Newron Pharmaceuticals

Half-Year Report 2022

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 2022 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
- Key data presented at the 33rd CINP Hybrid World Congress of Neuropsychopharmacology, Taipei, Taiwan, including:
    - Encouraging interim data from the first 100 patients in study 014, a world-first, randomized, open-label trial of evenamide as an add-on to an antipsychotic in patients with chronic, treatment-resistant schizophrenia (TRS). Results showed the addition of evenamide improved symptoms of psychosis. Enrollment in this study is expected to be completed by end of 2022 and results are expected in QI 2023
    - Study design for an upcoming potentially pivotal, randomized, double-blind, placebo-controlled, eight-week, global study (003) assessing the safety and efficacy of evenamide as an add-on treatment in patients with TRS, which is expected to commence in 2023
    - Safety data from more than 400 healthy volunteers and patients with schizophrenia treated with evenamide, showing that the compound is safe and well tolerated
- The first potentially pivotal study of the Phase II/III evenamide development program, study 008A with evenamide as add on therapy in patients with chronic schizophrenia experiencing inadequate response to their current antipsychotics, is continuing to enroll patients, and results are expected in first half of 2023
- Newron continues to evaluate strategic commercial and development partnering options for evenamide

Xadago®/safinamide

- Newron and its partners Zambon and Supernus continue to work to protect intellectual property rights associated with Xadago®/safinamide in the US, responding to Paragraph IV Notice Letters regarding Abbreviated New Drug Applications submitted from generic pharmaceutical manufacturers
- Newron continues to plan a potentially pivotal study with safinamide in Parkinson's disease patients with levodopa-induced dyskinesia (PD LID) in partnership with Zambon

Corporate

- Reaffirmed commitment to Environmental, Social and Governance (ESG) reporting and standards through the establishment of an ESG Committee of the Board, which is undertaking a comprehensive assessment of key ESG areas to identify measurable targets for Newron
- Strengthened senior leadership team with the appointment of Filippo Moriggia as Vice President Operations, who will also lead Newron's operational ESG activities
- Newron continues to explore a number of potential opportunities to expand its pipeline in central nervous system diseases

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Shareholder Letter

Dr. Ulrich Köstlin

Stefan Weber

Dear Shareholder,

As we move into the second half of 2022, we are pleased to share updates on the developments in Newron's pipeline during the last six months, as well as provide further details on what we intend to deliver in the remainder of the year. In particular, we are very excited about the encouraging progress made with our ongoing evenamide development program. This includes the interim results from study 014, the first ever randomized international trial with a New Chemical Entity (NCE), evenamide, as add-on therapy in patients with treatment-resistant schizophrenia (TRS), as well as the continued progress in study 008A, the first potentially pivotal study with evenamide as add-on therapy in patients with schizophrenia who are inadequate responders to atypical antipsychotics. We also strengthened our senior leadership team and furthered our commitments to ESG standards, principles and outcomes.

Evenamide – schizophrenia

In June, we presented key scientific data of evenamide at the 33rd Collegium Internationale Neuro-Psychopharmacologicum (CINP) Hybrid World Congress of Neuropsychopharmacology, in Taipei, Taiwan, following the submission of three abstracts. We were especially pleased to present interim results from the first 100 patients in study 014, an open-label study of evenamide as an add-on to an antipsychotic in patients with moderate to severe treatment resistant schizophrenia (TRS), who were not responding to current antipsychotic medication.

The primary objective of the study was to evaluate the safety and tolerability of evenamide given orally at three fixed doses (7.5, 15 and 30 mg bid). The vast majority of these patients were treated with 7.5mg and 15mg bid doses, as an Independent Safety Monitoring Board first reviewed the safety data from the lower doses before allowing randomization to a 30 mg bid dose. The assessment of preliminary efficacy was a secondary objective and was based on changes from baseline in the Positive and Negative Syndrome Scale (PANSS); Clinical Global Impression – Change from baseline (CGI-C); Severity of illness (CGI-S); and Strauss-Carpenter Level of Functioning (LOF) scale.

The interim results from this world-first, international, six-week, open-label, randomized, rater-blinded and multi-centre trial showed that the addition of evenamide improved symptoms of psychosis in patients with chronic TRS. This was reflected by an approximately 12% reduction in the PANSS score, CGI-S improvement of 0.7, and CGI-C ratings, indicating that 77% of patients were considered to have improved. The results confirm the potential of evenamide as an add-on therapy to typical antipsychotics to improve the lives of patients who continue to experience severe symptoms of psychosis under their current medication. An estimated 30–60% of patients with schizophrenia show no benefit from their medication, and another 10–30% show inadequate benefit, resulting in an increased risk of hospitalization, morbidity, suicidality, and reduced life expectancy by up to 20 years.

As we move into the second half of 2022, we see significant progress in the enrolment of patients for study 014 and expect to complete the process by the end of the year, with results from the study due in QI/2023. We are especially excited by the impressive rate (> 90%) of treatment resistant patients deciding to continue treatment with evenamide by entering into the long-term extension study 015.

At the CINP congress, we had also outlined safety data from more than 400 healthy volunteers and patients with schizophrenia who were treated with evenamide. The results showed that evenamide was well tolerated, with no safety issues identified.

Finally, we had presented the study design for an upcoming randomised, double-blind, placebo-controlled, eight-week, global study (003) assessing the safety and efficacy of evenamide (15/30mg bid) as an add-on treatment in patients with TRS not responding to their current atypical antipsychotics. This second potentially pivotal study 003 is expected to commence in 2023. Study 003, together with study 008A, form our promising Phase II/III evenamide development program.

Our ongoing Study 008A is a four-week, randomised, double-blind and placebo-controlled study assessing the efficacy, tolerability, and safety (including electroencephalogram effects) of evenamide (30mg bid) in patients with chronic schizophrenia currently being treated with a second-generation antipsychotic, but who are not classed as having TRS. The study is enrolling patients in treatment centers in Europe, Asia and Latin America. Recently, an additional 10 study centers have been added in Europe, to arrive at a total of more than 50 centers, globally. This will help enrol patients to the study and ensure timely progress in the study. The results from study 008A are expected in the first half of 2023. If positive, the study would mark the first well-controlled, potentially pivotal study of evenamide in schizophrenic patients who do not adequately respond to treatment with atypical anti-psychotics.

If approved, evenamide would be the first add-on therapy for schizophrenia. It acts through selective attenuation of the abnormal release of glutamate, which is a novel, alternative mechanism of action to typical dopaminergic or serotonergic anti-psychotics. It would also offer a new therapeutic option for TRS patients, who make up roughly one-third of patients suffering from schizophrenia. This would represent a significant advancement in the approach to schizophrenia and TRS specifically, especially as there are currently no new drugs in development for TRS.

We continue to evaluate opportunities to partner on the development and commercialisation of evenamide.

Xadago®/safinamide

Newron continues to further develop and market its product, Xadago®/safinamide, with its partners, Zambon and Meiji Seika. Newron continues to plan a potentially pivotal study with safinamide in Parkinson's disease patients with levodopa-induced dyskinesia (PD LID) in partnership with Zambon.

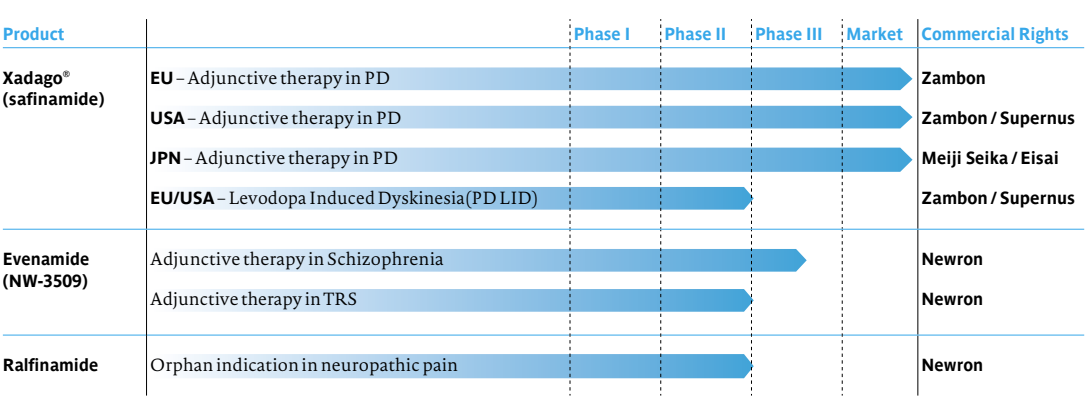
In reference to the receipt of several Paragraph IV Notice Letters in May 2021 regarding the submission by generic manufacturers of an Abbreviated New Drug Application to the US Food and Drug Administration (FDA), seeking approval to engage in the commercial manufacture, use or sale of safinamide mesylate drug product in the US before expiration of certain US patents, Newron and its partners Zambon and Supernus had filed an infringement case against these manufacturers to secure its intellectual property rights. We continue to challenge these submissions and note that our patents on Xadago® (safinamide) tablets remain protected by three patents in the FDA Approved Drugs Product List (Orange Book) until at least 2027.

Financials

For the first six months of 2022, Newron reported a net loss of EUR 8.6 million, compared to EUR 9.1 million in the same period in 2021. Cash used in operating activities has decreased to EUR 5.6 million from EUR 8.8 million in H1 2021. Xadago® revenues from Zambon slightly increased from EUR 2.7 million in H1 2021 to EUR 2.8 million in the reporting period. Newron's R&D expenses have fallen to EUR 5.3 million from EUR 6.8 million in H1 2021. G&A expenses reached EUR 3.9 million in the first six months of 2022 versus EUR 3.7 million in the same period in 2021. Cash and Other current financial assets at June 30, 2022 were at EUR 28.4 million, compared to EUR 34.6 million at the beginning of the year.

Newron's total available cash resources, in addition to its royalty income and Italian R&D tax credits, will fund our planned development programs and operations well into 2024.

Newron's current Pipeline



Corporate

In July, we announced the strengthening of our Senior Management team through the appointment of Filippo Moriggia to the newly created position of Vice President of Operations. Filippo joined Newron in November 2016 as IT Director and became Director of Operations in January 2022.

We also reaffirmed our commitment to Environmental, Social and Governance (ESG) through the initiation of a comprehensive, company-wide assessment of key ESG topics that impact the company and our shareholders, in order to identify measurable targets for our ESG activities. In order to effectively pursue these targets and track our progress, the Board of Directors established an ESG Committee in July, with Filippo Moriggia, newly appointed VP of Operations, leading the ESG work on an operational level. Newron's material ESG topics and the corresponding KPI's and reporting framework should be communicated by the end of 2022, while annual ESG reporting will commence in spring 2023 with the publication of the 2022 Annual Report.

At the Annual General Meeting in April, Newron shareholders approved all proposed motions, including the approval of the balance sheet as at December 31, 2021, the reduction of the number of Board members, the appointment of the statutory auditors for the three fiscal-year time 2022–2024 as well as the appointment of EY as the company's auditing company.

Outlook

Looking ahead to the next months, we remain confident in our strategy and pipeline programs. In particular, we are pleased with the excellent progress made so far with the ongoing Phase II/III development program for evenamide, including the encouraging interim data from study 014, and we remain on track to publish full results from study 014 in QI/2023 and from study 008A in the first half of 2023.

Newron remains dedicated to our mission of developing novel treatments for diseases of the central and peripheral nervous system. We will continue to explore commercial partnerships as well as opportunities to in-licence drugs and will update shareholders of any developments at the earliest opportunity. We would like to sincerely thank our shareholders for their continued confidence in our strategy and ongoing progress.

Yours sincerely,

Dr. Ulrich Köstlin
Chairman

Stefan Weber
Chief Executive Officer

Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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 2022. 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, 2022 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 12, 2022

Giovanni Luca Guerra
(Auditor)

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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 2022 (unaudited)	2021 (unaudited)
Licence income from contracts with customers		14	24
Royalties from contracts with customers	6	2,816	2,647
Revenue		2,830	2,671
Research and development expenses	7	(5,324)	(6,783)
Marketing and advertising expenses		(65)	(29)
General and administrative expenses	8	(3,894)	(3,747)
Operating result		(6,453)	(7,888)
Financial income	9	194	220
Financial expenses	9	(2,376)	(1,394)
Result before tax		(8,635)	(9,062)
Income tax		(1)	(1)
Net loss		**(8,636)**	**(9,063)**
Loss per share			
Basic and Diluted loss per share		(0.48)	(0.51)
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 2022 (unaudited)	2021 (unaudited)
Net loss for the year		(8,636)	(9,063)
Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods:			
Net loss on other current assets	14	(117)	(20)
Exchange differences on translation of foreign operations		16	11
Net other comprehensive (loss) that may be reclassified to profit or loss in subsequent periods		(101)	(9)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurements on defined benefit plans		30	(3)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		30	(3)
Other comprehensive (loss) for the period, net of tax		(71)	(12)
Total comprehensive loss for the period, net of tax		**(8,707)**	**(9,075)**

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

Interim Condensed Consolidated Statement of Financial Position

(In thousand Euro)		As of	
	Note	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment		81	87
Right-of-use assets	11	536	490
Intangible assets		1	2
Non-current receivables	12	9,115	10,480
		9,733	11,059
Current assets			
Receivables and prepayments	13	5,452	4,833
Other current financial assets	14	9,475	9,575
Cash and cash equivalents	15	18,883	25,019
		33,810	39,427
Total assets		**43,543**	**50,486**
Shareholders' equity			
Share capital	16	3,569	3,569
Share premium and other reserves		(9,800)	5,101
Share option reserve	17	15,717	15,367
Retained earnings		(13,933)	(20,116)
Translation differences		(798)	(814)
Total shareholders' equity		**(5,245)**	**3,107**
Liabilities			
Non-current liabilities			
Interest-bearing loan	18	43,886	42,542
Non-current lease liabilities		408	389
Cash-settled share-based liabilities	19	212	213
Employee severance indemnity		456	581
		44,962	43,725
Current liabilities			
Current lease liabilities		173	150
Trade and other payables	20	3,653	3,504
		3,826	3,654
Total liabilities		48,788	47,379
Shareholders' equity and liabilities		**43,543**	**50,486**

(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, 2021 (audited)		3,569	26,099	14,605	(870)	(26,157)	17,246
Net loss		0	0	0	0	(9,063)	(9,063)
Other comprehensive income/(loss)		0	0	0	11	(23)	(12)
Total comprehensive loss for the period		0	0	0	11	(9,086)	(9,075)
Previous year loss allocation		0	(20,998)	0	0	20,998	0
Share option scheme	17	0	0	511	0	0	511
Fair value reserve release		0	0	0	0	10	10
Balance at June 30, 2021 (unaudited)		3,569	5,101	15,116	(859)	(14,235)	8,692
Balance at January 1, 2022 (audited)		3,569	5,101	15,367	(814)	(20,116)	3,107
Net loss		0	0	0	0	(8,636)	(8,636)
Other comprehensive income/(loss)		0	0	0	16	(87)	(71)
Total comprehensive loss for the period		0	0	0	16	(8,723)	(8,707)
Previous year loss allocation		0	(14,901)	0	0	14,901	0
Share option scheme	17	0	0	350	0	0	350
Fair value reserve release		0	0	0	0	5	5
Balance at June 30, 2022 (unaudited)		**3,569**	**(9,800)**	**15,717**	**(798)**	**(13,933)**	**(5,245)**

(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, 2022 (unaudited)	2021 (unaudited)
Result before taxes		(8,635)	(9,062)
Interest received		13	60
Interest paid		(532)	(537)
Adjustments for:			
Depreciation and amortisation		99	105
Other non monetary income/expense		2,786	2,202
Share option expenses, net	17	350	511
Employee severance indemnity expense		117	104
Changes in working capital:			
Current receivables and prepayments and deferred cost		(615)	662
Trade and other payables and deferred income		(463)	(3,930)
Pension fund paid		(115)	(84)
Change in non-current receivables	12	1,365	1,219
Cash used in operating activities		**(5,630)**	**(8,750)**
Cash flows from investing activities			
Purchase of financial assets		(1,613)	(995)
Disposal of financial assets		1,208	8,048
Purchase of property, plant and equipment		(9)	(9)
Net cash flows from/(used in) investing activities		**(414)**	**7,044**
Cash flows from financing activities			
Lease liabilities		(92)	(78)
Net cash flows used in financing activities		**(92)**	**(78)**
Net decrease in cash and cash equivalents		**(6,136)**	**(1,784)**
Cash and cash equivalents at January 1		25,019	13,213
Cash and cash equivalents at the end of the period	15	**18,883**	**11,429**

(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 it is also traded – on an electronic trading platform called XETRA (at the Dusseldorf Stock Exchange) – under the trade name NP5.

The Group is principally engaged in development and commercialization of novel drugs to treat diseases of the central and peripheral nervous system (CNS).

The interim condensed consolidated financial statements of Newron Group for the six months ended June 30, 2022, were authorised for issuance by the Board of Directors ("the Board") on September 8, 2022.

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, 2022, 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, 2021.

As of June 30, 2022, the consolidated loss amounted to EUR 8,636 and the shareholders equity was negative by EUR 5,245. 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 additional new drugs to the market. Historically, Newron has primarily used capital contributions from shareholders, limited government grants mainly in the form of Research and Development contributions (please refer to Note 7 for additional info), proceeds from contracts with customers and loans to finance the cash needs of its continuing development activities.

The net financial position is negative by EUR 16,321 as of June 30, 2022 EUR 8,700 as of December 31, 2021), although the net current financial position is positive by EUR 28,185 as of June 2022 (EUR 34,444 as of December 31, 2021). Management monitors the Group's cash position on rolling forecasts based on expected cash flows to enable the Group to finance

research and development activities. From a liquidity risk perspective, the Directors assessed that the financial status as of June 30, 2022 assures that the Group's operations will be well funded for a period of at least 12 months from the date of approval of the interim condensed consolidated financial statements by the Board of Directors, not taking into account further cash generating revenue streams or other strategic options aimed at supporting the going concern and the R&D expenditures in the medium-long term period. However, the ability of the Group to maintain adequate cash reserves to sustain its activities in the medium-long term is highly dependent on the Group's ability to raise further funds from the out-licensing of its development stage products, the issuance of new shares and other financing transactions. Consequently, the Group is exposed to significant liquidity risk in the medium term.

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 interim condensed consolidated financial statements, and hence the interim condensed consolidated financial statements have been prepared on a going concern basis.

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, the Group continued to experience some delays 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.

Group put in place measures to ensure the protection of its employees and business continuity: in particular, the adoption of hygiene and safety measures in its administrative and operational areas together with working from home, rigorous cleaning of workplaces and distribution of personal protective equipment.

Effects of the conflict between Ukraine and Russia

With reference to the economic and financial consequences of the ongoing conflict between Russia and Ukraine on the Group's assets and liabilities, Group management constantly monitors the evolution of the conflict as the geopolitical tensions represent a further element of instability. Despite the fact that Newron Group's business is not exposed in the areas of conflict, the increasing geopolitical tensions and the sanctions imposed by the governments of the United States, the European Union, Japan and other jurisdictions, as well as the counterresponses by the governments of Russia or other jurisdictions, could adversely affect, directly or indirectly, the supply chain of our suppliers, as well as the global financial markets (please refer to Note 9 and Note 17 for additional info) and financial services industry.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021, except for the adoption of new standards and interpretations effective as of January 1, 2022.

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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. Management of the Group made an assessment and did not identify any contracts as being onerous.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‚day 2, gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no business combinations during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the ‚10 per cent, test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

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 both the Covid-19 pandemic and the conflict between Ukraine and Russia.

3 Segment reporting

The Group 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 Group 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 that/which 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)	
	2022	2021	June 30, 2022	December 31, 2021
CHF 1	0.96911	0.91358	1.00402	0.96796
GBP 1	1.18708	1.15207	1.16523	1.16333
SEK 1	0.09542	0.09870	0.09320	0.09756
USD 1	0.91459	0.82967	0.96274	0.88292

6 Royalties from contracts with customers

(In thousand Euro)	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Royalties from contracts with customers	2,816	2,647

In the six-months period ended on June 30, 2022, Royalties from contracts with customers (royalties) increased by 6%.

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,	
	2022 (unaudited)	2021 (unaudited)
Services received from subcontractors	2,981	4,111
Staff costs	1,543	1,708
Consultancy fees	296	442
Material and consumable used	94	103
Operating lease cost	164	260
Travel expenses	141	66
Depreciation, amortisation and impairment expense	34	31
Other research and development costs	71	62
	5,324	**6,783**

The decrease in Services received from subcontractors, Consultancy fees and Material and consumable used, is mainly due to the fact that the Group, in 2021, was running various preclinical and clinical safety studies with evenamide, whereas, in 2022, the main active study is the phase II/III, four-week, randomised, double-blind, placebo-controlled study to assess the efficacy, tolerability and safety of the therapeutic BID the therapeutic dose of 30mg BID of evenamide in patients with chronic schizophrenia that will increase costs in the next quarters.

Staff costs related to research and development activities amount to EUR 1,543 (2021: EUR 1,708). The decrease is mainly related to a) the decrease in number of R&D employees and b) the reduction of 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% 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.

As of June 30, 2022, the Group did not recognize any tax credit regarding the R&D expenses incurred in the six-month period ending on June 30, 2022, following the assessment of its recoverability. Management of the Group will assess the opportunity to recognize the R&D tax credit during the preparation of the Annual Report 2022. The tax credit related to the R&D expenses of the six-month period ending on June 30, 2022, 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 78 as of June 30, 2022 (2021: EUR 65).

Gross Research and development expenses amounted to EUR 5,402 and EUR 6,848 as detailed in the following table.

(In thousand Euro)	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Research and development expenses, gross	5,402	6,848
Reimbursed by Zambon	(78)	(65)
	5,324	**6,783**

Since inception, no development costs have been capitalised.

8 General and administrative expenses

(In thousand Euro)	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Staff costs	1,928	1,881
Consultancy and other professional services	1,181	1,194
Intellectual properties	468	337
Travel expenses	62	39
Operating lease cost	72	44
Depreciation and amortisation expense	66	74
Other expenses	117	178
	3,894	**3,747**

The increase in Staff costs is mainly due to increased number of employees partially compensated by reduced costs for stock options.

9 Financial results

The following table summarizes the financial income of the period:

(In thousand Euro)	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Interest income	18	38
Foreign exchange gains	175	145
Other income	1	37
	194	220

As of June 30, 2022, Other income comprised the effects, equal to EUR 1 (2021: EUR 37), of the valuation of warrants issued by the Company in accordance with the contracts in place with the European Investment Bank (EIB).

The following table summarizes the financial losses of the period:

(In thousand Euro)	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Interest expense	1,898	1,298
Lease interest expense	7	7
Foreign exchange losses	78	49
Other costs	393	40
	2,376	1,394

During the last quarter of 2021, the Group drawn EUR 15 million from its financing facility with the European Investment Bank (EIB). Interest expenses related to EIB facility, equal to EUR 1,862 (2021: EUR 1,216) reflects the abovementioned increase of the outstanding loan and are recognized at amortized cost (IFRS 9).

Other costs, equal to EUR 393, reflects the decrease in the fair value of Group, Financial assets impacted either by the Covid-19 pandemic or the conflict between Ukraine and Russia 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".

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,	
	2022 (unaudited)	2021 (unaudited)
Net loss attributable to shareholders	(8,636)	(9,063)
Weighted average number of shares (thousands)	17,845	17,845
Loss per share – basic and diluted (in Euro)	(0.48)	(0.51)

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. 1,855,175 (see also Note 17 for additional information) stock options to certain employees, directors and consultants, and a total of n. 807,169 warrants to EIB (please refer to Note 19 for additional information). As of June 30, 2022, 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, 2022, coincided.

11 Right-of-use assets

(In thousand Euro)	Right-of-use assets		
	Offices	Motor vehicles	Total
As at December 31, 2020	**522**	**107**	**629**
Additions	0	23	23
Depreciation	(106)	(56)	(162)
As at December 31, 2021	**416**	**74**	**490**
Additions	21	106	127
Depreciation	(55)	(27)	(82)
As at June 30, 2022	**382**	**153**	**535**

The Right of Use as of June 30, 2022, 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. Starting from January 1, 2022, Newron increased the rented space.

12 Non-current receivables

(In thousand Euro)	As of	
	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Guarantee deposits for leases	75	72
R&D tax credit	9,040	10,408
	9,115	**10,480**

As of June 30, 2022, the Group was entitled to receive a total R&D tax credit equal to EUR 11,240 (2021: EUR 12,508), out of which EUR 9,040 reclassified among the Non-current asset (2021: EUR 10,408) and EUR 2,200 reclassified among the Current asset (2021: EUR 2,100). During the six-month period ended June 30, 2022, the total net decrease of the R&D tax credit is equal to EUR 1,268 (in first half 2021 was EUR 2,525) and represents the amount used to offset the payments of certain taxes and contributions incurred in the period. According to the Group's business plan, the total amount of R&D tax credit receivable recognized as of June 30, 2022, 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, 2022 (unaudited)	December 31, 2021 (audited)
Receivables	1,703	1,308
Prepayments	751	783
VAT receivable	476	312
R&D tax credit	2,200	2,100
Other receivables	322	330
	5,452	**4,833**

Receivables are almost entirely represented by 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 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, 2022 (unaudited)	December 31, 2021 (audited)
Listed bonds	4,333	4,545
Government bonds	500	503
Investment funds	4,642	4,527
	9,475	**9,575**

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, 2022 (unaudited)	December 31, 2021 (audited)
Cash at bank and in hand	18,883	25,019
	18,883	**25,019**

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 and its ability to act as a going concern. Financial resources currently available are considered adequate to support ongoing research and development activities and the ability of the Group to meet its obligations as they fall due for the foreseeable period of at least 12 months from the date of approval of the interim financial statements by the Board of Directors.

As at June 30, 2022, group liquidity (Other current financial assets plus Cash and cash equivalents) amounts to approximately EUR 28 million (EUR 35 million as of December 31, 2021). Expenses of the period have been partially financed by royalties and existing cash.

16 Share capital

As of December 31, 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 was no authorised share capital.

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

(In Euro)	Total
As of December 31, 2020 – Newron Group	**3,569,069.00**
As of December 31, 2021 – Newron Group	**3,569,069.00**
As of June 30, 2022 – Newron Group	**3,569,069.00**

Accordingly, as of June 30, 2022, 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, 2022 (unaudited)	December 31, 2021 (audited)
At the beginning of the year	15,367	14,605
Share option scheme	350	762
At the end of the period	**15,717**	**15,367**

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, ESOP March 2020 and December 2020 are still valid. All options have been awarded free of charge.

On April 28, 2022, the Board of Directors approved the "April 2022" stock option plan allocating up to 169,497 options to all Newron, employees plus certain consultants at a strike price of CHF 2.69 (EUR 2.63 as translated at the exchange rate on April 27, 2022). The stock option plan – as approved by Directors – 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 2015; c) the new amount of options granted represents approximately the 70% of the options waived; d) 50% of the options will vest after 12 months from the granting date and the remaining 50% after 24 months from the granting date and, the vesting of each tranche, is conditional to a defined triggering event (Group objective). In the days immediately following the Board meeting, all recipients have officially communicated to the Company their intention to waive a total of 180,089 options granted under the 2015 ESOP, joining the "April 2022" stock option plan.

During the same meeting, the Board of Directors granted 8,537 options (ESOP March 2020) to a new Newron employees at a strike price of CHF 1.35 (EUR 1.32 as translated at the exchange rate on April 27, 2022).

The table below shows a summary of the granted options:

	Employee Share Option Plans								
	2013	2014	2015	2017	2018	Mar 2020	Dec 2020	2022	Total
At December 31, 2020	**320,174**	**180,934**	**382,232**	**102,953**	**379,201**	**348,963**	**134,802**	**0**	**1,849,259**
Granted	0	0	0	0	0	54,066	0	0	54,066
Waived	0	0	0	0	(14,228)	(16,156)	(5,230)	0	(35,614)
At December 31, 2021	**320,174**	**180,934**	**382,232**	**102,953**	**364,973**	**386,873**	**129,572**	**0**	**1,867,711**
Granted	0	0	0	0	0	8,537	0	169,497	178,034
Voluntarely waived	0	0	(180,089)	0	0	0	0	0	(180,089)
Waived	0	0	0	0	0	(8,537)	(1,944)	0	(10,481)
At June 30, 2022	**320,174**	**180,934**	**202,143**	**102,953**	**364,973**	**386,873**	**127,628**	**169,497**	**1,855,175**

The fair values of the options issued in 2022 have been estimated by an external appraiser on the date of grant using, among others, the following assumptions:

Dividend yield (%):	0.00
Expected volatility (%):	97.00
Resignation rate expected (%):	3.00

Covid-19 pandemic and the conflict between Ukraine and Russia impacted the Expected volatility that grew from 74% to 97%.

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 350 (2021: EUR 511) and it's related to the following combined effects: a) recognition of cost of the year equal to EUR 353 (out of which EUR 242 refers to G&A employees and the remaining EUR 111 to R&D employees), and b) write-off of the reserve (EUR 3) related to options waived by one R&D employee that left the Group.

The following table shows additional information regarding options granted as of June 30, 2022:

ESOP 2013	Exercise price (in Euro)	Number out-standing	Weighted-aver-age remaining contractual life (years)	Number of exercisable options
ESOP 2013	6.32	312,924	0.75	312,924
	6.66	7,250	0.75	7,250
ESOP 2014	13.94	104,440	0.75	104,440
	13.88	76,494	0.75	76,494
ESOP 2015	28.14	112,537	2.75	112,537
	24.90	14,938	2.75	14,938
	25.41	10,740	2.75	10,740
	15.22	6,498	2.75	6,498
	21.87	26,000	2.75	26,000
	15.97	31,430	2.75	31,430
ESOP 2017	15.97	93,524	5.16	93,524
	6.10	9,429	5.16	4,715
ESOP 2018	10.06	313,754	6.01	235,678
	7.27	22,764	6.01	20,630
	4.40	28,455	6.01	14,228
ESOP 2020M	4.40	332,807	6.01	166,400
	2.27	28,455	6.01	0
	1.93	8,537	6.01	0
	1.83	8,537	6.01	0
	1.32	8,537	6.01	0
ESOP 2020D	1.97	127,628	5.16	0
ESOP 2022	2.63	169,497	2.75	0
		1,855,175		**1,238,426**

As of June 30, 2022, n. 1,238,426 options were vested; additional n. 144,022 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, 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 five tranches (identified as Tranche 1, Tranche 2, Tranche 3, Tranche 4 and Tranche 5) amounting respectively to EUR 10 million (cashed-in on July 1, 2019), EUR 7.5 million (cashed-in on November 25, 2019), EUR 7.5 million (cashed-in on April 14, 2020) EUR 7.5 million (cashed-in on September 6, 2021) and EUR 7.5 million (cashed-in on October 18, 2021). 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%; Tranche 2 and 3 fixed rate is equal to 6.25% while Tranche 4 and 5 fixed rate is equal to 5.25%.

Furthermore, according to the agreement between the parties, Newron has granted EIB with a total of n. 807,169 warrants (out of which n. 201,793 related to Tranche 1 and n. 151,344 per each of the Tranche 2, 3, 4 and 5) to purchase ordinary shares of Newron (for additional information, please refer to Note 19). There are no un-used tranches.

As of June 30, 2022, the Interest-bearing loan is equal to EUR 43,886 (2021: EUR 42,542) recognized at amortized cost.

19 Cash-settled share-based liability

(In thousand Euro)	As of	
	June 30, 2022 (unaudited)	December 31, 2021 (audited)
At the beginning of the period	**213**	**181**
New issuance's fair value	0	105
Period-end adjustment	(1)	(73)
At the end of the period	**212**	**213**

As a consideration for the five tranches cashed-in from EIB, the Company awarded EIB, free of charge, with n. 807,169 warrants, representing 3.94% 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; n. 302,688 issued warrants can't be exercised before September 15, 2025 while the remaining n. 302,688 issued warrants can't be exercised before September 15, 2026. 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; April 14, 2020, September 6, 2021 and October 18, 2021) 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 77% and no issuance of dividends.

As of June 30, 2022, warrants, fair value, calculated using the Suisse Interest Rate Swap curve, was equal to EUR 212 (2021: EUR 213).

20 Trade and other payables

(In thousand Euro)	As of	
	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Trade payables	689	1,503
Accrued expenses	1,868	513
Pension contribution payable	349	370
Social security	128	219
Other payables	619	899
	3,653	**3,504**

The aggregate increase of Trade payables and Accrued expenses is mainly due to the study 008A, a phase II/III, four-week, randomised, double-blind, placebo-controlled study to assess the efficacy, tolerability and safety of the therapeutic BID dose of 30mg of evenamide in patients with chronic schizophrenia. 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.

21 Net Financial Position

As of June 30, 2022, the net financial position decreased by EUR 7,606. The decrease was mainly due to the development activities performed by the Group in the six-month period ending June 30, 2022.
The following table details the net financial position as of June 30, 2022, and December 31, 2021 respectively:

(In thousand Euro)	As of	
	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Other current financial assets	9,475	9,575
Cash and cash equivalent	18,883	25,019
A. Total current financial Asset	**28,358**	**34,594**
Current lease liabilities	(173)	(150)
B. Current financial liabilities	**(173)**	**(150)**
C. Net current financial position (A+B)	**28,185**	**34,444**
Interest bearing loan	(43,886)	(42,542)
Cash-settled share-based liabilities	(212)	(213)
Non-current lease liabilities	(408)	(389)
D. Non current financial liabilities	**(44,506)**	**(43,144)**
E. Net financial position (C+D)	**(16,321)**	**(8,700)**

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, 2022, and December 31, 2021, respectively:

As of June 30, 2022	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					
Other current financial assets	1	–	4,833	4,642	–
Trade and other receivables	3	2,529	–	–	–
Total		**2,529**	**4,833**	**4,642**	**–**
Liabilities					
Interest-bearing loan	2	–	–	–	43,886
Trade and other payables	3	–	–	–	1,308
Non-current lease liabilities		–	–	–	408
Cash-settled share-based liabilities	2	–	–	212	–
Current lease liabilities		–	–	–	173
Total		**–**	**–**	**212**	**45,775**

As of December 31, 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					
Other current financial assets	1	–	5,048	4,527	–
Trade and other receivables	3	2,163	–	–	–
Total		**2,163**	**5,048**	**4,527**	**–**
Liabilities					
Interest-bearing loan	2	–	–	–	42,542
Trade and other payables	3	–	–	–	2,402
Non-current lease liabilities		–	–	–	389
Cash-settled share-based liabilities	2	–	–	213	–
Current lease liabilities		–	–	–	150
Total		**–**	**–**	**213**	**45,483**

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

There were no transfers between Levels during the six-month period ending on June 30, 2022 and the whole year 2021.

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, 2022, and June 30, 2021, as well as balances with related parties outstanding as of June 30, 2022, and June 30, 2021 respectively:

As of June 30, 2022	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)	78	2,816	109	48	0
As of June 30, 2021					
Zambon (whole group)	65	5,728	195	(475)	25

24 Commitments and contingent liabilities

Other commitments

The Group has entered into contracts for clinical development with external subcontractors. The Group 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 8 million. The Group 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 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 Deferred income taxes

Consistently with the past, the Group has not recognised in the interim condensed consolidated financial statements any deferred income tax asset due to uncertainties concerning the availability of future taxable profits against which such asset may be offset. The theoretical deferred tax asset, measured using the tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse and mainly composed by tax losses carry forwards, would amount to approximately EUR 77 million (as of December 31, 2021: EUR 75 million).

26 Events after the balance sheet date

On July 1, 2022 the Group announced that, effective July 1, 2022, it is extending its Senior Management team through the appointment of Filippo Moriggia to the newly created position of Vice President of Operations. Furthermore, as part of a renewed commitment to Environment, Social and Governance (ESG) within its corporate strategy, Newron announced that it is undertaking a comprehensive assessment of key ESG topics to develop relevant and measurable targets for its ESG activities and track progress to achieving these targets over time.

Bresso, September 8, 2022

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, 2022	17,845,345
52-week high (in CHF)	2.57
52-week low (in CHF)	1.20
June 30, 2022 closing share price	1.53
Loss per share (in EUR)	0.48
Cash and cash equivalents, other short-term financial assets as at June 30, 2022 (in EUR 1,000)	28.4
Market capitalization as at June 30, 2022(in CHF)	27,303,378

Major shareholders*

Zambon	4.41 %

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

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