Newron Pharmaceuticals

Half-Year Report 2021

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

Half-Year 2021 Highlights

Evenamide – schizophrenia

- The primary objective of two short-term explanatory studies of evenamide was met on all safety variables: study 010, in healthy volunteers, and study 008, in patients with schizophrenia
- Post-period, Newron initiated study 008A, the first potentially pivotal study with evenamide in patients with schizophrenia, results from which are expected by Q4 2022
- Newron continues to evaluate strategic commercial and development partnering options for evenamide

Xadago®/safinamide – Parkinson's disease

- Newron signed an agreement with its partner Zambon to commence a potentially pivotal study with safinamide in Parkinson's disease patients with levodopa-induced dyskinesia
- Newron is currently working on finalizing the design of the study with international clinical experts and regulatory authorities and intends to initiate it in Q1 2022
- Newron and its partners Zambon and Supernus are responding appropriately to protect the intellectual property rights relating to Xadago®/safinamide in the US, following some Paragraph IV Notice Letters regarding Abbreviated New Drug Applications that have been submitted by generic manufacturers

Corporate

- Newron is in the process of conducting value assessments on several potential opportunities to broaden its pipeline of treatments for central and peripheral nervous system diseases
- Post-period, Newron received a fourth tranche of EUR 7.5 million under its financing agreement with the European Investment Bank (EIB)

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Shareholder Letter

Dr. Ulrich Köstlin

Stefan Weber

Dear Shareholder,

We are pleased to share with you the promising operational progress made by Newron in the first six months of 2021, despite the ongoing COVID-19 pandemic which continues to severely impact societies around the world. Our team has adapted well to this challenging dynamic, and we have established a resilient business, making strategic progress as we work towards our vision for the future.

We have advanced our lead clinical program, evenamide, having completed two additional explanatory studies in both healthy volunteers and patients with schizophrenia, and post-period we initiated study 008A, the first potentially pivotal study with evenamide in patients with chronic schizophrenia. We also signed an agreement with our partner Zambon for a potentially pivotal study with safinamide in Parkinson's disease patients with levodopa-induced dyskinesia (PD LID), which could lead to a label extension for our marketed product. We expect to initiate this study in Q1 2022.

To broaden our pipeline of treatments for central and peripheral nervous system diseases, we continue to evaluate strategic commercial and development partnering options. We look forward to updating the market on these developments in due course.

Evenamide – schizophrenia

We have been pleased to announce encouraging results from two short-term explanatory studies in evenamide in April: study 010 in 56 healthy volunteers, and study 008 in 138 outpatients with chronic schizophrenia, receiving treatment with a second-generation atypical antipsychotic.

These promising results showed that evenamide is devoid of any arrhythmic effect, a risk generally associated with antipsychotics, even at twice the therapeutic dose, and can be safely added to any other antipsychotic. The results also demonstrated that the drug is safe at all doses investigated, due to the lack of any systemic pattern of adverse effects relating to the central nervous system. Based on this encouraging data and supported by the pre-clinical results published last year confirming the absence of toxicity, on September 6 we initiated study 008A, the first potentially pivotal study with evenamide in patients with chronic schizophrenia.

Study 008A, a four-week, randomized, double-blind placebo-controlled international study, is designed to evaluate the efficacy, tolerability, and safety – including electroencephalography (EEG) effects – of the 30mg BID therapeutic dose of evenamide in patients with chronic schizophrenia currently being treated with a second-generation antipsychotic. Our objective is to randomize at least 200 patients in study centers in Europe, Asia and Latin America. Results from the study are expected by Q4 2022.

We believe that positive results from this study would qualify the trial as the first adequate and well-controlled (pivotal) study with evenamide in patients with schizophrenia who are inadequate responders to antipsychotics. Evenamide would currently be the first add-on therapy approved for the treatment of patients with positive symptoms of schizophrenia, and its unique glutamatergic inhibition mechanism of action offers a truly innovative therapeutic option to those patients who are not benefitting from their current antipsychotics.

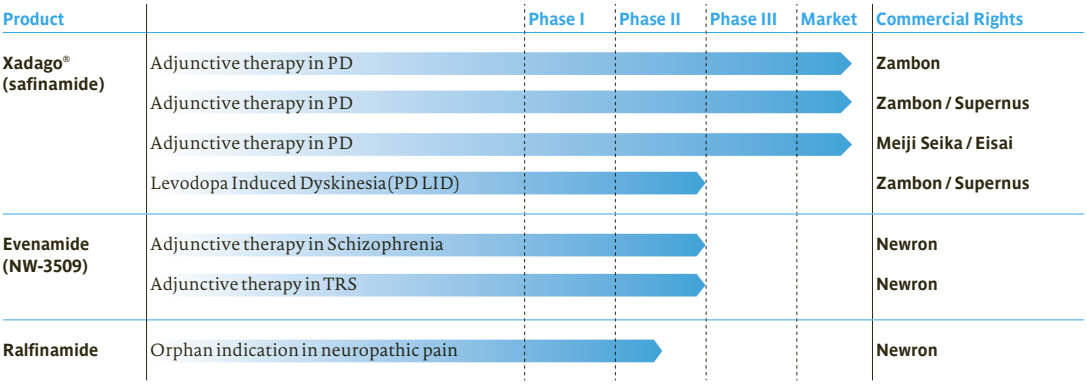
This study is part of our Phase III evenamide clinical trial program that targets patients with schizophrenia experiencing worsening of psychosis on therapeutic doses of atypical antipsychotics, as well as treatment-resistant patients.

Xadago®/safinamide – Parkinson's disease

For the continued clinical development of our marketed product Xadago®/safinamide, we have signed an agreement with our partner Zambon to commence a potentially pivotal study with safinamide in PD LID. Under this agreement, Newron will sponsor the study and be responsible for its development and excecution, and lead on all regulatory interactions. Newron and Zambon will evenly share the cost.

The double-blind, placebo-controlled study is intended to be performed in the US, Europe and Asia/Australia, with a potential label extension for safinamide in key markets. We currently expect to initiate the study in Q1 2022.

Newron's current Pipeline



To date, safinamide has received marketing authorization for the treatment of Parkinson's disease in the European Union, Switzerland, the United Kingdom, the United States, Canada, Australia, Brazil, Colombia, Israel, the United Arab Emirates, Japan and South Korea. It is commercialized by Zambon's network under the brand names Xadagao® and Onstryv® (in Canada), as well as by Meiji and Eisai under the brand name Equfina® in Japan and South Korea.

In May, Newron received several Paragraph IV Notice Letters regarding the submission by generic manufacturers of an Abbreviated New Drug Application to the US Food and Drug Administration (FDA), seeking approval to engage in the commercial manufacture, use or sale of safinamide mesylate drug product in the US before the expiration of certain US patents. Newron and its partners Zambon and Supernus have responded in filing an infringement suit against the generic manufacturers to secure a 30-month stay of the ANDAs approval, and thus to protect its intellectual property rights relating to Xadago®/safinamide tablets. The compound is currently protected by three patents listed in the FDA's Approved Drugs Product List (Orange Book) that expire no earlier than 2027.

Financials

For the first six months of 2021, Newron reported a net loss of EUR 9.1 million, compared to EUR 10.5 million in the same period in 2020. Cash used in operating activities has increased to EUR 8.8 million from EUR 7.0 million in H1 2020. Xadago® revenues from Zambon slightly increased from EUR 2.5 million in H1 2020 to EUR 2.7 million in the reporting period. Newron's R&D expenses have fallen to EUR 6.8 million from EUR 7.8 million in H1 2020. G&A expenses reached EUR 3.7 million in the first six months of 2021 versus EUR 4.4 million in the same period in 2020. Cash and Other current financial assets at June 30, 2021 were at EUR 21.9 million, compared to EUR 31.3 million at the beginning of the year.

Post-period, on September 6, we were pleased to receive the fourth tranche of funds (EUR 7.5 million) under our financing agreement with the European Investment Bank (EIB) that was announced in 2018 and comprised of funding up to EUR 40 million. Tranche 4 consisted of EUR 7.5 million and will primarily be used to support the Company's development programs in diseases of the CNS. Newron received the first tranche of EUR 10 million in early July 2019, the second tranche of EUR 7.5 million in November 2019 and the third tranche of EUR 7.5 million in April 2020.

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 Newron's planned development programs and operations well into 2023.

Corporate

Our shareholders approved the sole motion at our 2021 Annual General Meeting, the approval of our financial statements as of 31 December 2020. We would like to thank our shareholders for their ongoing support and confidence in our strategy.

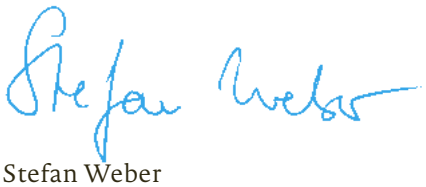
Outlook

As we move forward into the remainder of 2021, we are pleased with the progress we are making with our innovative products. In particular, we look forward to advancing our potentially pivotal study with evenamide in patients with schizophrenia and with safinamide in PD LID. We are evaluating opportunities to broaden our pipeline of treatments for central and peripheral nervous system diseases, as well as exploring opportunities to partner where appropriate.

The first half of 2021 has represented promising progress for the Company; we would like to thank our shareholders once again for their continued support for the business and we look forward to updating you throughout the rest of the year on our continued progress.

Yours sincerely,

Dr. Ulrich Köstlin
Chairman



Stefan Weber
Chief Executive Officer

Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

Auditor Report

Newron Pharmaceuticals S.p.A.

Review report on the interim condensed consolidated financial statements

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Building a better working world

Review report on the interim condensed consolidated financial statements

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement cash flows and the related explanatory notes of Newron Pharmaceuticals S.p.A. and its subsidiaries (the "Newron Group") as of 30 June 2021. The Directors of Newron Pharmaceuticals S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

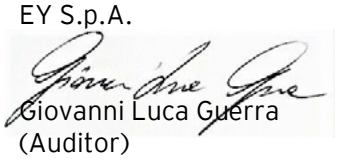
We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Newron Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, September 13, 2021

EY S.p.A.



Giovanni Luca Guerra
(Auditor)

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

(In thousand Euro, except per share information)	Note	For the six months ended June 30 2021 (unaudited)	2020 (unaudited)
Licence income from contracts with customers		24	23
Royalties from contracts with customers	6	2,647	2,486
Revenue		2,671	2,509
Research and development expenses	7	(6,783)	(7,777)
Marketing and advertising expenses		(29)	(325)
General and administrative expenses	8	(3,747)	(4,374)
Operating result		(7,888)	(9,967)
Financial income	9	220	580
Financial expenses	9	(1,394)	(1,110)
Result before tax		(9,062)	(10,497)
Income tax		(1)	(6)
Net loss		**(9,063)**	**(10,503)**
Loss per share			
Basic and Diluted loss per share	10	(0.51)	(0.59)
Weighted average number of shares (thousands)		17,845	17,845

Interim Condensed Consolidated Statement of Comprehensive Income

(In thousand Euro)	Note	For the six months ended June 30 2021 (unaudited)	2020 (unaudited)
Net loss for the period		(9,063)	(10,503)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Net loss on other current assets		(20)	(94)
Exchange differences on translation of foreign operations		11	15
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(9)	(79)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurements on defined benefit plans		(3)	(9)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(3)	(9)
Other comprehensive loss for the period, net of tax		(12)	(88)
Total comprehensive loss for the period, net of tax		**(9,075)**	**(10,591)**

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

Interim Condensed Consolidated Statement of Financial Position

(In thousand Euro)	Note	As of June 30, 2021 (unaudited)	As of December 31, 2020 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment		96	105
Right-of-use assets	11	551	629
Intangible assets		6	11
Non-current receivables	12	11,360	12,579
		12,013	13,324
Current assets			
Receivables and prepayments	13	5,967	6,624
Other current financial assets	14	10,477	18,037
Cash and cash equivalents	15	11,429	13,213
		27,873	37,874
Total assets		**39,886**	**51,198**
Shareholders' equity			
Share capital	16	3,569	3,569
Share premium and other reserves		5,101	26,099
Share option reserve	17	15,116	14,605
Retained earnings		(14,235)	(26,157)
Translation differences		(859)	(870)
Total shareholders' equity		8,692	17,246
Liabilities			
Non-current liabilities			
Interest-bearing loan	18	26,374	25,674
Non-current lease liabilities		446	520
Cash-settled share-based liabilities	19	221	181
Employee severance indemnity		623	685
		27,664	27,060
Current liabilities			
Current lease liabilities		157	151
Trade and other payables	20	3,373	6,741
		3,530	6,892
Total liabilities		31,194	33,952
Shareholders' equity and liabilities		**39,886**	**51,198**

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

Interim Condensed Consolidated Statement of Changes in Equity

(In thousand Euro)	Note	Share capital	Share premium and other reserves	Share option reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2020		3,569	46,306	13,144	(880)	(25,341)	36,798
Net loss						(10,503)	(10,503)
Other comprehensive income/(loss)					15	(103)	(88)
Total comprehensive loss for the period		0	0	0	15	(10,606)	(10,591)
Previous year loss allocation			(20,207)			20,207	0
Share option scheme	17			910			910
Balance at June 30, 2020		3,569	26,099	14,054	(865)	(15,740)	27,117
Balance at January 1, 2021		3,569	26,099	14,605	(870)	(26,157)	17,246
Net loss						(9,063)	(9,063)
Other comprehensive income/(loss)					11	(23)	(12)
Total comprehensive loss for the period		0	0	0	11	(9,086)	(9,075)
Previous year loss allocation			(20,998)			(20,998)	0
Share option scheme	17			511			511
Fair value reserve release						10	10
Balance at June 30, 2021		**3,569**	**5,101**	**15,116**	**(859)**	**(14,235)**	**8,692**

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

Interim Condensed Consolidated Statement of Cash Flows

(In thousand Euro)	Note	For the six months ended June 30, 2021 (unaudited)	2020 (unaudited)
Result before taxes		(9,062)	(10,497)
Interest received		60	25
Interest paid		(537)	(376)
Adjustments for:			
Depreciation and amortisation		105	109
R&D tax credit and other non monetary income/expense		2,202	541
Share option expenses	17	511	910
Employee severance indemnity expense		104	95
Changes in working capital:			
Current receivables and prepayments and deferred cost		662	2,130
Trade and other payables and deferred income		(3,930)	(1,028)
Pension fund paid		(84)	0
Change in non-current receivables	12	1,219	1,052
Cash used in operating activities		(8,750)	(7,039)
Cash flows from investing activities			
Purchase of financial assets		(995)	(1,793)
Disposal of financial assets		8,048	1,207
Purchase of property, plant and equipment		(9)	(12)
Purchase of intangible assets		0	(1)
Net cash flows from/(used in) investing activities		7,044	(599)
Cash flows from financing activities			
Proceeds from borrowings		0	7,500
Lease liabilities		(78)	(57)
Net cash flows from/(used in) financing activities		(78)	7,443
Net decrease in cash and cash equivalents		(1,784)	(195)
Cash and cash equivalents at January 1,		13,213	22,052
Cash and cash equivalents at the end of the period	15	**11,429**	**21,857**

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

Notes to the Interim Condensed Consolidated Financial Statements

(In thousand Euro unless otherwise stated)

1 Corporate information

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

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

The Company is incorporated and domiciled in Milan, Italy. The Company is listed on the International Reporting Standard segment of the SIX Swiss Exchange, Zurich, Switzerland, under the trade name NWRN, and at the Dusseldorf Stock Exchange and traded on the XETRA electronic trading platform under the trade name NP5.

The Group is principally engaged in development and commercialization of novel drugs to treat diseases of the Central Nervous System (CNS) and pain.

The interim condensed consolidated financial statements of Newron Group for the six months ended June 30, 2021, were authorised for issuance by the Board of Directors ("the Board") on September 8, 2021.

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

The interim condensed consolidated financial statements of the Group for the six-month period ended June 30, 2021, have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The presentation currency is Euro. All figures included in the interim condensed consolidated financial statements and notes thereto are rounded to the nearest Euro thousand, except where otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2020.

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 as well as 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 twelve months from the date of signing of the financial 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 June 2021, EUR 25 million have been already borrowed.

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. From a business perspective, in 2020 the Group experienced a slight delay on the expected timing of certain studies and is currently noticing a slowing-down of all "on the field" activities related to its clinical trials. In this respect, the Group is working closely with the vendors to mitigate any potential disruption to the on-going or planned clinical trials because of the Covid-19 pandemic.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of January 1, 2021.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods, if they become applicable.

Significant accounting judgements, estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the reporting date. As estimates, these may differ from the actual results attained in the future. 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 into account the actual and potential effects of the Covid-19 pandemic.

3 Segment reporting

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

4 Seasonality

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

5 Exchange rates of principal currencies

Functional currency

The Group's interim condensed consolidated financial statements are presented in Euro, 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; on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

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

Group exchange rates

The exchange rates used are detailed in the following table:

	Income statements in Euro (average rates) Six months ended June 30,		Balance sheets in Euro (rates as of)	
	2021	2020	June 30, 2021	Year-end 2020
CHF 1	0.91358	0.93972	0.91075	0.92575
GBP 1	1.15207	1.14334	1.16537	1.11231
SEK 1	0.09870	0.09381	0.09890	0.09966
USD 1	0.82967	0.90740	0.84147	0.81493

6 Royalties from contracts with customers

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Royalties from contracts with customers	2,647	2,486

In the six-months period ended on June 2021, Royalties from contracts with customers (royalties) increased by 6%. In June 2021, Newron's partner Zambon launched Xadago® in the Brazilian market.

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

7 Research and development expenses net of grants and other reimbursements

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Services received from subcontractors	4,111	4,749
Staff costs	1,708	1,579
Consultancy fees	442	705
Material and consumable used	103	247
Operating lease cost	260	145
Travel expenses	66	181
Depreciation, amortisation and impairment expense	31	32
Other research and development costs	62	139
	6,783	**7,777**

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 both Material and consumable used expenses and Consultancy fees.

Staff costs amount to EUR 1,708 (2020: EUR 1,579). The growth is related to the increase in number of R&D employees, partially compensated by the reduced costs recognized in connection with the stock option plans.

Starting from January 1, 2021, in accordance with the Italian "2021 Stability Law" (Law 178/2020), companies investing in research and development activities are allowed to recognize an R&D tax credit that will be

equal to the 20% (2020: 12%) of certain R&D expenses incurred in the year. 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.

For the year 2021, the total R&D tax credit that can be granted is limited to EUR 4 million (2020: EUR 3 million). As of June 30, 2021, the Group did not recognize any tax credit regarding the R&D expenses incurred in the six-month period ending on June 30, 2021. Management of the Group will assess the opportunity to recognize the R&D tax credit during the preparation of the Annual Report 2021. The tax credit related to the R&D expenses of the six-month period ending on June 30, 2021, won't be lost as the Group became 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.

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 65 as of June 30, 2021 (2020: EUR 26).

Gross Research and development expenses amounted to EUR 6,848 and EUR 7,803 as detailed in the following table.

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Research and development expenses, gross	6,848	7,803
Reimbursed by Zambon	(65)	(26)
	6,783	**7,777**

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

8 General and administrative expenses

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Staff costs	1,881	2,272
Consultancy and other professional services	1,194	1,346
Intellectual properties	337	387
Travel expenses	39	59
Operating lease cost	44	36
Depreciation and amortization expense	74	77
Other expenses	178	197
	3,747	**4,374**

The decrease in Staff costs is mainly due to reduced costs for stock options, and the effect of one employee leaving the Company.

The decrease of Consultancy and other professional services is mainly due to reduced activities performed by Investor Relations companies and Public Relations agencies in supporting the company while attending to international conferences and organizing the communication related to the Burden of Disease study with sarizotan (activities interrupted in May 2020).

9 Financial results

The following table summarizes the financial income of the period:

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Interest income	38	35
Foreign exchange gains	145	73
Other income	37	472
	220	580

As of June 30, 2020, Other income comprised the effects, equal to EUR 472, of the valuation of warrants issued by the Company in accordance with the contracts in place with the European Investment Bank (EIB). As of June 30, 2021, the fair value of the warrants increased generating costs that have been booked in Other costs (please refer to the table below). Therefore, Other income reflects only the increase 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".

The following table summarizes the financial losses of the period:

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Interest expense	1,298	998
Lease interest expense	7	9
Foreign exchange losses	49	21
Other costs	40	82
	1,394	1,110

During the six-month period ended on June 30, 2020, the Company has drawn EUR 7.5 million from its financing facility with the EIB: Interest expenses related to EIB facility, equal to EUR 1,216 (2020: EUR 963) reflect the abovementioned increase of the outstanding loan and are recognized at amortized cost (IFRS 9).

Other costs, equal to EUR 40, were entirely related to the valuation of warrants issued by the Company in accordance with the contracts in place with the European Investment Bank (EIB).

10 Loss per share

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

(In thousand Euro)	For the six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Net loss attributable to shareholders	(9,063)	(10,503)
Weighted average number of shares (thousands)	17,845	17,845
Loss per share – basic and diluted (in Euro)	(0.51)	(0.59)

The categories of potential ordinary shares that have dilutive effect are stock options and warrants. At the end of the six-month reporting period, Newron has granted a total of n. 1,895,902 (see also Note 17 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 19 for additional information). As of June 30, 2021, 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 June 30, 2021, coincided.

11 Right-of-use assets

(In thousand Euro)	Right-of-use assets		
	Offices	Motor vehicles	Total
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**
Additions	0	4	4
Depreciation	(54)	(28)	(82)
As at June 30, 2021	**468**	**83**	**551**
Right-of-use asset, gross	685	225	910
Cumulated depreciation	(217)	(142)	(359)

The Right of Use as of June 30, 2021, is mainly due to the leasing agreement with OpenZone S.p.A. (a Company within the Zambon Group) started from January 1, 2020 for the offices currently in use in Italy.

12 Non-current receivables

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
Guarantee deposits for leases	70	64
R&D tax credit	11,290	12,515
	11,360	**12,579**

As of June 30, 2021, the Company was entitled to receive a total R&D tax credit equal to EUR 13,340 (2020: EUR 15,865), out of which EUR 11,290 reclassified among the Non-current asset (2020: EUR 12,515) and EUR 2,050 reclassified among the Current asset (2020: EUR 3,350). The total net decrease of the R&D tax credit is equal to EUR 2,525 (2020: EUR 1,349) and represents the amount used to offset the payments of certain taxes and contributions incurred during the six-month period ended June 30, 2021. According to the Group's business plan, the total amount of R&D tax credit receivable recognized as of June 30, 2021, will be recovered through the offset of the payments of certain social contributions and other tax expenses of the upcoming years.

13 Receivables and prepayments

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
Receivables	1,682	1,836
Prepayments	1,695	868
VAT receivable	167	201
R&D tax credit	2,050	3,350
Other receivables	373	369
	5,967	**6,624**

Receivables are almost entirely consisting of the invoices and accruals related to the royalties on net sales generated by Zambon Group and its commercial partners.

Prepayments reflects the comparison between the invoices received from certain Clinical Research Organizations (CRO) involved in long-lasting clinical trials and the assessment regarding the percentage of completion of their ongoing development activities, taking into account the payments made by the Group. The increase is mainly related to the start of few trials and the subsequent recognition to CROs of advance payments.

The R&D tax credit receivable reflects the amount that Management expects to use within the next twelve months to offset the payments of certain social contributions and other tax expenses.

14 Other current financial assets

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
Listed bonds	5,469	6,553
Government bonds	504	506
Investment funds	4,504	10,978
	10,477	**18,037**

Gain and losses arising from the adjustment to the fair value of bonds and funds were recognized respectively in the comprehensive income and in the income statement. All acquired securities are in line with the Group's investment policy. For additional information, please refer to Note 9.

15 Cash and cash equivalents

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
Cash at bank and in hand	11,429	13,213
	11,429	**13,213**

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

Group liquidity (Other current financial assets plus Cash and cash equivalents) amounts to approximately EUR 22 million (EUR 31 million as of December 31, 2020). Expenses of the period have been partially financed by royalties and existing cash.

16 Share capital

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.

During the last 18 months, no changes occurred in Newron' share capital.

(In Euro)	Total
As of December 31, 2019 – Newron Group	**3,569,069.00**
As of December 31, 2020 – Newron Group	**3,569,069.00**
As of June 30, 2021 – Newron Group	**3,569,069.00**

Accordingly, as of June 30, 2021, 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 is no authorised share capital.

17 Share option reserve

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
At the beginning of the year	14'605	13'144
Share option scheme	511	1'461
At the end of the period	**15'116**	**14'605**

To incentivise the efforts of employees, directors and certain consultants directed at the growth of the Company and its subsidiaries in the medium term, the Group has approved during its existence various Share Option Plans, among which ESOP 2011, ESOP 2013, ESOP 2014, ESOP 2015, ESOP 2017, ESOP 2018, ESOP March 2020 and December 2020 are still valid. All options have been awarded free of charge.

On June 17, 2021, the Board of Directors granted 36,992 options (ESOP March 2020) to two new Newron employees at a strike price of CHF 2.47 (EUR 2.27 as translated at the exchange rate on June 16, 2021).

The table below shows a summary of the granted options:

	Employee Share Option Plans								
	2011	2013	2014	2015	2017	2018	Mar 2020	Dec 2020	Total
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**
Granted	0	0	0	0	0	0	36'992	0	36'992
At June 30, 2021	**0**	**320,174**	**180,934**	**382'232**	**102'953**	**379'201**	**385'955**	**134'802**	**1'886'251**

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 511, and is related to the cost of the period, out of which EUR 352 refers to G&A employees and the remaining EUR 159 to R&D employees.

The following table shows additional information regarding options granted as of June 30, 2021:

Plan's name	Exercise price (in Euro)	Number out-standing	Weighted-average remaining contractual life (years)	Number of exercisable options
ESOP 2013	6.32	312,924	1.75	312,924
	6.66	7,250	1.75	7,250
ESOP 2014	13.94	104,440	1.75	104,440
	13.88	76,494	1.75	76,494
ESOP 2015	28.14	225,391	3.75	225,391
	24.90	14,938	3.75	14,938
	25.41	28,455	3.75	28,455
	15.22	8,537	3.75	8,537
	21.87	34,857	3.75	34,857
	15.97	70,054	3.75	52,804
ESOP 2017	15.97	93,524	6.16	71,059
	6.10	9,429	6.16	0
ESOP 2018	10.06	313,754	7.01	157,602
	7.27	36,992	7.01	18,496
	4.40	28,455	7.01	0
ESOP 2020M	4.40	348,963	7.01	0
	2.27	36,992	7.01	0
ESOP 2020D	1.97	134,802	6.16	0
		1'886'251		**1'113'247**

As of June 30, 2021, n. 1,113,247 options were vested; additional n. 127,039 options will vest within year end.

18 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' 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 19).

The un-used tranches of the financing agreement still available at June 30, 2021, amount to EUR 15 million.

As of June 30, 2021, the Interest-bearing loan is equal to EUR 26,374 (2020: EUR 25,674) recognized at amortized cost.

19 Cash-settled share-based liability

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
At the beginning of the period	**181**	**436**
New issuance's fair value	0	174
Period-end adjustment	40	(429)
At the end of the period	**221**	**181**

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 17). 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 remeasured at each reporting date. The fair value has been calculated with the support of an external appraiser according with the binomial model assuming no arbitrage, a risk-neutral framework, a volatility equal to 74% and no issuance of dividends.

As of June 30, 2021, warrant's fair value, calculated using the Swiss Interest Rate Swap curve, was equal to EUR 221 (2020: EUR 181).

20 Trade and other payables

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
Trade payables	1,239	1,273
Accrued expenses	1,005	2,744
Pension contribution payable	327	348
Social security	140	191
Other payables	662	2,185
	3,373	**6,741**

Accrued expenses reflects the comparison between the invoices received from certain CROs involved in long-lasting clinical trials, and the assessment regarding the percentage of completion of their ongoing development activities, taking into account the payments made by the Group. At the end of 2020, the Group accrued significant expenses related to the termination of the sarizotan clinical trial.

In December 2020, the Group accrued a 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: such amount has been offset in June 2021 using the R&D tax credit.

21 Net Financial Position

As of June 30, 2021, the net financial position decreased by EUR 10,016. The decrease was mainly due to the development activities performed by the Group in the six-month period ending June 30, 2021.

The following table details the net financial position as of June 30, 2021, and December 31, 2020 respectively:

(In thousand Euro)	As of	
	June 30, 2021 (unaudited)	December 31, 2020 (unaudited)
Other current financial assets	10,477	18,037
Cash and cash equivalent	11,429	13,213
A. Total current financial Asset	**21,906**	**31,250**
Current lease liabilities	(157)	(151)
B. Current financial liabilities	**(157)**	**(151)**
C. Net current financial position (A+B)	**21,749**	**31,099**
Interest bearing loan	(26,374)	(25,674)
Cash-settled share-based liabilities	(221)	(181)
Non-current lease liabilities	(446)	(520)
D. Non current financial liabilities	**(27,041)**	**(26,375)**
E. Net financial position (C+D)	**(5,292)**	**4,724**

22 Financial instruments by category

The following tables present the breakdown of financial assets and liabilities, evaluated at fair value, by category as of June 30, 2021, and December 31, 2020, respectively:

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.

As of December 31, 2020	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
Assets					
Non current receivables	3	–	–	–	–
Other current financial assets	1	–	7,059	10,978	–
Trade and other receivables	3	2,704	–	–	–
Total		**2,704**	**7,059**	**10,978**	**–**
Liabilities					
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
Total		**–**	**–**	**181**	**29,803**

As of June 30, 2021	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
Assets					
Non current receivables	3	–	–	–	–
Other current financial assets	1	–	5,973	4,504	–
Trade and other receivables	3	3,377	–	–	–
Total		**3,377**	**5,973**	**4,504**	**–**
Liabilities					
Interest-bearing loan	2	–	–	–	26,374
Trade and other payables	3	–	–	–	1,901
Non-current lease liabilities		–	–	–	446
Cash-settled share-based liabilities	2	–	–	221	–
Current lease liabilities		–	–	–	157
Total		**–**	**–**	**221**	**28,878**

There were no transfers between Levels during the six-month period ending on June 30, 2021 and the whole year 2020.

23 Related party transactions

The following tables provide the total amount of transactions that the Group has been entered into with related parties during the six-month period ending June 30, 2021, and June 30, 2020, as well as balances with related parties outstanding as of June 30, 2021, and June 30, 2020 respectively:

As of June 30, 2021	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)	65	2'947	84	77	25
As of June 30, 2020					
Zambon (whole group)	51	2,486	103	16	27

24 Commitments and contingent liabilities

Other commitments

The Company has entered into contracts for clinical development with external subcontractors. The Company compensates its suppliers for the services provided on a regular basis. The expenditure contracted for at the balance sheet date, but not yet incurred, is equal to about EUR 2 million. The Company shall not incur material penalty fees for the closure of any of its contracts.

Contingent liabilities

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

25 Events after the balance sheet date

On September 6, the Group announced the initiation of Study 008A, the first potentially pivotal study with evenamide in patients with schizophrenia. Study 008A, a four-week, randomized, double-blind placebo-controlled international study, is designed to evaluate the efficacy, tolerability, and safety (including effects on the electroencephalogram (EEG)) of the 30mg BID therapeutic dose of evenamide in patients with chronic schizophrenia, currently being treated with a second-generation antipsychotic. Results from the study are expected by Q4 2022.

On September 6, the Group also announced that it has received Tranche 4 under its financing agreement with the European Investment Bank (EIB) that was signed in October 2018 and comprises up to EUR 40 million, subject to achieving a set of agreed performance criteria. The EIB loan is backed by the European Fund for Strategic Investments (EFSI), the central pillar of the Investment Plan for Europe. Tranche 4 consists of EUR 7.5 million and will primarily be used to support the Company's development programs in diseases of the central nervous system.

Bresso, September 8, 2021

Stefan Weber
Chief Executive Officer

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

Number of fully paid-in shares as at June 30, 2021	17,845,345
52-week high (in CHF)	3.30
52-week low (in CHF)	1.31
June 30, 2021 closing share price	2.55
Loss per share (in EUR)	0.51
Cash and cash equivalents, other short-term financial assets as at June 30, 2021 (in EUR 1,000)	21,9
Market capitalization as at June 30, 2021 (in CHF)	45,505,629

Major shareholders*

Zambon 4.41 %

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

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