

NEWRON PHARMACEUTICALS S.P.A.

Registered office in Bresso (MI) - Via L. Ariosto n. 21

Subscribed and paid in share capital Euro 3,569,069.00

Fiscal code and registration number with the Register of Enterprises in Milan: No.

02479490126 and in the

Register of Economic Administration (REA) under No. 168017

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON THE AGENDA OF THE
ORDINARY SHAREHOLDERS' MEETING TO BE HELD ON April 2, 2019**

Bresso, March 5, 2019

Dear Shareholders,

this report was drafted by the Board of Directors of Newron Pharmaceuticals S.p.A. (“**Newron**” or the “**Company**”) in relation to the Newron Shareholders’ Meeting, convened in sole call on April 2, 2019, at 10:00 CET, at the Company’s registered office in Bresso (MI), via Ludovico Ariosto, no. 21, in order to discuss and resolve upon the following agenda:

1. **Approval of the financial statements as at 31 December 2018. Related and consequent resolutions;**
2. **Appointment of the Statutory Auditors for the three-year period 2019-2021 and, therefore, until approval of the financial statements as at 31 December 2021, and determination of their fees. Related and consequent resolutions;**
3. **Appointment of the auditing company for the period 2019-2021; related and consequent resolutions.**

1. Approval of the financial statements as at 31 December 2018. Related and consequent resolutions.

Dear Shareholders,

Pursuant to applicable laws, the Company shall resolve in relation to the approval of the financial statements as at 31 December 2018.

The relevant financial statements' draft as at 31 December 2018 was approved by the Company's Board of Directors on February 25, 2019.

The Company's financial statements results in a loss for the financial year of Euro 12,997,671 and Shareholders' equity, net of the loss of the year, equal to Euro 53,338,440, mainly attributable to the Company's business and to the development stage of the relevant products' pipeline.

In the context of the shareholders' meeting, also the consolidated financial statements as of 31 December 2018 will be illustrated, showing a loss equal to Euro 15,035 thousand and Shareholders' equity, net of the loss of the year, equal to Euro 54,844 thousand, as approved by the Board of Directors' Meeting of February 25, 2019.

A copy of the dossier relating to the financial statements and the consolidated financial statements is available on the Company's web site in the Shareholders Meeting section.

2. Appointment of the Statutory Auditors for the three-year period 2019-2021 and, therefore, until approval of the financial statements as at 31 December 2021, and determination of their fees. Related and consequent resolutions.

Dear Shareholders,

Upon the approval of the financial statements as of 31 December 2018 the 3-years mandate granted to the Board of Statutory Auditors for the period 2016-2018 will expire.

Therefore, you are convened in order to appoint a new Board of Statutory Auditors (through the list vote procedure as provided for by art. 19 of the current Company's By-Laws).

Such procedure provides that shareholders who represent at least a 2.5% of the share capital constituted by shares with voting rights in the ordinary Shareholders' Meeting may submit one list of candidates numerically listed, depositing it at the registered office of the Company at least five days before the date of the first call of the Shareholders' Meeting, at pain of forfeiture.

In order to show the ownership of the number of shares necessary to submit the lists, the shareholders have to simultaneously deposit, at the Company's registered office, the copy of the relevant certification issued, in accordance with the applicable Italian laws, by the financial depositaries of such shares.

Each list has to indicate distinctly three candidates for the statutory effective auditor office and two candidates for the alternate auditor office. Each shareholder shall be entitled to submit and vote only one list of candidates and each candidate may candidate him/herself in one sole list, at pain of ineligibility.

The shareholders under common control pursuant to article 2359 of the Italian Civil Code may submit only one list.

The shareholders who are part of a voting shareholders' agreement (*sindacato di voto*) may submit and vote, during the ordinary Shareholders' meeting called to appoint the members of the Board of Statutory Auditors, only one list for the appointment of the Auditors.

Together with each list, within the deadline for the relevant deposit of the same at the registered office, the declarations by means of which each candidate accepts his/her own candidature and states, at his/her own responsibility, the non-existence of ineligibility and incompatibility causes, as well as the existence of the requirements provided for by the law in force necessary for the office of Auditor of the Company and the list of the administration and control offices held in other companies shall be deposited.

At the end of the voting procedures the following shall be appointed: the candidate at number 1 of the list obtaining the second highest number of votes shall be appointed as Statutory effective Auditor and Chairman of the Board of Statutory Auditors; the candidates at numbers 1 and 2 of the list obtaining the highest number of votes shall be appointed as Statutory effective Auditors; the candidates indicated as alternate auditors at number 1 both of the list obtaining the highest number of votes and of the list obtaining the second highest number of votes shall be appointed as alternate Auditors.

In the event that no list is presented, the Shareholders' meeting resolves in accordance with the majorities provided for by the law.

3. Appointment of the auditing company for the period 2019-2021; related and consequent resolutions.

Dear Shareholders,

Upon the approval of the financial statements as of 31 December 2018 the 3-years mandate granted to Reconta Ernst & Young S.p.A. for the audit during the three years period 2016-2018 will expire.

Therefore, you are convened in order to grant a new mandate for the external audit for the three years period 2019-2021.

Until now proposals have been submitted by BDO Italia S.p.A., MAZARS Italia S.p.A. e Reconta Ernst & Young S.p.A., each of them with specific competences in the auditing services and with experience gained in particular through the collaboration with companies listed on the SIX Swiss Exchange or on other markets.

At the Board of Directors meeting held on February 25, 2019 the Director Patrick Langlois, in his capacity of Chairman of Audit and Risk Committee, recommended to report to the Shareholders' Meeting the proposal received from Reconta Ernst & Young S.p.A., especially in light of the competences related to the field in which Newron operates and the experience gained with the Company itself during the years.

Please note that for the appointment of the external auditors, in compliance with the relevant applicable laws, the Board of Statutory Auditors will submit to the Shareholders' meeting its own motivated proposal within the terms of time provided for by the law.