

AXON HOLDING SE

FINANCIAL STATEMENTS

For the year ended 31 December 2019

AXON HOLDING SE

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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AXON HOLDING SE**OFFICERS AND PROFESSIONAL ADVISORS**

Board of Directors	Boris Krehel Michal Fresser Ursula Theodorou (Appointed on 5/4/2019) Manti Giolanta Christou (Resigned on 4/4/2019) Daniel Legen
Secretary	Cymanco Services Ltd
Independent Auditors	KPMG Limited
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	SE19



KPMG Limited
Chartered Accountants
Millenium Lion House
1 G. Aradippioti Street, 6016 Larnaca, Cyprus
P.O. Box 40075, 6300 Larnaca, Cyprus
T: +357 24 200000, F: +357 24 200200

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

AXON HOLDING SE

Report on the audit of the financial statements

Opinion

We have audited the accompanying separate financial statements of the parent company Axon Holding SE (the "Company"), which are presented on pages 6 to 34 and comprise the statement of financial position as at 31 December 2019, and the statements of 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 parent company Axon Holding SE as at 31 December 2019, 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 International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with 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.

Nicosia
P.O. Box 21121, 1502
T: +357 22 209000
F: +357 22 678200

Limassol
P.O. Box 50161, 3601
T: +357 25 859000
F: +357 25 363942

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Paralimni / Ayia Napa
P.O. Box 33290, 6311
T: +357 23 820060
F: +357 23 820064

Polei Chrysochous
P.O. Box 66014, 8330
T: +357 26 322058
F: +357 26 322722

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF****AXON HOLDING SE*****Material Uncertainty Related to Going Concern***

We draw attention to note 2.3 to the financial statements which indicates that even though the Company has made a profit of €33.652.930 during the year ended 31 December 2019 as of that date the Company's liabilities exceeded its assets by €75.646.119. As stated in note 2.3, these events or conditions, along with other matters as set forth in note 2.3, 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.

Emphasis of matter

We draw attention to note 10 to the financial statements which describes the inherent uncertainties in the pharmaceutical sector which may adversely affect the value of the Company's investment and therefore the results and financial position in a manner not currently determinable. 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.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

AXON HOLDING SE

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.
- 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 a 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.



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 69 of the Auditors Law 2017, L.53(I)/2017, as amended from time to time 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.

A handwritten signature in blue ink, appearing to read 'M. Halios', with a long horizontal line extending to the right.

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

28 August 2020

AXON HOLDING SE

STATEMENT OF FINANCIAL POSITIONAs at 31 December 2019

	Note	2019 €	2018 €
Assets			
Non-current assets			
Investments in subsidiaries	10	350.013.950	350.013.950
Loans receivable	11	<u>3.325.236</u>	<u>9.856.752</u>
Total non-current assets		<u>353.339.186</u>	<u>359.870.702</u>
Current assets			
Cash and cash equivalents	12	<u>5.675</u>	<u>2.397</u>
Total current assets		<u>5.675</u>	<u>2.397</u>
Total assets		<u>353.344.861</u>	<u>359.873.099</u>
Equity			
Equity and reserves			
Share capital	13	120.000	120.000
Reserves		<u>(75.766.119)</u>	<u>(109.419.049)</u>
Total equity		<u>(75.646.119)</u>	<u>(109.299.049)</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	14	<u>428.777.787</u>	<u>468.908.573</u>
Total non-current liabilities		<u>428.777.787</u>	<u>468.908.573</u>
Current liabilities			
Trade and other payables	15	<u>213.193</u>	<u>263.575</u>
Total current liabilities		<u>213.193</u>	<u>263.575</u>
Total liabilities		<u>428.990.980</u>	<u>469.172.148</u>
Total equity and liabilities		<u>353.344.861</u>	<u>359.873.099</u>

On 28 August 2020 the Board of Directors of Axon Holding SE approved and authorised these financial statements for issue.



 Daniel Legen
 Director



 Michal Fresser
 Director

The notes on pages 10 to 34 are an integral part of these financial statements.

AXON HOLDING SE

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 €	2018 €
Income	7	158.889	222.557
Administrative expenses		<u>(88.124)</u>	<u>(70.277)</u>
Operating profit		<u>70.765</u>	<u>152.280</u>
Finance income - total		74.893.561	-
Finance costs - total		<u>(41.311.396)</u>	<u>(39.858.793)</u>
Net finance income/(cost)	8	<u>33.582.165</u>	<u>(39.858.793)</u>
Profit/(loss) before tax		33.652.930	(39.706.513)
Tax	9	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u>33.652.930</u>	<u>(39.706.513)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(expense) for the year		<u>33.652.930</u>	<u>(39.706.513)</u>

The notes on pages 10 to 34 are an integral part of these financial statements.

AXON HOLDING SE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2018	120.000	(69.712.536)	(69.592.536)
Comprehensive income			
Loss for the year	-	(39.706.513)	(39.706.513)
Balance at 31 December 2018	<u>120.000</u>	<u>(109.419.049)</u>	<u>(109.299.049)</u>
Balance at 1 January 2019	120.000	(109.419.049)	(109.299.049)
Comprehensive income			
Profit for the year	-	33.652.930	33.652.930
Balance at 31 December 2019	<u>120.000</u>	<u>(75.766.119)</u>	<u>(75.646.119)</u>

The notes on pages 10 to 34 are an integral part of these financial statements.

AXON HOLDING SE

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
Profit/(loss) for the year		33.652.930	(39.706.513)
Adjustments for:			
Gain on extinguishment of bond	8	(74.893.561)	-
Loan interest expense	7	509.595	1.086.068
Interest income	7	(668.484)	(1.308.625)
Bond interest expense	8	41.256.181	39.681.950
Cash used in operations before working capital changes		<u>(143.339)</u>	<u>(247.120)</u>
(Decrease)/increase in trade and other payables		(50.383)	186.213
Cash used in operations		<u>(193.722)</u>	<u>(60.907)</u>
Cash flows from financing activities			
Proceeds from borrowings		<u>197.000</u>	<u>61.000</u>
Net cash generated from financing activities		<u>197.000</u>	<u>61.000</u>
Net increase in cash and cash equivalents		3.278	93
Cash and cash equivalents at beginning of the year		<u>2.397</u>	<u>2.304</u>
Cash and cash equivalents at end of the year	12	<u><u>5.675</u></u>	<u><u>2.397</u></u>

The notes on pages 10 to 34 are an integral part of these financial statements.

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

For the year ended 31 December 2019

1. Reporting entity

Axon Holding SE (the "Company") was incorporated in Cyprus on 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 activity of the Company are the holding of investments and provision of financing services to related companies.

2. Basis of accounting**2.1 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 2019.

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.

2.2 Basis of measurement

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

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

For the year ended 31 December 2019

2. Basis of accounting (continued)**2.3 Going concern basis**

Even though the Company has made a profit of €33.652.930 during the year ended 31 December 2019 as of that date the Company's liabilities exceeded its assets by €75.646.119. 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.

Notwithstanding the level of accumulated losses, the financial statements have been prepared on a going concern basis based on the fact that its subsidiary company Axon Neuroscience SE as a startup clinical stage biotech company is fully in line and compliance with the clinical development plan and the relevant set assumptions and timelines. At the end of 2019 Axon has successfully completed a phase II clinical trial in almost 200 Alzheimer's patients, which revealed excellent safety, immunogenicity and efficacy. The evidence from its clinical trials on Alzheimer's disease proved its peptide-based vaccine platform very safe and well tolerated with further additional study analysis expected to be finalised in Q4 2020. Completion of phase III study is expected in 2023, NDA (New Drug Application) Phase is expected in 2024 and the final marketing approval of AADvac1 for both USA and the European Union will be achieved in 2025. All financial and other resources for the completion of the development of the respective asset are expected to be available.

The terms to the maturity of the liabilities will be in line with the funds to be generated to support the repayment of the liabilities as these come due. Negotiations with the main creditors are ongoing but have not yet been finalised. The subject matters of the negotiations are the restructuring of the existing credit facilities and the granting of additional funding to finance the operations of its subsidiary, Axon Neuroscience SE. Other strategic investors/lenders have already provided additional funding of €0,350 million in April 2020, €1,36 million in May 2020, €0,7 million in June 2020, €1 million in July 2020 and €1 million in August 2020 to support the operations of the subsidiary company.

During the year the Company has successfully renegotiated the bond terms with the bond holders and extended the maturity of the bonds to 3 April 2025, in line with the expected time of the final marketing approval of AADvac1.

The Company has been exploring international strategic partnership opportunities for the further development of the products currently being developed by its subsidiary Axon Neuroscience SE with leading global biotech and pharmaceutical companies. This partnership could take the form of a joint –venture undertaking, licensing agreements or direct investments. A series of exploratory meetings were conducted with several large international pharmaceutical companies.

Such partnership will provide the Group with the necessary funding to enable its subsidiary to complete the planned research and development of the active vaccine AADvac1. An experienced global partner will assist to plan and conduct the next phase of clinical trials. It is the Company's intention to arrange the execution and the implementation of the most suitable offer from a potential pharma company within the year 2020. The existing negotiations with potential investors are covered by non-disclosure agreements.

Access to the communications and documentation related to the negotiations with PPF Group N.V. are restricted due to strict confidentiality provisions. Should the Company fail to conclude an agreement with a potential strategic investor within 2020 this will delay the implementation of the development plan, and the going concern basis of preparation will no longer be appropriate.

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

For the year ended 31 December 2019

3. Functional and presentation currency

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

4. Adoption of new and revised IFRSs and interpretations 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 2019. This adoption did not have a material effect on the accounting policies of the Company.

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.

5. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect 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 reviewed on an ongoing basis. Revisions to estimates are recognised prospectively - that is, 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.

5.1 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 6 and 11 - Impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward looking information in the measurement of ECL.
- Notes 6 and 10 - "Impairment of investments in subsidiaries" - determine the recoverability of investments in subsidiaries whenever indicators of impairment are present.

5.2 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.

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

For the year ended 31 December 2019

5. Use of estimates and judgements (continued)

Fair values are categorised 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 categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises 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 17 - Financial instruments - Fair values and risk management

6. Significant accounting policies

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

6.1 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.

6.2 Revenue recognition**Performance obligations and revenue recognition policies****Interest income**

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

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

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.3 Finance income and finance costs**

The Company's finance income and finance costs include:

- interest income;
- interest expense;

6.4 Finance income

Finance income includes gain on extinguishment of the bond.

6.5 Finance costs

Finance expenses include interest expense on bonds, foreign exchange differences and bond administration costs as well as bank charges. Finance expenses, excluding bank charges, foreign exchange differences and bond administration costs, are recognised to profit or loss using the effective interest method. Bank charges, foreign exchange differences and bond administration costs are recognised in profit or loss in the period which incurred.

6.6 Foreign currency translation**(i) Functional currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss and presented within finance costs.

6.7 Tax

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.8 Financial instruments*****6.8.1 Recognition and initial measurement***

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.8.2 Classification and subsequent measurement***6.8.2.1 Financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive income (FVOCI) debt investment; Fair Value through Other Comprehensive income (FVOCI) equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.8 Financial instruments (continued)****Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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6.8.2.2 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2019**6. Significant accounting policies** (continued)**6.8 Financial instruments** (continued)

The financial liabilities of the Company are measured as follows:

(i) 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 rate method.

(ii) Other payables

Trade payables are stated at their nominal values.

6.8.3 Impairment**• *Financial instruments and contract assets***

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2019**6. Significant accounting policies** (continued)**6.8 Financial instruments** (continued)

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's rating agency or BBB- or higher per Moody's Rating Agency.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

- Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

- Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

- Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

6.9 Derecognition of financial assets and liabilities

Financial assets

The Company derecognises a financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) 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 transfers the rights to receive the contractual 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 derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when it is replaced by another from the same lender on substantially different terms, or when the terms of the liability are substantially modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.10 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company has a currently enforceable legal right to offset the recognised amounts and it intends to settle them 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.

6.11 Impairment of non-financial assets

Assets (other than biological assets, investment property, inventories and deferred tax assets) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

6.12 Share capital

Ordinary shares are classified as equity.

6.13 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 2019

6. Significant accounting policies (continued)

6.14 Comparatives

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

7. Income

7.1 Income streams: the Company generates income from the provision of financing to related parties.

	2019	2018
	€	€
Interest income on loan receivable to related party (Note 16 (ii))	668.484	1.308.625
Interest expense on loan payable to third party	<u>(509.595)</u>	<u>(1.086.068)</u>
Total income	<u>158.889</u>	<u>222.557</u>

8. Net finance income and costs

	2019	2018
	€	€
Gain on extinguishment of bond	<u>74.893.561</u>	<u>-</u>
Finance income - total	<u>74.893.561</u>	<u>-</u>
Net foreign exchange transaction losses	-	(39)
Interest expense	(41.256.181)	(39.681.950)
Sundry finance expenses	<u>(55.215)</u>	<u>(176.804)</u>
Finance costs - total	<u>(41.311.396)</u>	<u>(39.858.793)</u>
Net finance income/(cost)	<u>33.582.165</u>	<u>(39.858.793)</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. Taxation

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

	2019	2019 €	2018	2018 €
Accounting profit/(loss) before tax		<u>33.652.930</u>		<u>(39.706.513)</u>
Tax calculated at the applicable tax rates	12,50%	4.206.616	12,50%	(4.963.314)
Tax effect of expenses not deductible for tax purposes	15,35%	5.165.249	(12,55)%	4.982.356
Tax effect of allowances and income not subject to tax	(27,82)%	(9.361.695)	-%	-
Tax effect of group tax relief	<u>(0,03)%</u>	<u>(10.170)</u>	<u>0,05%</u>	<u>(19.042)</u>
Tax as per statement of comprehensive income - charge	<u>-%</u>	<u>-</u>	<u>-%</u>	<u>-</u>

The corporation tax rate is 12,5%, (2018:12,5%).

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%.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. Investments in subsidiaries

	2019 €	2018 €
Balance at 1 January	<u>350.013.950</u>	<u>350.013.950</u>
Balance at 31 December	<u>350.013.950</u>	<u>350.013.950</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2019 Holding %	2018 Holding %	2019 €	2018 €
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.

Management has assessed the recoverable amount of the Company's investment in Axon Neuroscience SE, on the basis of a valuations performed by an independent valuer in 2018. Axon Neuroscience SE is a clinical-stage biotech company developing disease-modifying immune therapeutics for Alzheimer's disease. The independent valuer used the discounted cash flow method using variations in the probability of success of various assumptions (based on industry success rates) necessitated due to the nature and complex business challenges associated with the development and successful launch of innovative new drugs, such as AADvac1. Such methodology has resulted in a range of indicative fair values, all higher than the carrying amount of the investment.

Axon Neuroscience SE operates in the pharmaceutical sector that carries various inherent risks and uncertainties that may affect the business of the subsidiary. There are various inherent uncertainties involved in assessing the outcomes of the development process that cannot be predicted. The development of pharmaceutical product candidates is a complex, risky and lengthy process involving significant financial, R&D and other resources. The valuation results are volatile and depend at each stage of development on the profitability of the drug candidate, AADvac1, successfully reaching launch from each clinical phase (success rates).

The subsidiary has successfully completed Phase II study in August 2019. Based on positive results the Management of the subsidiary represented that it is under discussions with Pharmas to conclude a transaction for the sale or license of AADvac1 within FY2020.

The risk exists that the development of the product may fail at any stage of the process due to various factors, including failure to obtain the regulatory or market approvals for the product candidate or for its manufacturing facilities, and unfavorable clinical efficiency.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. Loans receivable

	2019 €	2018 €
Loans to own subsidiaries (Note 16 (iii))	<u>3.325.236</u>	<u>9.856.752</u>
	<u>3.325.236</u>	<u>9.856.752</u>

Loan to own subsidiary related to loan provided to Axon Neuroscience SE at the principal amount of €3.302.616. The loan bears an interest rate at 10% per annum and has repayment date 31 March 2021. As per agreement, the Company is obliged to provide to Axon Neuroscience SE with a credit line for up to €50.000.000.

The loans are repayable as follows:

	2019 €	2018 €
Between one and five years	<u>3.325.236</u>	<u>9.856.752</u>

The exposure of the Company to credit risk is reported in note 17 to the financial statements.

12. Cash and cash equivalents

Cash balances are analysed as follows:

	2019 €	2018 €
Cash at bank and in hand	<u>5.675</u>	<u>2.397</u>
	<u>5.675</u>	<u>2.397</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 17 to the financial statements.

13. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
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	<u>120.000</u>	<u>120.000</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>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2019**13. Share capital** (continued)**Issued capital**

Upon incorporation on 23 October 2014 the Company issued to the subscribers of its Memorandum of Association 120.000 ordinary shares of €1 each at par.

14. Loans and borrowings

	2019 €	2018 €
Non-current liabilities		
Debentures	425.519.120	459.156.500
Loan payable	<u>3.258.667</u>	<u>9.752.073</u>
	<u>428.777.787</u>	<u>468.908.573</u>
 Maturity of borrowings:		
	2019 €	2018 €
Between one and five years	3.258.667	468.908.573
After five years	<u>425.519.120</u>	<u>-</u>
	<u>428.777.787</u>	<u>468.908.573</u>
	<u>428.777.787</u>	<u>468.908.573</u>

Loan payable comprises of a credit facility from PM Squared Limited. The principal as at 31 December 2019 amounts to €2.468,428. The loan bears interest rate at 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 a credit line for up to €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. During the year the Company renegotiated the terms of the issued Bonds and has successfully reached an agreement with the bond holders extending the maturity of the bonds to 03 April 2025. The revision constituted a significant modification and the Company recognised a gain on extinguishment of debts in the amount of €74.893.561 presented in other finance income for the year.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 17 to the financial statements.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. Trade and other payables

	2019 €	2018 €
Social insurance and other taxes	7.590	7.256
VAT	10.459	20.900
Accruals	13.804	37.188
Other creditors	165.827	182.718
Payables to own subsidiaries (Note 16 (iv))	<u>15.513</u>	<u>15.513</u>
	<u>213.193</u>	<u>263.575</u>

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 17 to the financial statements.

16. Related party transactions

The Company is controlled by Paperline Holdings Ltd incorporated in Cyprus, which owns 99,995% of the Company's shares.

There were no related party transactions for the period under review.

(i) Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2019 €	2018 €
Directors' remuneration	<u>49.073</u>	<u>47.164</u>
	<u>49.073</u>	<u>47.164</u>

(ii) Interest received from subsidiary (Note 7)

	2019 €	2018 €
Axon Neuroscience SE	<u>668.484</u>	<u>1.308.625</u>
	<u>668.484</u>	<u>1.308.625</u>

(iii) Loan to own subsidiary (Note 11)

	2019 €	2018 €
Axon Neuroscience SE	<u>3.325.236</u>	<u>9.856.752</u>
<u>Terms</u> Financing	<u>3.325.236</u>	<u>9.856.752</u>
	<u>3.325.236</u>	<u>9.856.752</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. Related party transactions (continued)**(iv) Payable to own subsidiary (Note 15)**

<u>Name</u>	2019 €	2018 €
Axon Neuroscience SE	<u>15.513</u>	<u>15.513</u>
	<u>15.513</u>	<u>15.513</u>

17. 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 the 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.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. Financial instruments - fair values and risk management (continued)**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 December 2019	Carrying amount		Total €
	Financial assets at amortised cost €	Other financial liabilities €	
Financial assets not measured at fair value			
Loan receivable	3.325.236	-	3.325.236
Cash and cash equivalents	5.675	-	5.675
Total	3.330.911	-	3.330.911
Financial liabilities not measured at fair value			
Loan payable	-	3.258.667	3.258.667
Non-convertible bond	-	425.519.120	425.519.120
Other payables	-	195.144	195.144
Total	-	428.972.931	428.972.931

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2019**17. Financial instruments - fair values and risk management** (continued)

31 December 2018	Carrying amount		Total €
	Financial assets at amortised cost €	Other financial liabilities €	
Financial assets not measured at fair value			
Loan receivable	9.856.752	-	9.856.752
Cash and cash equivalents	2.397	-	2.397
Total	9.859.149	-	9.859.149
Financial liabilities not measured at fair value			
Loan payable	-	9.752.073	9.752.073
Non-convertible bond	-	459.156.500	459.156.500
Other payables	-	235.419	235.419
Total	-	469.143.992	469.143.992

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. Financial instruments - fair values and risk management (continued)

B. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk (see note B(i));
- liquidity risk (see note B(ii)); and
- market risk (see note B(iii)).

(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:

	2019	2018
	€	€
Loan receivable	3.325.236	9.856.752
Cash at bank	<u>3.663</u>	<u>288</u>
	<u>3.328.899</u>	<u>9.857.040</u>

Loans and receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. However, management also considers the factors that may influence the credit risk, including the default risk of the industry and country in which the borrower operates.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience. The Company determined that it has not been a significant increase in credit risk and therefore calculated twelve month ECL. In calculating the ECL the Company estimated the PD and LGD using Moody's external credit rating of Cyprus as a starting point. The Company performed a quantitative and qualitative analysis in order to assess whether the country rating is appropriate or whether any further adjustments are needed. Specifically, the Company took into consideration the industry as well as the financial position and performance of the borrower.

The Company did not recognised any impairment allowance as at 31 December 2018 and the amount of the allowance did not change during 2019.

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. Financial instruments - fair values and risk management (continued)

(i) Credit risk (continued)

Cash and cash equivalents

The table below shows an analysis of the Company's bank deposit by the credit rating of the bank in which they are held:

<u>Bank group based on credit ratings by Moody's</u>	<u>No of banks</u>	2019 €	2018 €
Lower than A3	1	3.663	288
	<u>1</u>	<u>3.663</u>	<u>288</u>

The Company held cash and cash equivalents of €3.663 at 31 December 2019 (2018: €288). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated lower than A3, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company did not recognised any impairment allowance as at 31 December 2018 and the amount of the allowance did not change during 2019.

(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 undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2019	Carrying amounts €	Contractual cash flows €	Between 3-12 months €	Between 1-5 years €	More than 5 years €
Non-derivative financial liabilities					
Non-convertible bond	425.519.120	550.000.000	-	-	550.000.000
Loan payable	3.258.667	3.572.703	-	3.572.703	-
Trade and other payables	179.631	179.631	179.631	-	-
Payables to own subsidiary	15.513	15.513	15.513	-	-
	<u>428.972.931</u>	<u>553.767.847</u>	<u>195.144</u>	<u>3.572.703</u>	<u>550.000.000</u>

AXON HOLDING SE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. Financial instruments - fair values and risk management (continued)

(ii) Liquidity risk (continued)

31 December 2018

	Carrying amounts €	Contractual cash flows €	Between 3-12 months €	Between 1-5 years €
Non-derivative financial liabilities				
Non-convertible bond	459.156.500	550.000.000	-	550.000.000
Loan payable	9.752.073	11.486.209	-	11.486.209
Trade and other payables	219.906	219.906	219.906	-
Payables to own subsidiary	15.513	15.513	15.513	-
	<u>469.143.992</u>	<u>561.721.628</u>	<u>235.419</u>	<u>561.486.209</u>

(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:

	2019 €	2018 €
<i>Fixed rate instruments</i>		
Financial assets	3.325.236	9.856.752
Financial liabilities	<u>(428.777.787)</u>	<u>(468.908.573)</u>
	<u>(425.452.551)</u>	<u>(459.051.821)</u>

18. Events after the reporting period

On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking down" cities/regions or even entire countries. These measures will slow down both the broader Cyprus and world economies and the operations of the company.

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

For the year ended 31 December 2019

18. Events after the reporting period (continued)

At present the Company is assessing the impact of these market developments for its financial position, financial performance and future cash flows. Continued uncertainty may also weight on the financial markets further, leading to a limited credit and liquidity supply, and to increasing cost of debt. With the epidemic rising across the globe, society has paid more attention to the healthcare and pharmaceutical industries, which will impose both positive and negative consequences across different sub-sectors.

The Company's subsidiary Axon Neuroscience SE was quickly to respond in the COVID-19 fight by using its established peptide-based vaccine platform to produce a novel prophylactic COVID-19 vaccine, intended to treat infected patients and protect healthy individuals from infection.

We cannot however preclude the possibility of a second wave of the pandemic during the autumn period which may reinstate lock down periods, an escalation in the severity of measures, or a consequential adverse impact of such measures on the economic environment we operate in, will not have an adverse effect on the Company, and its financial position and operation results, in the medium and longer term. Management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

On 28 August 2020 the Board of Directors of Axon Holding SE approved and authorised these financial statements for issue.