

AXON HOLDING SE

FINANCIAL STATEMENTS

For the year ended 31 December 2016

AXON HOLDING SE

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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AXON HOLDING SE**OFFICERS AND PROFESSIONAL ADVISORS**

Board of Directors	Boris Krehel Michal Fresser Manti Giolanta Christou Daniel Legen (appointed 20 May 2016)
Secretary	Cymanco Services Ltd
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors P.O. Box 40075 6300 Larnaca Cyprus
Banker	J&T BANKA, a.s.
Registered Office	4, Arch. Makariou & Kalogreon Nicolaidis Sea View City, Block C, 5th floor, flat 506 6016, Larnaca Cyprus
Registration number	SE 19

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Independent Auditors' report

to the Members of Axon Holding SE

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of parent company Axon Holding SE (the "Company"), which are presented on pages 6 to 23 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board Members:

N.G. Syrimis, A.K. Christofides, P.G. Loizou, A.M. Gregoriades, A.A. Demetriou,
D.S. Vakis, A.A. Apostolou, S.A. Loizides, M.A. Loizides, S.G. Sofocleous,
M.M. Antoniadou, C.V. Vasiliou, P.E. Antoniadou, M.J. Halios, M.P. Michael,
P.A. Peleties, G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis,
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos, M.G. Gregoriades,
H.A. Kakoulis, G.P. Savva, C.A. Kalias, C.N. Kallis, M.H. Zavrou, P.S. Elia,
M.G. Lazarou, Z.E. Hadjizacharias, P.S. Theophanous, M.A. Karantoni, C.A. Markides,
G.V. Andreou, J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrimis, T.J. Yiasemides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

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Independent Auditors' report
to the Members of Axon Holding SE

Material uncertainty related to going concern

We draw attention to Note 16 in the financial statements, which indicates that the Company incurred a loss of €33.328.928 during the year ended 31 December 2016, as at that date its total liabilities exceeded its total assets by €33.319.118. As stated in note 16, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditors' report
to the Members of Axon Holding SE

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts of Law 2009, L.42(I)/2009, as amended from time to time ("Law 42(I)/2009"), we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.

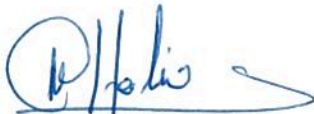
Independent Auditors' report

to the Members of Axon Holding SE

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of Law 42(I)/2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016. That report is modified with the inclusion of an emphasis of matter.



Michael J. Halios, BSc (Hons), CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
P.O. Box 40075
6300 Larnaca
Cyprus

21 June 2017

AXON HOLDING SE

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 €	23/10/2014 - 31/12/2015 €
Revenue	4	10.296	3.467
Administrative expenses		<u>(218.704)</u>	<u>(25.376)</u>
Operating loss		<u>(208.408)</u>	<u>(21.909)</u>
Finance expenses	5	<u>(33.120.520)</u>	<u>(88.281)</u>
Loss before tax		(33.328.928)	(110.190)
Tax	6	<u>-</u>	<u>-</u>
Loss for the year/period		<u>(33.328.928)</u>	<u>(110.190)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive expense for the year/period		<u>(33.328.928)</u>	<u>(110.190)</u>

The notes on pages 10 to 23 are an integral part of these financial statements.

AXON HOLDING SE

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 €	2015 €
Assets			
Investment in subsidiary	7	350.013.950	350.013.950
Loan receivable from subsidiary	13	<u>16.109.907</u>	<u>-</u>
Total non-current assets		<u>366.123.857</u>	<u>350.013.950</u>
Loans receivable	8	-	101.467
Cash and cash equivalents	9	<u>3.698</u>	<u>843</u>
Total current assets		<u>3.698</u>	<u>102.310</u>
Total assets		<u>366.127.555</u>	<u>350.116.260</u>
Equity			
Share capital	10	120.000	120.000
Reserves		<u>(33.439.118)</u>	<u>(110.190)</u>
Total equity		<u>(33.319.118)</u>	<u>9.810</u>
Liabilities			
Loans and borrowings	11	<u>399.433.150</u>	<u>350.101.950</u>
Total non-current liabilities		<u>399.433.150</u>	<u>350.101.950</u>
Other payables	12	<u>13.523</u>	<u>4.500</u>
Total current liabilities		<u>13.523</u>	<u>4.500</u>
Total liabilities		<u>399.446.673</u>	<u>350.106.450</u>
Total equity and liabilities		<u>366.127.555</u>	<u>350.116.260</u>

On 21 June 2017 the Board of Directors of AXON HOLDING SE approved and authorised these financial statements for issue.



 Daniel Legen
 Director



 Manti Giolanta Christou
 Director

The notes on pages 10 to 23 are an integral part of these financial statements.

AXON HOLDING SE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital €	Retained earnings €	Total €
Comprehensive income				
Loss for the period		-	(110.190)	(110.190)
Issue of share capital	10	<u>120.000</u>	<u>-</u>	<u>120.000</u>
Balance at 31 December 2015		<u>120.000</u>	<u>(110.190)</u>	<u>9.810</u>
Balance at 1 January 2016		120.000	(110.190)	9.810
Comprehensive income				
Loss for the year		<u>-</u>	<u>(33.328.928)</u>	<u>(33.328.928)</u>
Balance at 31 December 2016		<u>120.000</u>	<u>(33.439.118)</u>	<u>(33.319.118)</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The notes on pages 10 to 23 are an integral part of these financial statements.

AXON HOLDING SE

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 €	23/10/2014 - 31/12/2015 €
Cash flows from operating activities			
Loss for the year/period		(33.328.928)	(110.190)
Adjustments for:			
Interest income	4	(719.306)	(3.467)
Loan interest expense	4	709.700	88.000
Bond interest expense	5	<u>33.119.900</u>	<u>-</u>
Cash used in operations before working capital changes		(219.324)	(25.657)
Increase in other payables		<u>9.023</u>	<u>4.500</u>
Cash used in operations		<u>(210.301)</u>	<u>(21.157)</u>
Cash flows from investing activities			
Payment for acquisition of investments in subsidiary		-	(350.013.950)
Loans granted	13	(15.389.946)	(115.000)
Loans repayments received		<u>101.502</u>	<u>17.000</u>
Net cash generated from/(used in) investing activities		<u>(15.288.444)</u>	<u>(350.111.950)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		-	120.000
Proceeds from borrowings		<u>15.501.600</u>	<u>350.013.950</u>
Net cash generated from financing activities		<u>15.501.600</u>	<u>350.133.950</u>
Net increase in cash and cash equivalents		2.855	843
Cash and cash equivalents at beginning of the year/period		<u>843</u>	<u>-</u>
Cash and cash equivalents at end of the year/period	9	<u><u>3.698</u></u>	<u><u>843</u></u>

The notes on pages 10 to 23 are an integral part of these financial statements.

AXON HOLDING SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

1. INCORPORATION AND PRINCIPAL ACTIVITIES

AXON HOLDING SE (the "Company") was incorporated in Cyprus on the 23 October 2014 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 4, Arch. Makariou & Kalogreon, Nicolaides Sea View City, Block C, 5th floor, flat 506, 6016, Larnaca, Cyprus.

The principal activities of the Company are the holding of investments and provision of financing services to related companies.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2016.

The European Union has concluded that since its 4th Directive requires parent companies to prepare separate financial statements, and since the Cyprus Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the European Union, the provisions of International Financial Reporting Standard 10 'Consolidated Financial Statements' that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Going concern basis

The Company incurred a loss of €33.328.928 during the year ended 31 December 2016, and, as at that date its total liabilities exceeded its total assets by €33.319.118. These conditions, along with other matters as set forth in note 16 indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

(d) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

During the current year the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. BASIS OF PREPARATION *(continued)*

(d) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU) *(continued)*

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

(e) Use of estimates and judgments

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 17 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Notes 7 and 3 "Impairment of investments in subsidiaries" - determine the recoverability of investments in subsidiaries whenever indicators of impairment are present.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

AXON HOLDING SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

2. BASIS OF PREPARATION *(continued)***(e) Use of estimates and judgments** *(continued)*

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in notes:

- Note 14 - Financial instruments

(f) Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are stated at cost, which includes transaction costs, less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance expenses

Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

AXON HOLDING SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)****(ii) Investments**

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

- ***Loans and receivables***

Investments with fixed or determinable payments that are not quoted in an active market and are not classified as financial assets at fair value through profit or loss or as financial assets available-for-sale.

Recognition and measurement:

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. For financial assets at fair value through profit or loss the directly attributable transaction costs are recognised in profit or loss as incurred.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

(iii) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash at bank and in hand.

(iv) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(v) Other Payables

Other payables are stated at their nominal values.

AXON HOLDING SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Derecognition of financial assets and liabilities***Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. REVENUE

	2016 €	23/10/2014 - 31/12/2015 €
Interest income on loan receivable from related party (Note 13 (ii))	719.907	3.467
Interest income on loan receivable from third party	89	-
Interest expense on loan payable to third party	<u>(709.700)</u>	<u>-</u>
	<u>10.296</u>	<u>3.467</u>

5. NET FINANCE EXPENSES

	2016 €	23/10/2014 - 31/12/2015 €
Interest expense	33.119.900	88.000
Sundry finance expenses	620	281
	<u>33.120.520</u>	<u>88.281</u>

6. TAXATION

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	2016	2016 €	23/10/2014- 31/12/2015	23/10/2014- 31/12/2015 €
Accounting loss before tax		<u>(33.328.928)</u>		<u>(110.244)</u>
Tax calculated at the applicable tax rates	12,50%	(4.166.116)	12,50%	(13.781)
Tax effect of expenses not deductible for tax purposes	(12,49)%	4.163.891	(12,01)%	13.236
Tax effect of allowances and income not subject to tax	-%	-	(0,01)%	7
Tax effect of loss for the for the year/period	<u>(0,01)%</u>	<u>2.225</u>	<u>(0,49)%</u>	<u>538</u>
Tax as per statement of comprehensive income - charge	<u>-%</u>	<u>-</u>	<u>-%</u>	<u>-</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. TAXATION (continued)

The corporation tax rate is 12, 5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Tax losses may be carried forward for five years. Group companies may deduct losses against profits arising during the same tax year.

7. INVESTMENT IN SUBSIDIARY

	2016 €	2015 €
Balance at 1 January/23 October	350.013.950	-
Additions	-	350.013.950
Balance at 31 December	<u>350.013.950</u>	<u>350.013.950</u>

The details of the subsidiary are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2016 Holding %	2015 Holding %	2016 €	2015 €
AXON Neuroscience SE	Slovak Republic	Neuroscience research	73,60%	73,60%	<u>350.013.950</u>	<u>350.013.950</u>
					<u>350.013.950</u>	<u>350.013.950</u>

The investment in the subsidiary company is stated at cost.

8. LOANS RECEIVABLE

	2016 €	2015 €
Loans receivable	-	101.467
	<u>-</u>	<u>101.467</u>

The loan was provided to PM Squared Ltd in the principal amount of €115.000. The loan was bearing interest rate at 3% per annum and had a one year repayment period.

The exposure of the Company to credit risk is reported in note 14 to the financial statements.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the cash and cash equivalents comprise of the following:

	2016 €	2015 €
Cash at bank	<u>3.698</u>	<u>843</u>
	<u>3.698</u>	<u>843</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 14 to the financial statements.

10. SHARE CAPITAL

	2016 Number of shares	2016 €	2015 Number of shares	2015 €
Authorised				
Ordinary shares of €1 each	<u>120.000</u>	<u>120.000</u>	<u>120.000</u>	<u>120.000</u>
Issued and fully paid				
Balance at 1 January/23 October	120.000	120.000	-	-
Issue of shares	<u>-</u>	<u>-</u>	<u>120.000</u>	<u>120.000</u>
Balance at 31 December	<u>120.000</u>	<u>120.000</u>	<u>120.000</u>	<u>120.000</u>

11. LOANS AND BORROWINGS

	2016 €	2015 €
Non-current liabilities		
Non-convertible bond	383.221.850	350.101.950
Loan payable	<u>16.211.300</u>	<u>-</u>
	<u>399.433.150</u>	<u>350.101.950</u>
 Maturity of borrowings:		
	2016 €	2015 €
Between one and five years	<u>399.433.150</u>	<u>350.101.950</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. LOANS AND BORROWINGS *(continued)*

Loan payable is a loan provided from PM Squared Limited at the principal amount of €15.501.600. The loan bears interest at the rate of 9,75% per annum and has repayment date 31 March 2021. As per agreement, PM Squared Limited is obliged to provide to the Company with financial funds within the amount of €50.000.000.

On the 29 December 2015 the company issued 550 bonds of nominal value €1.000.000 per bond at an issue price of 63.6389% of the nominal value of the bond, € 350.013.950. The bond yield to maturity is determined as of the Issue Date by the difference between the nominal value of the Bond and its issue price. Interest of € 33.119.900 was recognized during the year. The bond maturity date is the 29 December 2020, with an option to the issuer for early repayment after no less than two (2) years from the Issue Date of the bond.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 14 to the financial statements.

12. OTHER PAYABLES

	2016 €	2015 €
Accruals	<u>13.523</u>	<u>4.500</u>
	<u>13.523</u>	<u>4.500</u>

The fair values of other payables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 14 to the financial statements.

13. RELATED PARTY TRANSACTIONS

The Company is controlled by PAPERLINE HOLDINGS LTD incorporated in Cyprus, which owns 99,995% of the Company's shares.

(i) Directors' remuneration

The remuneration of Directors was as follows:

	2016 €	23/10/2014 - 31/12/2015 €
Directors' remuneration	<u>26.186</u>	<u>-</u>
	<u>26.186</u>	<u>-</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Interest received from related parties

	2016	23/10/2014 - 31/12/2015
	€	€
Interest income	<u>719.907</u>	<u>3.467</u>
	<u>719.907</u>	<u>3.467</u>

(iii) Loans to subsidiary

		2016	2015
<u>Name</u>	<u>Nature of transactions</u>	€	€
Axon Neuroscience SE	Financing	<u>16.109.907</u>	<u>-</u>
		<u>16.109.907</u>	<u>-</u>

Loan to own subsidiary related to a loan provided to Axon Neuroscience SE in the principal amount of €15.390.000. The loan bears interest at the rate of 10% per annum and has repayment date 31 March 2021. As per agreement, the Company is obliged to provide to Axon Neuroscience SE with the financial funds within the amount of €50.000.000.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31/12/2016

	Loans and receivables €	Carrying amount Borrowings and other financial liabilities €	Total €
Financial assets not measured at fair value			
Loan receivable from subsidiary	16.109.907	-	16.109.907
Cash and cash equivalents	3.698	-	3.698
	<u>16.113.605</u>	<u>-</u>	<u>16.113.605</u>
Financial liabilities not measured at fair value			
Loan payable	-	16.211.300	16.211.300
Non-convertible bond	-	383.221.850	383.221.850
	<u>-</u>	<u>399.433.150</u>	<u>399.433.150</u>

31/12/2015

	Loans and receivables €	Carrying amount Borrowings and other financial liabilities €	Total €
Financial assets not measured at fair value			
Loan receivable	101.467	-	101.467
Cash and cash equivalents	843	-	843
	<u>102.310</u>	<u>-</u>	<u>102.310</u>
Financial liabilities not measured at fair value			
Unsecured bond issues	-	350.101.950	350.101.950
	<u>-</u>	<u>350.101.950</u>	<u>350.101.950</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)**B. Financial risk management***(i) Credit risk*

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 €	2015 €
Loans receivable	-	101.467
Loans receivables from related parties	16.109.907	-
Cash at bank	<u>3.698</u>	<u>843</u>
	<u>16.113.605</u>	<u>102.310</u>

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and are undiscounted, and include estimated interest payments:

31 December 2016	Carrying amounts €	Contractual cash flows €	Between 3-12 months €	Between 1-5 years €
Non-derivative financial liabilities				
Non-convertible bond	383.221.850	550.000.000	-	550.000.000
Loan payable	16.211.300	22.616.193	2.216.977	20.399.216
Other payables	<u>13.523</u>	<u>13.523</u>	<u>13.523</u>	<u>-</u>
	<u>399.446.673</u>	<u>572.629.716</u>	<u>2.230.500</u>	<u>570.399.216</u>
31 December 2015	Carrying amounts €	Contractual cash flows €	Between 3-12 months €	Between 1-5 years €
Non-derivative financial liabilities				
Non-convertible bond	350.101.950	550.000.000	-	550.000.000
Other payables	<u>4.500</u>	<u>4.500</u>	<u>4.500</u>	<u>-</u>
	<u>350.106.450</u>	<u>550.004.500</u>	<u>4.500</u>	<u>550.000.000</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT *(continued)*

B. Financial risk management (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2016	2015
	€	€
<i>Fixed rate instruments</i>		
Financial assets	16.109.907	101.413
Financial liabilities	(399.433.150)	(350.101.950)
<i>Variable rate instruments</i>		
Financial assets	<u>3.698</u>	<u>843</u>
	<u>(383.321.300)</u>	<u>(349.999.694)</u>

15. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

AXON HOLDING SE**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

16. GOING CONCERN

The Company incurred a loss of €33.328.928 during the year ended 31 December 2016, as at that date its total liabilities exceeded its total assets by €33.319.118. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Management of the company has agreed with the lenders of the Company, not to call for the repayment of the non-convertible bond until the Company has adequate funds to repay its obligations. Furthermore the Management of the Company believes that in the forthcoming years the Company will receive dividends from its subsidiary Company that will be used for the repayment of its obligations.

17. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2016.

18. COMMITMENTS

The Company had no capital or other commitments as at 31 December 2016.

19. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

On 21 June 2017 the Board of Directors of AXON HOLDING SE approved and authorised these financial statements for issue.

