AntibioTx A/S

Kemitorvet 220, 2800 Kgs. Lyngby

CVR no. 33 96 37 50

Annual report 2016

Approved at the Company's annual general meeting on 31 / 5 2017

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board has today discussed and approved the annual report of AntibioTx A/S for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the general meeting.

Copenhagen, 31 May 2017

Executive Board:

Astrid Sommer
Chairman

Morten Otto Alexander Sommer

Anne Katrine Toft-Kehler

Rasmus Vendler Toft-Kehler

Board of Directors:

Rasmus Vendler Toft-Kehler

Morten Otto Alexander Sommer

Independent auditor's report

To the shareholders of AntibioTx A/S

Opinion

We have audited the financial statements of AntibioTx A/S for the financial year 1 January - 31 December 2016, which comprise a statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

In preparing the financial statements, Management 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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 Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Copenhagen, 31 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR. No. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant

Kennet Hartmann
State Authorised Public Accountant

Management's review

Company details

Name	AntibioTx A/S
Address, zip code, city	Kemitorvet 220, 2800 Kgs. Lyngby
E-mail	info@antibiotx.com
Phone	+45 61777435
CVR no.	33 96 37 50
Registered office	Kgs. Lyngby
Financial year	1 January - 31 December
Board of Directors	Rasmus Vendler Toft-Kehler Morten Otto Alexander Sommer
Executive Board	Astrid Sommer Morten Otto Alexander Sommer Anne Katrine Toft-Kehler Rasmus Vendler Toft-Kehler
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Investor and media relations	AntibioTx Investor Relations Kemitorvet 220 DK-2800 Kgs. Lyngby Denmark Email: investor@antibiotx.com
Bankers	Jyske Bank

Management's review

Operating review

Principal activities of the Company

AntibioTx is a privately held, clinical stage pharmaceutical company dedicated to the development of a novel class of antibiotics with a novel mode of action. The class shows promise to denote a change in the challenging race against antibiotic resistance by treating human bacterial infections caused by multi-drug resistant pathogens. Such infections are causing harm to a rapidly increasing number of patients around the globe each year. Recent research suggests that mortality due to resistant pathogens will outnumber that of cancer in 2050 with more than 10 million attributable deaths per year. This is a threat not only to patients and healthcare personnel but also to the global economy with an estimated USD 100 trillion in lost GDP up until 2050.[1]

The pipeline of AntibioTx comprises two clinical stage candidates (ATx201 GEL and ATx201 CREAM), a suite of new chemical entities (ATx202, ATx401, ATx702) for multi-drug resistant infections and a veterinary program (ATx836).

In essence, AntibioTx is a clinical stage company developing high impact innovative treatments with high probability of success.

Rasmus Vendler Toft-Kehler, Chief Executive Officer

Rasmus has experience in business development from positions in a family enterprise, which was sold in 2005, management consulting and investment banking.

Rasmus has a strong entrepreneurial inclination and has been involved with new ventures across a number of industries including co-founding two biotech companies.

Rasmus holds an executive degree in entrepreneurial leadership from Harvard Business School and a degree in finance and business administration from Copenhagen Business School. Rasmus' research on serial entrepreneurship has been taught at Harvard Business School and published in leading entrepreneurship journals.

Morten Otto Alexander Sommer, Chief Scientific Officer

Morten Sommer is the founder and co-founder of four biotech companies, including Microlytic founded in 2006 which served over 150 customers, including 9 of the 10 largest pharmaceutical companies in the world. The company was sold in a cross-border transaction in 2015.

Morten is also a Professor at the Technical University of Denmark with a lab of 25 PhD's and Post docs working primarily in the field of antibiotic resistance. Morten is the inventor on 10+ issued patents, patent applications and author of scientific papers in journals such as Science and Nature.

Dr. Sommer holds a PhD in biophysics from Harvard University from the laboratory of Professor George Church.

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[1] AMR Review, Tackling Drug-Resistant Infections Globally: final report and recommendations. http://amr-review.org/sites/default/files/160525_Final%20paper_with%20cover.pdf

Management's review

Management structure

Financial review

The statement of comprehensive income for 2016 shows a loss of USD 472,815 against a loss of USD 116,365 last year, and the statement of financial position at 31 December 2016 shows equity of USD -194,987.

At 31 December 2016, the Company had a cash position of approximately USD 532,054; however, the spending for 2017 is expected to be higher than the cash in bank at year end.

The Company has been awarded a number of grants for payment in 2017 of approximately USD 215,584.

The Company's share capital has been re-established during 2017 by capital injection and debt conversion during April 2017 of approximately USD 7 million.

Management expects cash in bank and grants received on account during 2017 to be sufficient to cover liabilities as they mature covering a period until 31 December 2017.

On this basis, it is Management's opinion that it is appropriate to prepare the financial statements based on a going concern assumption.

Comparatives have been restated. Refer to note 1 for further description.

Post balance sheet events

The Company has carried out a capital injection and debt conversion during April 2017 of approximately USD 7 million. Furthermore, a change in legal structure from ApS to A/S has been carried out.

Financial statements for the period 1 January - 31 December

Statement of comprehensive income

Note	USD	2016	2015
4	Revenue	728,695	1,041,788
5,6,10	Research and development costs	-1,071,381	-845,155
	Gross profit/loss	-342,686	196,633
5,6,10	Administrative expenses	-177,447	-134,332
	Operating profit/loss	-520,133	62,301
7	Financial income	805	3,024
8	Financial expenses	-1,785	-4,147
	Profit/loss before tax	-521,113	61,178
9	Tax on profit/loss for the year	35,672	65,993
	Profit/loss for the year	-485,441	127,171
14	Other comprehensive income	12,626	-10,806
	Total comprehensive income for the year	-472,815	116,365

Financial statements for the period 1 January – 31 December

Statement of financial position

Note	USD	31 December 2016	31 December 2015
	ASSETS		
	Non-current assets		
10	**Tangible assets**		
	Other fixtures and fittings, tools and equipment	0	1,881
	Total tangible assets	0	1,881
	Other non-current assets		
	Rent deposit	2,530	7,229
	Total other non-current assets	2,530	7,229
	Total non-current assets	2,530	9,110
	Current assets		
11	**Receivables**		
	Trade receivables	15,845	26,271
9	Tax receivables	58,336	1,083
15	Receivables from Management	0	81
15	Receivables from associated entities	0	10,066
	Other receivables	153,642	380,317
	Prepayments	13,101	9,091
		240,924	426,909
12	**Cash in bank**	532,054	157,945
	Total current assets	772,978	584,854
	TOTAL ASSETS	775,508	593,964

Financial statements for the period 1 January – 31 December

Statement of financial position

Note	USD	31 December 2016	31 December 2015
	EQUITY AND LIABILITIES		
13	**Equity**		
	Share capital	14,780	14,780
	Retained earnings	-194,369	291,072
14	Foreign currency translation reserve	-15,398	-28,024
	Total equity	-194,987	277,828
	Non-current liabilities		
17	Convertible notes	708,938	0
9	Deferred tax	23,296	63
	Total non-current liabilities	732,234	63
	Current liabilities		
	Trade payables	211,776	111,500
15	Payables to group entities	0	18.056
	Other payables	26,485	32,783
	Deferred income	0	153,734
	Total current liabilities	238,261	316,073
	Total liabilities	970.495	316,136
	TOTAL EQUITY AND LIABILITIES	775,508	593,964

Financial statements for the period 1 January – 31 December

Statement of changes in equity

USD	Share capital	Retained earnings	Foreign currency translation reserve	Total
Equity at 1 January 2015	14,780	163,901	-17,218	161,463
Comprehensive income				
Profit for the year	-	127,171	-	127,171
Other comprehensive income				
Foreign currency translation reserve	-	-	-10,806	-10,806
Total comprehensive income	14,780	291,072	-28,024	277,828
Equity at 31 December 2015	14,780	291,072	-28,024	277,828
Equity at 1 January 2016	14,780	291,072	-28,024	277,828
Comprehensive income				
Loss for the year	-	-485,441	-	-485,441
Other comprehensive income				
Foreign currency translation reserve	-	-	12,626	12,626
Total comprehensive income	14,780	-194,369	-15,398	-194,987
Equity at 31 December 2016	14,780	-194,369	-15,398	-194,987

With reference to section 119 of the Danish Financial Statements act, the Company has lost more than 50% of its share capital. Management has addressed the loss of share capital in the minutes of meetings and has re-established share capital through capital increases in 2017.Financial statements for the period

1 January - 31 December

Statement of cash flows

Note	USD	2016	2015
	Profit/loss before tax	-521,113	61,178
	Adjustment to reconciled profit before tax to net cash flows:		
5	Depreciation of other fixtures and fittings, tools and equipment	0	941
	Financial income	-805	-3,022
	Financial expenses	1,785	4,147
	Working capital adjustments		
	Decrease/increase in trade and other receivables and prepayments	243,238	-111,554
	Decrease/increase in trade and other payables and payables to group enterprises and Management	75,922	134,776
	Decrease/increase in deferred income	-153,734	-91,308
7	Interest received	67	88
8	Interest paid	-1,785	-50
9	Income tax received	1,083	26,049
	Cash flows from operating activities	-355,342	21,245
	Rent deposits	4,699	-698
10	Purchase/sale of other fixtures and fittings, tools and equipment	1,881	0
	Cash flows from investing activities	6,580	-698
	Convertible notes	728,023	0
	Cash flows from financing activities	728,023	0
	Net cash flows from operating, investing and financing activities	379,261	20,547
12	Cash in bank at 1 January	157,945	155,462
	Exchange gains/losses on cash in bank	-5,152	-18,064
12	**Cash in bank at 31 December**	532,054	157,945

Financial statements for the period 1 January – 31 December

Note summary

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

Corporate information

The financial statements of AntibioTx A/S for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors. AntibioTx A/S is a public limited company incorporated and domiciled in Denmark and whose shares are privately held. The registered office is located Kemitorvet 220, 2800 Kgs. Lyngby, Denmark.

Basis of preparations

The financial statements of AntibioTx A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU at 31 December 2016 and additional disclosure requirements of the Danish Financial Statements Act for reporting class B enterprises. All approved, mandatory standards and bases for conclusion effective at 31 December 2016 have been applied in the financial year.

Implementation of new or amended standards and interpretations

The Company has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2016.

The implementation of these new or amended standards has not had any material impact on AntibioTx annual report in 2016.

Restatement of comparatives

The Company has corrected a misstatement related to recognition of grants, affecting revenue, other receivables and equity by USD 0.4 million at 31 December 2015. The comparatives for 2015 have been restated. Net effect on equity at 31 December 2016 is USD 0.0 million.

Foreign currency

The Company's functional currency is DKK because this is the currency that best reflect the economic substance of the underlying events and circumstances for the Company.

However, the Company's financial statements are presented in USD. The Company has elected USD as the presentation currency due to the fact that reporting in this currency is considered most relevant to the readers of the financial statements.

Transactions and balances

Transactions denominated in foreign currencies are translated into DKK at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into DKK at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the statement of comprehensive income as financial income/expenses.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Translation from functional currency to presentation currency

In the statement of comprehensive income, the functional currency, DKK, is translated into the presentation currency, USD, at the average exchange rates. Assets and liabilities are translated into USD at the exchange rates at the date of the financial position. Exchange differences arising from such translation are recognised directly in other comprehensive income and presented in a separate reserve in equity.

Statement of comprehensive income

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Further, revenue recognition requires that all significant risks and rewards in the transaction have been transferred to the buyer.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Revenue from research and development activities is considered as rendering of services. Revenue is recognised by reference to the stage of completion. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Grants

The Company receives government grants from Innovation Fund Denmark and Novo seeds. Government grants are recognised at the time when a final and firm right to the grant has been obtained and to the extent that the entity has obtained reasonable assurance to comply with the conditions attached to the grants received. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Classification of operating expenses in the statement of comprehensive income

Research and development costs

Research and development costs primarily comprise salary and related expenses, license, patent and other intellectual property-related costs and external development costs.

All development costs are expensed as incurred.

Administrative costs

Administrative costs primarily comprise salary and related expenses and other external administrative costs.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Financial income and expenses

Financial income and expenses are recognised in the statement of comprehensive income at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the statement of comprehensive income, whereas the portion that relates to transactions taken to equity is recognised in equity.

Tax of the year includes tax credit for costs incurred in connection with research and development activities under the Danish Tax Credit Regime.

Statement of financial position

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period

or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period

or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Property, plant and equipment

Property, plant and equipment include leasehold improvements and other fixtures and fittings, tools and equipment. Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The depreciation basis, which is made up as the cost reduced by a residual value, if any, is distributed on a straight-line basis over the expected useful life of the assets, cf. below:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	2-5 years	0
Leasehold improvements	5 years	0

Gains and losses from current replacements of items of property, plant and equipment are reduced and recognised in Other income/expenses.

Rental deposits

Rental deposits are measured at cost.

Other receivables

Other receivables, which include VAT and grant receivables, are initially measured at fair value and subsequently measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by impairment losses.

Prepayments

Prepayments recognised under Assets comprise prepaid expenses regarding subsequent financial reporting years.

Cash in bank

Cash and cash equivalents comprise cash in bank.

Income tax and deferred tax

Current income tax

Tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities within one year from the date of the statement of financial position. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation or "uncertainty" and establishes provisions where appropriate. To date, no provisions have been established for uncertain tax positions.

Tax for the year includes a tax credit for research and development at the applicable tax rate for the year in question if the Company is deemed to qualify for the tax credit under the Danish Corporate Income Tax Act.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities of the same tax jurisdiction are offset if a legally enforceable right exists to set off.

Upfront payments and deferred income

Upfront payments that are deemed attributable to subsequent research and development work are initially recognised as deferred income and recognised and allocated as revenue over the planned development period. This judgement is made when entering the agreement and is based on development budgets and plans. The planned development period is assessed on an ongoing basis. If the expected development period is changed significantly, this will require a reassessment of the allocation period. The allocation periods have not been changed in 2016 and 2015 for any of our collaborations.

Loans

Loans are initially recognised at fair value, net of transaction costs incurred, if any. Loans are subsequently measured at amortised cost using the effective interest rate method, or EIR. Gains and losses are recognised in the statement of comprehensive income within financial items when liabilities are derecognised as well as when the EIR amortization process is used.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

In terms of convertible loans, the Company evaluates the terms of financial liability contracts to determine whether a contract contains an equity conversion option or a non-closely embedded derivate. Equity conversion options are separated from the liability and treated as equity. The equity component is determined as the difference between the proceeds and the fair value of the liability component.

Other liabilities

Other financial liabilities are on initial recognition measured at the proceeds received net of transaction costs. On subsequent recognition, liabilities are measured at amortised cost corresponding to the nominal unpaid debt.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Subsequent events

If the Company receives information after the reporting period, but prior to the date of the Board of Directors' approval of the financial statements, about conditions that existed at the end of the reporting period, the Company assesses whether the information affects the amounts recognised in the financial statements. The Company will adjust the amounts recognised in the financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the reporting period, the Company will not change the amounts recognised in the financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Cash flow statement

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid net financials and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities which are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risk of changes in value is insignificant.

2 Significant accounting judgements, estimates and assumptions

In preparing the financial statements, Management makes various accounting judgements as well as estimates and define assumptions which form the basis of recognition, measurement and presentation of the Company's assets and liabilities.

The estimates and assumptions applied are based on historical experience, the most recent information available at the reporting date, and other factors that Management considers reasonable under the circumstances.

The basis for judgement and information can by nature be inaccurate or incomplete, and the Company is subject to uncertainties, which can result in an actual outcome that deviates from the estimates and defined assumptions. It may be necessary in the future to change previous estimates and judgements as a result of supplementary information, additional knowledge and experience of subsequent events.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Significant accounting judgements, estimates and assumptions (continued)

In applying the Company's accounting policies described in note 1, Management has exercised the following critical accounting judgements and estimates which significantly influence the amounts recognised in the financial statements:

Research and development

Intangible assets arising from development projects should be recognised in the statement of financial position. The criteria that must be met for capitalisation are:

- The Company has the technical feasibility to complete the intangible asset so that it will be available for use or sale.
- The Company intends to complete the intangible asset and use or sell it.
- The Company has the ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits. Among other things, the Company must demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- Adequate technical, financial and other resources must be available to complete the development and to use or sell the intangible asset.
- The Company is able to reliably measure the expenditure attributable to the intangible asset during its development.

Such an intangible asset should be recognised if sufficient certainty can be documented that the future income from the development project will exceed the aggregate cost of production, development, and sale and administration of the product.

In line with industry practice, the Company expenses all research costs as incurred as these do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or highly probable, due to regulatory and other uncertainties inherent in the development of new products. Accordingly, the Company has not recognised such assets at this time. The total research and development costs related to operations amounted to USD 1,071,381 in 2016, compared to USD 845,155 in 2015.

3 Capital resources

The statement of comprehensive income for 2016 shows a loss of USD 472,815 against a profit of USD 116,365 last year, and the statement of financial position at 31 December 2016 shows equity of USD -194,987.

At 31 December 2016, the Company had a cash position of USD 532,054; however, the spending for 2017 is expected to be higher than the cash in bank at year end.

The Company has been awarded a number of grants for payment in 2017 of which USD 215,584 was paid to the Company prior to 26 May 2017. Furthermore, the Company has re-established the equity through capital increases in 2017.

Management expects cash in bank and grants received on account during 2017 to be sufficient to cover liabilities as they mature covering a period until 31 December 2017.

On this basis, it is Management's opinion that it is appropriate to prepare the financial statements based on a going concern assumption.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	USD	2016	2015
4	**Revenue**		
	Included in revenue:		
	Revenue arising from rendering of contract research services	98,391	152,202
	Income from grants	630,304	889,586
		728,695	1,041,788
5	**Depreciation**		
	Included in research and development costs:		
	Depreciation on tangible assets	0	941
		0	941
6	**Staff costs**		
	Included in research and development costs:		
	Wages and salaries	184,424	386,660
	Social security costs	779	491
	Pension costs	6,742	11,195
	Included in administrative expenses:		
	Wages and salaries	21,870	12,479
	Social security costs	92	15
	Pension costs	800	350
		214,707	411,190
	Average number of full time employees during the year	2	3

Remuneration to the Executive Board (key management personnel) totalling USD 150,820 was expensed during 2016 (2015: USD 142,711). No remuneration was paid to the Board of Directors.

		2016	2015
7	**Financial income**		
	Interest income	67	88
	Foreign currency adjustments	738	2,936
		805	3,024
8	**Financial expenses**		
	Interest expense	14	40
	Foreign currency adjustments	0	4,097
	Other	1,771	10
		1,785	4,147

Financial statements for the period 1 January – 31 December

Notes to the financial statements

USD	2016	2015

9 Income tax

The major components of income tax expense regarding continued operations for the years ended 31 December 2016 and 2015 are:

Statement of comprehensive income		
Current income tax charge	60,014	1,100
Relating to origination and reversal of temporary differences	-24,342	64,893
	35,672	65,993
Statement of other comprehensive income		
Deferred tax charges to other comprehensive income during the year:		
Currency adjustment due to presentation in USD	1,109	6,362
Deferred tax charged to other comprehensive income	1,109	6,362
Deferred tax		
1 January	63	71,318
Adjustment of deferred tax	24,342	-64,893
Currency adjustment on deferred tax	-1,109	-6,362
Deferred tax at 31 December	23,296	63
Deferred tax comprises temporary differences related to:		
Other fixtures and fittings, tools and equipment	-255	63
Grants	23,551	0
Deferred tax at 31 December	23,296	63

Reconciliation of tax expense and the accounting profit multiplied by the Danish domestic tax rate for 2016 and 2015:

Accounting profit before tax	-521,113	61,178
At the Danish statutory income tax rate of 22% (2015: 23.5%)	-114,645	14,377
Foreign exchange adjustment	-151	-596
Tax effect of:		
Taxable income	77,774	0
Non-taxable income	0	-82,511
Other non-deductible costs	1,350	3,838
Adjustment of deferred tax	0	-1,101
	-35.672	-65,993
Income tax expense (income) reported in the statement of comprehensive income	-35,672	-65,993
	-35,672	-65,993

Financial statements for the period 1 January – 31 December

Notes to the financial statements

10 Tangible assets

USD	Other fixtures and fittings, tools and equipment
Cost	
At 1 January 2016	2,839
Disposals	-2,839
At 31 December 2016	0
Depreciation and impairment	
At 1 January 2016	958
Disposals	-958
At 31 December 2016	0
Net book value	
At 31 December 2016	0

USD	2016	2015
11 **Receivables**		
Trade receivables	15,845	26,271
Tax receivables	58,336	1,083
Other receivables	153,642	390,464
Prepayments	13,101	9,091
	240,924	426,909

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. At 31 December 2016, no trade receivables were impaired. All receivables are measured at amortised cost.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

USD	2016	2015
12 Cash and cash equivalents at year end		
Cash in bank	532,054	157,945
	532,054	157,945

There are no undrawn committed borrowing facilities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

13 Capital management and share capital

Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company.

The primary objective of the Company's capital management is to maximise the shareholder value.

The Company is in a start-up phase and does not have formalised capital management objectives besides ensuring that it is appropriate to prepare the financial statements based on a going concern assumption.

The Company makes adjustments in light of changes in economic conditions and other requirements. To maintain the capital structure, the Company may issue new shares.

The Company is not subject to any covenants.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

Share capital

500,000 shares of USD 0.15 each has been issued and paid in full. Only one class of shares exist, and no shares have any special rights.

14 Foreign currency translation reserve

In the statement of comprehensive income, the functional currency, DKK, is translated into the presentation currency, USD, at the average exchange rates. Assets and liabilities are translated into USD at the exchange rates at the balance sheet date. Exchange differences arising from such translation are recognised directly in other comprehensive income and presented in a separate reserve in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Related party disclosures

Related parties comprise the AntibioTx ApS' Executive Management, Board of Directors.

No single shareholder has significant influence or control over the Company.

Besides paying the usual salary to Executive Management as further described in note 6, the Company did not carry through any transactions with its related parties besides the below mentioned transactions.

		Sales to related parties	Amounts owed by related parties	Amounts owed to related parties
Transactions with other related parties:				
Associates:				
Clinical-Microbiomics A/S	2016	60,021	0	0
	2015	8,088	10,066	18,056
Key management personnel:				
Director receivables and payables	2016	0	0	0
	2015	0	81	0

Holding companies

The Company is jointly owned by the holding companies Vendler ApS and Manjin ApS, which are owned by the Executive Board. There were no transactions between AntibioTx ApS and the holding companies in 2016 and 2015.

Associated parties - Clinical-Microbiomics A/S

AntibioTx ApS renders contract research services to and from Clinical-Microbiomics A/S. Clinical-Microbiomics A/S is partly owned by the holding companies of AntibioTx ApS, and the Executive Board of AntibioTx ApS is appointed as Board of Directors of Clinical-Microbiomics A/S.

Board of Directors

Reference is made to note 6.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. No guarantees were provided or received for any related party receivables or payables. For the years ended 31 December 2016 and 31 December 2015, the Company did not record any impairment of receivables relating to amounts owed by related parties.

16 Leasing

The Company has entered into an operating lease agreement regarding its office building. The lease has a non-cancellable term of 2 months and future minimum rental payments at 31 December 2016 amount to USD 8 thousand (2015: USD 7 thousand).

Financial statements for the period 1 January – 31 December

Notes to the financial statements

17 **Financial risks**

The Company's financial risks are managed by the Executive Board. The Company has identified financial risks, but follows a policy where Management continually monitors the following defined risks: liquidity risk, interest rate risk, currency risk and credit risk.

Liquidity risk

Liquidity risk is the risk that AntibioTx will not be able to meet its financial obligations as they fall due. The Executive Board monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective and policy is to maintain a balance between continuity of funding and flexibility through the use of bank credits, grants, collaboration agreements and hire purchase contracts.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

USD	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	Total	Carrying amount
2016					
Receivables					
Trade receivables	15,845	-	-	15,845	15,845
Tax receivables	58,336			58,336	58,336
Other receivables	153,642			153,642	153,642
Prepayments	13,101			13,101	13,101
	240,924	-	-	240,924	240,924
Obligations					
Convertible notes	0	708,938	-	708,938	708,938
Trade payables	211,776	-	-	211,776	211,776
Other payables	26,485	-	-	26,485	26,485
	238,261	708,938	-	947,199	947,199
2015					
Receivables					
Trade receivables	26,271	-	-	26,271	26,271
Tax receivables	1,083	-	-	1,083	1,083
Receivables from Management	81	-	-	81	81
Receivables from associated entities	10,066	-	-	10,066	10,066
Other receivables	380,317	-	-	380,317	380,317
Prepayments	9,091	-	-	9,091	9,091
	426,909	-	-	426,909	426,909
Obligations					
Trade payables	111,500	-	-	111,500	111,500
Deferred income	153,734	-	-	153,734	153,734
Payables to associated entities	18,056	-	-	18,056	18,056
Other payables	32,783	-	-	32,783	32,783
	316,073	-	-	316,073	316,073

Financial statements for the period 1 January - 31 December

Notes to the financial statements

17 Financial risks (continued)

All receivables and obligations are measured at amortised cost.

As of 31 December 2016, the Company's borrowing consisted of an interest-bearing convertible loan with a principal of USD 709 thousand falling due at the earliest on 30 June 2018 at a negotiated price. The loan bears an interest of 1%. In the event that a financing round is carried out before the maturity date and in which proceeds to the Company exceed USD 2.8 million, any outstanding principal amount on the notes including unpaid interest shall automatically be converted to shares at a price paid by the other purchasers in Financing. The note holder discount on the share price is calculated according to the pre-money valuation of the Company. If the Company consummates a change of control while the note remains outstanding, the Company shall repay the Holder in cash an amount equal to 100% of the outstanding principal amount of the note. The convertible notes have been converted after the balance sheet date. Refer to note 18.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

AntibioTx has no significant interest-bearing debt, and the AntibioTx's interest rate risks primarily relates to the position of cash in banks. As such, no separate analysis is provided.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. AntibioTx's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expense transactions are denominated in a foreign currency. AntibioTx has established a USD account to hedge the currency risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. AntibioTx is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits at banks, rent deposits and other financial instruments.

At each reporting date, an impairment analysis is performed on an individual basis for the Company's financial instruments. The Company accounted for an impairment loss of receivables of USD 0 and USD 0 in 2016 and 2015, respectively.

The carrying value of the AntibioTx's financial instruments, as disclosed in the statement of financial position represents the maximum credit exposure, hence, no separate disclosure is provided. Reference is made to note 11.

18 Events after the balance sheet date

During the period from 1 January 2017 to 30 May 2017, the Company received grants totalling USD 215,584.

The Company has carried out a capital injection and debt conversion during April 2017 of approximately USD 7 million. Furthermore, a change in legal structure from ApS to A/S has been carried out during 2017.

No other events have occurred subsequent to the balance sheet date which could significantly affect the Company's financial position.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

19 New International Financial Reporting Standards and IFRIC Interpretations

The IASB has issued a number of standards and interpretations that are not mandatory for AntibioTx A/S at the time of the publication of the Company's annual report for 2016.

The new standards and interpretations are expected to be implemented as they become mandatory for AntibioTx A/S. None of these standards are expected to have a material effect on the financial statements for AntibioTx A/S.