December 31, 2020 the company has filed within the Tax Authority only for the period 2016–2018 – increased by about EUR 9.1 million the loss carry-forwards.

## 29 Net Financial Position

As of December 31, 2020, the net financial position decreased by EUR 17,116. The decrease was mainly due to the new tranche of the EIB loan amounting to EUR 7.5 million drawn down in period to finance the operating activities and the recognition of the lease liabilities related to the contract in place for the rent of the new offices. The above effects were partially

offset by a reduction in the fair value of warrants granted to EIB. The following table details the net financial position as of December 31, 2020, and December 31, 2019 respectively:

	As of December 31	
	2020	2019
Other current financial assets	18,037	17,111
Cash and cash equivalent	13,213	22,052
<b>A. Total Current Financial Asset</b>	<b>31,250</b>	<b>39,163</b>
Current lease liabilities	(151)	(60)
<b>B. Current Financial Liabilities</b>	<b>(151)</b>	<b>(60)</b>
<b>C. Net Current Financial Position (A+B)</b>	<b>31,099</b>	<b>39,103</b>
Interest bearing loan	(25,674)	(16,749)
Cash-settled share-based liabilities	(181)	(436)
Non-current lease liabilities	(520)	(78)
<b>D. Non Current Financial Liabilities</b>	<b>(26,375)</b>	<b>(17,263)</b>
<b>E. Net Financial Position (C+D)</b>	<b>4,724</b>	<b>21,840</b>

### 30 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 but not yet incurred at the balance sheet date is equal to approximately EUR 2 million. The Company shall not incur material penalty fees for the termination of any of these contracts.

#### Contingent liabilities

The Company has no contingent liabilities related to the existing agreements.

### 31 Financial instruments by category

The following tables present the breakdown of financial assets and liabilities, evaluated at fair value, by category as of December 31, 2020, and December 31, 2019 respectively.

#### As of December 31, 2020

(in thousand Euro)	Level	Financial assets at amortized costs	Debt instruments at fair value through OCI with reclassification	Financial assets at fair value through profit and loss	Other financial liabilities at amortized cost
<b>Assets</b>					
Other current financial assets	1	–	7,059	10,978	–
Trade and other receivables	3	2,704	–	–	–
<b>Total</b>		<b>2,704</b>	<b>7,059</b>	<b>10,978</b>	<b>–</b>
<b>Liabilities</b>					
Interest-bearing loan	2	–	–	–	25,674
Trade and other payables	3	–	–	–	3,458
Non-current lease liabilities		–	–	–	520
Cash-settled share-based liabilities	2	–	–	181	–
Current lease liabilities		–	–	–	151
<b>Total</b>		<b>–</b>	<b>–</b>	<b>181</b>	<b>29,803</b>

#### As of December 31, 2019

(in thousand Euro)	Level	Financial assets at amortized costs	Debt instruments at fair value through OCI with reclassification	Financial assets at fair value through profit and loss	Other financial liabilities at amortized cost
<b>Assets</b>					
Other current financial assets	1	–	6,661	10,450	–
Trade and other receivables	3	3,071	–	–	–
<b>Total</b>		<b>3,071</b>	<b>6,661</b>	<b>10,450</b>	<b>–</b>
<b>Liabilities</b>					
Interest-bearing loan	2	–	–	–	16,749
Trade and other payables	3	–	–	–	3,136
Non-current lease liabilities		–	–	–	78
Cash-settled share-based liabilities	2	–	–	436	–
Current lease liabilities		–	–	–	60
<b>Total</b>		<b>–</b>	<b>–</b>	<b>436</b>	<b>20,023</b>



The management assessed that the fair value of Trade and other receivables as well as Trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. Fair values of Other current financial assets are based on price quotations at reporting date.

During the whole year, there were no transfers between Levels.

#### Fair Value hierarchy

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

### 32 Related party transactions

#### i) Related entity

The Company does not have related entities.

#### ii) Related parties transactions

The following tables provide the total amount of transactions that have been entered into with related parties during the fiscal year ended December 31, 2020 and December 31, 2019, as well as balances with related parties as of December 31, 2020 and December 31, 2019:

#### As of December 31, 2020

(in thousand Euro)	Sales to/Cost reimbursed by related parties	Royalties	Purchases from related parties	Amounts owed by related parties, net	Amounts owed to related parties
Zambon (whole group)	91	5,235	130	169	132

#### As of December 31, 2019

(in thousand Euro)	Sales to/Cost reimbursed by related parties	Royalties	Purchases from related parties	Amounts owed by related parties, net	Amounts owed to related parties, net
Zambon (whole group)	284	4,754	172	180	0

#### iii) Key management personnel

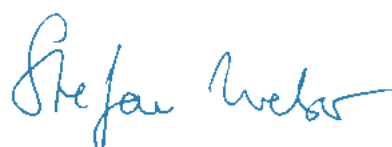
The total remuneration of key management personnel is as follows:

(In thousand Euro)	For the year ended December 31	
	2020	2019
Salaries	2,154	2,147
Bonuses	294	237
Social security contributions	296	322
Share option compensation	698	1,034
Employee severance indemnity	79	81
	3,521	3,821

### 33 Events after the balance sheet date

On January the Company announced the completion of enrolment for its explanatory study oo8 with evenamide in patients with schizophrenia; results from the four-week, randomized, double-blind placebo-controlled study are expected in March 2021.

Bresso, March 11, 2021



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

# Auditor Report

## Independent auditor's report on the consolidated financial statements

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Newron Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Italy, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Revenue recognition – Agreement with multiple elements

<b>Area of focus</b>	<p>The Group derived a significant portion of its revenues from an agreement with a business partner involving upfront payments and multiple elements such as reimbursement of research &amp; development costs incurred, milestones fees upon the achievement of certain events and royalties on the sales by the business partner and/or its affiliates to third parties. Upfront payments are recognized on a straight-line basis over the estimated period of the product development phase, milestone fees are recognized as the right of ownership is transferred to the business partner at the achievement of certain events and royalties are recognized on an accrual basis, consistent with the sales by the business partner.</p> <p>The Group reviewed the milestone achievements and the information about sales by the business partner to determine the individual components of revenue.</p> <p>Due to the judgment involved in that directors' assessment we considered revenue recognition significant to our audit, requiring special audit attention.</p> <p>See Note 4 "Significant accounting judgements, estimates and assumptions" and Note B n) "Revenue from contracts with customers" in the financial statements.</p>
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<b>Our audit response</b>	<p>We obtained an understanding of the agreement and assessed the application of Group's revenue recognition policies and the related accounting in accordance with IFRS 15. Based on the contractual terms of the contract we assessed the identification of all relevant elements, the allocation of revenue to the various elements in the contract, as well as the assessment of the timing of the revenue recognized. Among others, we tested recognition of milestone fees based on the milestones achievement and we tested royalties based on the sales information provided by the business partner. Our audit procedures did not lead to any reservations concerning the recognition of the revenue generated through the agreement.</p>
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## Measurement of clinical trials costs

<b>Area of focus</b>	<p>The Group incurred costs related to clinical trials, which represent a significant portion of research &amp; development costs. Accounting of these costs involves judgement on the determination of the appropriate timing of recognition based on the assessment of actual services received according to contracts with suppliers, generally multi-annual, which may differ from the billing schedules and thus may include a significant accrual or deferral amount. The Group determined the stage of completion of the clinical trials as of the balance sheet date based on information received by the suppliers and monitoring of progress of clinical trials by the Group's clinical team, supervised by the finance department.</p> <p>See Note 10 "Research and development expenses net of grants and other reimbursements".</p>
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<b>Our audit response</b>	<p>We obtained an understanding of the relevant Group's process to determine timing of recognition of clinical trial costs. We focused on the analysis of terms and conditions of relevant contracts with subcontractors related to the main clinical trials and evaluated the reasonableness of management's estimate of the stage of completion of these clinical trials. We corroborated management's estimate with questionnaires and other relevant documentation provided by the suppliers to the Group's clinical team, summarizing work performed as of the balance sheet date. Our audit procedures did not lead to any reservations concerning the recognition and measurement of the clinical trials costs.</p>
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## Other Information

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Directors are responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Newron Pharmaceuticals S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("*Collegio Sindacale*") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We have provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

The partner in charge of the audit resulting in this independent auditor's report is Paolo Zocchi.

Milan, March 15, 2021

EY S.p.A.



Paolo Zocchi  
(Auditor)

# Information for Investors

## Stock exchange information

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

## Share price data (SIX)

	FY 2020	FY 2019
Number of fully paid-in shares as at December 31	17,845,345	17,845,345
Year high (in CHF)	7.09	9.20
Year low (in CHF)	0.90	5.55
Year-end (in CHF)	2.15	6.35
Loss per share (in EUR)	1.18	1.13
Cash and cash equivalents, other short-term financial assets as at December 31 (in EUR 1,000)	31,2	39,2
Market capitalization as at December 31 (in CHF)	38,367,492	113,317,941

## Major shareholders\*

Zambon 4.41 %

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

## Financial calendar

Publication of Annual Report 2020	March 16, 2021
Analyst/Investor/Media Conference Call	March 16, 2021
Annual Shareholders' meeting 2021	April 13, 2021
Half-year report 2021	September 16, 2021

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## **Imprint**

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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, the timing of commencement of various clinical trials and receipt of data, and current and future collaborations for the development and commercialization of its product candidates, (2) the market for drugs to treat CNS diseases and pain conditions, (3) Newron's 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 difficulties in enrolling clinical trials, negative results of clinical trials or research projects or unexpected side effects, (2) delay or inability in obtaining regulatory approvals or bringing products to market, (3) future market acceptance of products, (4) loss of or inability to obtain adequate protection for intellectual property rights, (5) inability to raise additional funds, (6) success of existing and entry into future collaborations and licensing agreements, (7) litigation, (8) loss of key executive or other employees, (9) adverse publicity and news coverage, and (10) competition, regulatory, legislative and judicial developments or changes in market and/or overall economic conditions.

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

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

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



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