AntibioTx A/S

Tuboig Havnevej 18, 2900 Hellerup

CVR no. 33 96 37 50

Annual report 2017

Approved at the Company's annual general meeting on 30/5 2018

Chairman:

....

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of AntibioTx A/S for the financial year 1 January - 31 December 2017.

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.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 30 May 2018

Executive Board:

Rasmus Vendler Toft-Kehler (CEO)	Morten Otto Alexander Sommer (CSO)	Morten Højland Boesen (CFO)

Board of Directors:

Ole Skov (Chairman)	Jutta Monika Heim	Stig Løkke Pedersen
Morten Otto Alexander Sommer	Rasmus Vendler Toft-Kehler	

Independent auditor's report

To the shareholders of AntibioTx A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of AntibioTx A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

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 misstatement of the Management's review.

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional 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.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent 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 as to 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 scepticism 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 Group's and the Parent 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 Group's and the Parent 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent 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.

Independent auditor's report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 30 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen State Authorised Public Accountant MNE no.: mne33234	Kennet Hartmann State Authorised Public Accountant MNE no.: mne40036

Management's review

Company details

Name	AntibioTx A/S
Address, zip code, city	Tuborg Havnevej 18, 2900 Hellerup
E-mail	info@antibiotx.com
Phone	+45 61777435
CVR no.	33 96 37 50
Registered office	Gentofte
Financial year	1 January – 31 December
Executive Board	Rasmus Vendler Toft-Kehler Morten Otto Alexander Sommer Morten Højland Boesen
Board of Directors	Ole Skov Stig Løkke Pedersen Jutta Monika Heim Rasmus Vendler Toft-Kehler Morten Otto Alexander Sommer
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Investor and media relations	AntibioTx Investor Relations Tuborg Havnevej 18 DK-2900 Hellerup Denmark Email: investor@antibiotx.com
Bankers	Jyske Bank

Management's review

About

AntibioTx is a privately held clinical stage biopharmaceutical company with offices in Copenhagen (DK) and San Diego (US). The Company focuses on discovery and development of novel medicines to treat diseases at the intercept of microbiology and immunology.

The Company's lead candidates are ATx201 GEL and ATx201 CREAM which are both in Phase II.

ATx201 GEL is an antibiotic with a new mode of action, addressing the medical need for an ultra-effective local management of bacterial skin infections. Current treatments are troubled by multi-drug resistance as well as poor compliance due to prolonged treatment regimes. ATx201 GEL aims to become the new standard for local treatment of skin infections, replacing current treatments including the widespread but undesirable use of systemic antibiotics. ATx201 GEL is currently being tested in Phase 2B.

ATx201 CREAM seeks to provide a new treatment option for atopic dermatitis. With a novel mode of action addressing both the microbiological and immunological components of atopic dermatitis, ATx201 CREAM has the potential to become a mainstay treatment for millions of patients and families that experience significant loss in quality of life. ATx201 CREAM is currently being tested in Phase 2A.

Further to the lead candidates, AntibioTx is advancing a pipeline of preclinical candidates for both microbiological and immunological diseases.

2017 in review

The year of 2017 was a year of substantial progress at preclinical, clinical, organisational and financial level. In particular, the team has more than tripled and additional international profiles with extensive functional experience were added to further increase momentum. The current leadership team has experience from bringing more than 10 drugs to the market, generating annual revenues in excess of USD 5 billion.

A number of preclinical candidates were identified and matured with both microbiological and immunological properties. Furthermore, the clinical candidates of AntibioTx – ATx201 GEL and ATx201 CREAM – have successfully entered clinical development with initial positive results. Finally, AntibioTx raised new capital in 2017 through non-dilutive sources, equity investors and a credit facility through the European Investment Bank.

Overall Management considers the development in 2017 satisfactory.

Financial review

The statement of comprehensive income for 2017 shows a consolidated loss of USD 5,758,946 against a loss of USD 472,815 last year, and the statement of financial position at 31 December 2017 shows a consolidated equity of USD 1,944,103.

At 31 December 2017, the Company had a consolidated cash position of approximately USD 2,228,549. Furthermore, the Company has been awarded grants for payment in 2018 of approximately USD 440,428 and has an undrawn loan facility of USD 24 million.

Management expects the capital resources to be sufficient to cover liabilities as they mature for a period until 31 December 2018.

On this basis, Management find it appropriate to prepare the financial statements based on a going concern assumption.

Management's review

Investments

During the year, the Company founded AntibioTx Noth America Inc. and is therefore preparing consolidated financial statements for the first time.

Post balance sheet events

The Company has drawn down USD 8 million on the loan facility from The European Investment Bank.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of comprehensive income

		Group		Parent	
Note	USD	2017	2016	2017	2016
	Revenue	315,394	98,391	315,394	98,391
4,5	Research and development costs	-6,311,239	-1,071,381	-6,221,806	-1,071,381
4,5	Administrative expenses	-500,585	-177,447	-500,585	-177,447
	Operating loss	-6,496,429	-1,150,437	-6,406,997	-1,150,437
7	Other operating income	373,598	630,304	373,598	630,304
	Loss before net financials	-6,122,831	-520,133	-6,033,399	-520,133
8	Financial income	4,798	805	9,131	805
9	Financial expenses	-136,437	-1,785	-136,437	-1,785
	Loss before tax	-6,254,470	-521,113	-6,160,705	-521,113
10	Tax benefit for the year	857,840	35,672	857,840	35,672
	Loss after tax	-5,396,630	-485,441	-5,302,865	-485,441
	Other comprehensive income	-362,316	12,626	-362,316	12,626
	Total comprehensive loss for the year	-5,758,946	-472,815	-5,665,181	-472,815

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of financial position

Note	USD	Group 2017	Group 2016	Parent 2017	Parent 2016
	ASSETS				
	Non-current assets				
11	Tangible assets				
	Other fixtures and fittings, tools and equipment	7,661	0	7,661	0
	Total tangible assets	7,661	0	7,661	0
	Other non-current assets				
12	Investments in subsidiaries	0	0	1	0
	Rent deposits	17,189	2,530	17,189	2,530
	Total other non-current assets	17,189	2,530	17,190	2,530
	Total non-current assets	24,850	2,530	24,851	2,530
	Current assets				
	Receivables				
	Trade receivables	394	15,845	394	15,845
10	Tax receivables	887,189	58,336	887,189	58,336
16	Receivables from group entities	0	0	204,341	0
	Other receivables	410,070	153,642	410,070	153,642
	Prepayments	165,505	13,101	165,505	13,101
		1,463,158	240,924	1,667,499	240,924
13	Cash in bank	2,228,549	532,054	2,113,981	532,054
	Total current assets	3,691,707	772,978	3,781,480	772,978
	TOTAL ASSETS	3,716,557	775,508	3,806,331	775,508

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of financial position

Note	USD	Group 2017	Group 2016	Parent 2017	Parent 2016
	EQUITY AND LIABILITIES				
14	Equity				
	Share capital	78,015	14,780	78,015	14,780
	Retained earnings	2,243,802	-194,369	2,337,568	-194,369
15	Foreign currency translation reserve	-377,714	-15,398	-377,714	-15,398
	Total equity	1,944,103	-194,987	2,037,869	-194,987
	Non-current liabilities				
18	Convertible notes	0	708,938	0	708,938
10	Deferred tax	306	23,296	306	23,296
6	Net settlement of cash-settled warrant obligation	400,827	0	400,827	0
19	Total non-current liabilities	401,133	732,234	401,133	732,234
	Current liabilities				
	Trade payables	1,208,168	211,776	1,204,175	211,776
16	Payables to management	698	0	698	0
	Other payables	83,793	26,485	83,794	26,485
	Deferred income	78,662	0	78,662	0
	Total current liabilities	1,371,321	238,261	1,367,329	238,261
	Total liabilities	1,772,454	970,495	1,768,462	970,495
	TOTAL LIABILITIES	3,716,557	775,508	3,806,331	775,508

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group			
USD	Share capital	Retained earnings	Foreign currency translation reserve	Total
Equity at 1 January 2016	14,780	291,072	-28,024	277,828
Comprehensive income				
Profit 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
Equity at 1 January 2017	14,780	-194,369	-15,398	-194,987
Comprehensive income				
Loss for the year	0	-5,396,630	0	-5,396,630
Other comprehensive income				
Foreign currency translation reserve	0	0	-362,316	-362,316
Total comprehensive income	14,780	-5,590,999	-377,714	-5,953,933
Capital increase from convertible bonds	2,290	7,891,132	0	7,893,422
Increase of share capital	60,945	-60,945	0	0
Share-based compensation	0	4,614	0	4,614
Equity at 31 December 2017	78,015	2,243,802	-377,714	1,944,103

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

USD	Parent Share capital	Retained earnings	Foreign currency translation reserve	Total
Equity at 1 January 2016	14,780	291,072	-28,024	277,828
Comprehensive income				
Profit for the year	0	-485,441	0	-485,441
Other comprehensive income				
Foreign currency translation reserve	0	0	12,626	12,626
Total comprehensive income	0	-194,369	-15,398	-194,987
Equity at 31 December 2016	14,780	-194,369	-15,398	-194,987
Equity at 1 January 2017	14,780	-194,369	-15,398	-194,987
Comprehensive income				
Loss for the year	0	-5,302,864	0	-5,302,864
Other comprehensive income				
Foreign currency translation reserve	0	0	-362,316	-362,316
Total comprehensive income	14,780	-5,497,233	-377,714	-5,860,167
Capital increase from convertible bonds	2,290	7,891,132	0	7,893,422
Increase of share capital	60,945	-60,945	0	0
Share-based compensation	0	4,614	0	4,614
Equity at 31 December 2017	78,015	2,337,568	-377,714	2,037,869

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

		Group		Parent	
Note	USD	2017	2016	2017	2016
	Profit/loss before tax	-6,254,470	-521,113	-6,160,704	-521,113
	Adjustment to reconciled profit before tax to net cash flows:				
6	Share-based compensation	381,297	0	381,297	0
4	Depreciation of other fixtures and fittings, tools and equipment	1,775	0	1,775	0
	Financial income	-4,798	-805	-9,131	-805
	Financial expenses	136,437	1,785	136,437	1,785
	Working capital adjustments				
	Decrease/increase in trade and other receivables and prepayments	-393,382	243,238	-597,724	243,238
	Decrease/increase in trade and other payables and payables to group enterprises and Management	1,054,398	75,922	1,050,406	75,922
	Decrease/increase in deferred income	78,662	-153,734	78,662	-153,734
8	Interest received	4,798	67	5,028	67
9	Interest paid	-38,458	-1,785	-38,458	-1,785
10	Income tax received	61,210	1,083	61,210	1,083
	Cash flows from operating activities	-4,972,531	-355,342	-5,091,202	-355,342
	Rent deposits	-14,659	4,699	-14,659	4,699
11	Purchase/sale of other fixtures and fittings, tools and equipment	-9,549	1,881	-9,549	1,881
	Cash flows from investing activities	-24,208	6,580	-24,208	6,580
	Convertible notes	0	728,023	0	728,023
	Capital increase	7,165,399	0	7,165,399	0
	Cash flows from financing activities	7,165,399	728,023	7,165,399	728,023
	Net cash flows from operating, investing and financing activities	2,168,659	379,261	2,049,988	379,261
13	Cash in bank at 1 January	532,054	157,945	532,054	157,945
	Exchange gains/losses on cash in bank	-472,164	-5,152	-468,061	-5,152
13	Cash in bank at 31 December	2,228,549	532,054	2,113,981	532,054

Consolidated financial statements and parent company financial statements 1 January – 31 December

Note summary

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Consolidated financial statements and parent company financial statements 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 2017 comprise both the consolidated financial statements of AntibioTx A/S and its subsidiary AntibioTx North America Inc. (the Group) and the separate parent company financial statements for AntibioTx A/S. The consolidated financial statements and the parent company financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 30 May 2018. AntibioTx A/S is a public limited company incorporated and domiciled in Denmark with privately held shares. The registered office is located at Tuborg Havnevej 18, 2900 Hellerup, Denmark.

Basis of preparations

The consolidated 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 2017 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 2017 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 2017.

The implementation of these new or amended standards has not had any material impact on the annual report of AntibioTx A/S in 2017.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, AntibioTx A/S (the Company), and a subsidiary controlled by AntibioTx A/S.

The Group controls an entity if the Group is exposed to or is entitled to variable returns due to its interest in the entity and can impact these returns through its controlling interest in the entity.

In the assessment as to whether the Group exercises control, allowance is made for de facto control and potential voting rights that are real and of substance at the reporting date.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

In the consolidated financial statements, the items of subsidiaries are recognised in full.

Foreign currency translation

Translation of foreign currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment that best reflect the economic substance in which the legal entities operate (functional currency). The functional currency of the parent company is DKK, and the functional currency of the US subsidiary is USD.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Transactions denominated in currencies other than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

In the consolidated financial statements, the statement of comprehensive income of foreign operations with a functional currency other than Danish kroner are translated at the exchange rate at the transaction date, and the statement of financial position items are translated at closing rates. An average exchange rate for each month is used as the exchange rate at the transaction date in so far as this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on translation of the opening equity of such entities at closing rates and on translation of the statements of comprehensive income from the exchange rate at the transaction date to closing rates are recognised in other comprehensive income in a separate translation reserve under equity.

Statement of comprehensive income

Translation from functional currency to presentation currency

The Company's consolidated financial statements and parent company 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.

In the statement of comprehensive income, the functional currency of the parent company (DKK), is translated into the presentation currency, USD, at the monthly 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.

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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Other income

Other operating income comprises items secondary to the principal activities of the entities, including gains and losses on ongoing disposal and replacement of intangible assets and items of property and plant and equipment. Gains and losses on disposal are made up as the sales price less selling costs and the carrying amount at the time of disposal.

Moreover, other income comprises government and privately funded grants. 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.

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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Notes to the financial statements

1 Accounting policies (continued)

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 2017 and 2016 for any of our collaborations.

Share-based payments

The Board of Directors, key personnel, and lenders (The European Investment Bank) of the Group receive remuneration in the form of share-based payments.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 6.

The cost is recognised in the statement of comprehensive income together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the holder. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. Further details are given in note 6.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Parent company financial statements

The Parent Company has the same accounting policies for recognition and measurement as the Group. The Parent Company's accounting policies deviate from the Group's accounting policies as described below.

Investments in subsidiaries

Investments in subsidiaries are measured at cost.

The Group annually tests whether the investment in subsidiaries has suffered any impairment.

Impairment tests are performed on subsidiaries if events or changes in circumstances indicate that their carrying amount may not be recoverable. If cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates, and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Dividend

Dividends from investments in subsidiaries are recognised in the income statement in the financial year in which the dividend is declared.

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.

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:

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

2 Significant accounting judgements, estimates and assumptions (continued)

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 6,221,806 in 2017, compared to USD 1,071,381 in 2016.

Share-based payment

Determination of fair value of the net settlement obligation related to warrants is associated with significant estimation uncertainty due to the fact that the shares of the Company are not traded in an active market and with few capital increases to support share prices. Reference is made to note 6.

3 Capital resources

The statement of comprehensive income for 2017 shows a consolidated loss of USD 5,758,946 against a loss of USD 472,815 last year, and the statement of financial position at 31 December 2017 shows a consolidated equity of USD 1,944,103.

At 31 December 2017, the Company had a consolidated cash position of approximately USD 2,228,549. Furthermore, the Company has been awarded grants for payment in 2018 of approximately USD 440,428 and has an undrawn loan facility of USD 24 million at 31 December 2017.

Management expects the capital resources to be sufficient to cover liabilities as they mature for a period until 31 December 2018.

On this basis, Management finds it appropriate to prepare the financial statements based on a going concern assumption.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

		Group		Parent	
	USD	2017	2016	2017	2016
4	Depreciation				
	Included in R&D costs:				
	Depreciation on tangible assets	1,775	0	1,775	0
		1,775	0	1,775	0
5	Staff costs				
	Included in research and development costs:				
	Wages and salaries	1,301,732	184,424	971,416	184,424
	Share-based compensation expense, cash-settled	376,958	0	376,958	0
	Social security costs	8,049	779	3,254	779
	Other costs	101,364	6,742	93,348	6,742
	Included in administrative expenses:				
	Wages and salaries	40,467	21,870	40,467	21,870
	Share-based compensation expense, equity-settled	4,339	0	4,339	0
	Social security costs	136	92	136	92
	Other costs	3,889	800	3,889	800
		1,836,934	214,707	1,493,807	214,707
	Average number of full time employees during the year	5	2	5	2

Remuneration to the Executive Board and Board of Directors

	2017		2016	
USD	Executive Board	Board of Directors	Executive Board	Board of Directors
Wages and salaries	274,053	0	242,791	0
Share-based compensation expense, equity-settled	0	4,339	0	0
Social security costs	554	0	459	0
Other costs	15,558	0	3,370	0
	290,165	4,339	246,620	0

6 Share-based payment

For the period ending 31 December 2017, the Company has issued warrants to certain members of the Board of Directors, key personnel and lenders.

Fair value is based on unobservable input (level 3) and is determined using the Black-Scholes option pricing model. The key parameters used for determining the fair value are:

- Volatility
- Share price
- Risk-free interest rate
- Expected life
- Exercise price

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

6 Share-based payment (continued)

The expected volatility is estimated based on data from a group of listed peers and reflects the assumption that the historical volatility over a period similar to the life of the warrants is indicative of future trends, which may not necessarily be the actual outcome. The peer group consists of companies which Management believes are comparable to the Company in respect of maturity as well as product market focus.

The share price has, wherever possible, been determined as the implied fair value, which can be derived from the subscription price in the most recent capital increase prior to granting the warrants. Where no capital increase has been carried out at a certain grant date, a fair value was estimated by considering a number of factors such as value inflection points and negotiation between independent parties.

The *risk-free interest rate* is based on a 5-year Danish government bond and equals the expected life of the warrants.

All warrants entitles the holder to acquire an equal number of ordinary shares.

The tables below summarise the activity related to warrants including assumptions, conditions and other information:

	Board of Directors	Key personnel	Lender	Total
Outstanding, 1 December 2016	0	0	0	0
Granted during the year	2,095	0	0	0
Outstanding, 31 December 2016	2,095	0	0	0
Granted during the year	2,513	9,678	18,691	32,977
Outstanding, 31 December 2017	4,608	9,678	18,691	32,977
Vested, 31 December 2016	0	0	0	0
Vested during the year	655	4,465	0	5,120
Vested, 31 December 2017	655	4,465	0	5,120

Assumptions, conditions and other information, 31 December 2017:			
Expected volatility (%)	55	55	55
Share price (USD)	16-131	131	131
Expected life in years	4	3-5	5
Risk-free interest rate (%)	0.004	0.004	0.004
Exercise price (USD)	16-131	39-131	0.2
Fair value at grant date (tUSD)	153	456	2,255
Fair value on cash-settled warrants at 31 December 2017 (tUSD)	N/A	401	N/A
Share-based payment expense, 2017 (tUSD)	4	377	0
Accounting method	Equity	Equity/Cash	Cash

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Notes to the financial statements

6 Share-based payment (continued)

Board of Directors

Warrants granted in March 2016, April 2017 vest partly gradually and partly cliff based over a period of 4 years subject to continued employment.

Key personnel (including former employees)

Warrants granted in February 2017 have no conditions other than non-vesting exercise conditions such as an IPO, change of control event, solvent liquidation or merger/demerger.

Warrants granted in November 2017 vest partly gradually and partly cliff based over a period of 3 years subject to continued employment.

Lender

On 17 December 2017, Management entered into a loan contract with the European Investment Bank. As consideration for the loan, the European Investment Bank was granted warrants that vest relatively to the draw down on the loan in two tranches.

7 Other income

Other income consists of government grants (Innovation Fund Denmark and Train2Target) and privately funded grants (Novo Seed). These grants provide compensation for a part of certain project specific research and development expenses, including wages and salaries. In 2017, AntibioTx received USD 374 thousand in government grants (2016: USD 481 thousand) and USD 0 thousand in privately funded grants (2016: USD 149 thousand).

		Group		Parent	
	USD	2017	2016	2017	2016
8	Financial income				
	Interest income	4,798	67	9,131	67
	Foreign currency adjustments	0	738	0	738
		4,798	805	9,131	805
9	Financial expenses				
	Interest expense	32,607	14	32,607	14
	Foreign currency adjustments	97,979	0	97,797	0
	Other	5,851	1,771	6,033	1,771
		136,437	1,785	136,437	1,785

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

10 Tax

The major components of income tax expense regarding continued operations for the years ended 31 December 2017 and 2016 are:

	Group		Parent	
USD	2017	2016	2017	2016
Statement of comprehensive income				
Current income tax charge	833,237	60,014	833,237	60,014
Relating to origination and reversal of temporary differences	24,603	-24,342	24,603	-24,342
	857,840	35,672	857,840	35,672
Statement of other comprehensive income				
Deferred tax charges to other comprehensive income during the year:				
Currency adjustment due to presentation in USD	-1,613	1,109	-1,613	1,109
Deferred tax charged to other comprehensive income	-1,613	1,109	-1,613	1,109
Deferred tax				
1 January	23,296	63	23,296	63
Adjustment of deferred tax current year	-24,997	24,342	-24,997	24,342
Adjustment of deferred tax prior year	394	0	394	0
Currency adjustment on deferred tax	1,613	-1,109	1,613	-1,109
Deferred tax at 31 December	306	23,296	306	23,296
Deferred tax comprises temporary differences related to:				
Other fixtures and fittings, tools and equipment	306	-255	306	-255
Grants	0	23,551	0	23,551
Deferred tax at 31 December	306	23,296	306	23,296

Reconciliation of tax expense and the accounting profit multiplied by the Danish domestic tax rate for 2017 and 2016:

Accounting loss before tax	6,550,791	521,113	6,550,791	521,113
At the Danish statutory income tax rate of 22% (2016: 22%)	1,375,983	114,645	1,375,983	114,645
Foreign exchange adjustment	-23,997	151	-23,997	151
Tax effect of:				
Taxable income	0	-77,774	0	-77,774
Non-taxable income	0	0	0	0
Non-recognised tax loses	-461,683	0	-461,683	0
Other non-deductible costs	-7,860	-1,350	-7,860	-1,350
Adjustment of deferred tax	-24,603	0	-24,603	0
	857,840	35,672	857,840	35,672
Income tax expense (income) reported in the statement of comprehensive income	857,840	35,672	857,840	35,672
	857,840	35,672	857,840	35,672

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

11 Tangible assets

Group and Parent

USD	Other fixtures and fittings, tools and equipment
Cost	
At 1 January 2017	0
Additions	9,549
Disposals	0
At 31 December 2017	9,549
Depreciation and impairment	
At 1 January 2017	0
Additions	1,888
Disposals	0
At 31 December 2017	1,888
Net book value	
At 31 December 2017	7,661

		Parent	
	USD	2017	2016
12	Investments in subsidiaries		
	Cost at 1 January	0	0
	Additions	1	0
	Cost at 31 December	1	0
	Value adjustments at 1 January	0	0
	Foreign exchange adjustment	0	0
	Dividend distribution	0	0
	Value adjustments at 31 December	0	0
	Carrying amount at 31 December	1	0
	Non-amortised differences	0	0

Name and registered office	Voting rights and ownership	Profit/loss USD	Equity USD
AntibioTx North America Inc.	100%	-93,766	-93,765

The subsidiary is considered a separate entity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

		Group		Parent	
	USD	2017	2016	2017	2016
13	Cash and cash equivalents at year end				
	Cash in bank	2,228,549	532,054	2,113,981	532,054
		2,228,549	532,054	2,113,981	532,054

There are an undrawn loan facility of USD 24 million at 31 December 2017. Reference is made to note 20.

Cash in bank 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.

14 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 financial covenants.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Loan facility at the European Investment Bank

On 17 December 2017, Management entered into a loan contract with the European Investment Bank ensuring a loan facility of USD 24 million (denominated and disbursed in EUR).

The loan shall be disbursed in up to two tranches and the repayment date is no later than the fifth anniversary of the relevant disbursement date.

The loan agreement is subject to a number of financial and non-financial terms.

As part of the loan agreement, the Company entered into a floating charge agreement pursuant to which a floating charge of USD 2.1 million is pledged. Furthermore, the Company entered into a negative pledge preventing it to subsist any security over any of its assets.

As consideration for the loan, the European Investment Bank has been granted 18,691 warrants that vest relatively to the draw down on the loan in two tranches. Reference is made to note 6 and note 20.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

14 Capital management and share capital (continued)

The loan agreement includes an embedded derivative in the form of a put option to the European Investment Bank. Pursuant to this, the Company may be required to purchase all or part of the vested warrants held by the European Investment Bank at the option price which is defined as fair market value of the warrants at the time of exercise of the put option.

Convertible loan

During the year, the convertible notes were converted to 41,294 shares on 21 April 2017 at a value of approximately USD 2.5 million. At 31 December 2017, there were no outstanding convertible notes.

Share capital

500,000 shares of USD 0.156 each has been issued and paid in full. Only one class of shares exist, and no shares have any special rights.

15 Foreign currency translation reserve

Parent

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.

Group

In the statement of comprehensive income for the parent, 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. In the statement of comprehensive income for the consolidated subsidiary, the functional currency is USD and therefore there are no exchange differences recognised in other comprehensive income related hereto.

16 Related party disclosures

Group and Parent

Related parties comprise AntibioTx North America, Inc., an American based subsidiary, and AntibioTx A/S' Executive Management and Board of Directors.

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

16 Related party disclosures (continued)

Besides paying the usual salary and share-based payment to the Executive Management and Board of Directors as further described in notes 6 and 7, the Company did not carry through any transactions with its related parties besides the below mentioned transactions.

	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Transactions with other related parties:					
Associates:					
Clinical-Microbiomics A/S	2017	9,386	0	0	0
	2016	60,021	0	0	0
AntibioTx North America, Inc.	2017	0	418,422	204,341	0
	2016	0	0	0	0
Key management personnel:					
Director receivables and payables	2017	0	0	0	698
	2016	0	0	0	0

Holding companies

The Company is jointly controlled by the holding companies Vendler ApS and Manjin ApS, which are owned by members of the Executive Board. There were no transactions between AntibioTx A/S and the holding companies in 2017 and 2016.

Associated parties

Clinical-Microbiomics A/S

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

AntibioTx North America, Inc.

AntibioTx North America Inc. renders contract research services from AntibioTx A/S. Moreover, AntibioTx A/S has provided a loan for AntibioTx North America, Inc. AntibioTx North America, Inc. was founded on 24 March 2017 and is a fully owned subsidiary of AntibioTx 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 2017 and 31 December 2016, the Company did not record any impairment of receivables relating to amounts owed by related parties.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

17 Contingent liabilities, contractual obligations and pledges

Group and Parent

The Company has entered into an operating lease agreement regarding its office building. The lease has a non-cancellable term of 2.5 years and future minimum rental payments at 31 December 2017 amounted to USD 130,605 thousand (2016: USD 8 thousand).

The Company furthermore has contracts with CRO's, where the CRO will carry out clinical trials for the Company. There is a contract in place between the parties but the amounts are not fixed as it depends on reaching milestones, number of enrolled patients, etc.

The Company has entered into a floating charge agreement with the European Investment Bank pursuant to which a floating charge of USD 2.1 million is pledged. Furthermore, the Company has entered into a negative pledge preventing them from placing any of its assets as security excluding the before mentioned floating charge to the European Investment Bank.

18 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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes to the financial statements

18 Financial risks (continued)

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

Group

USD	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	Total	Carrying amount
2017					
Loans and receivables measured at amortised cost					
Trade receivables	394	0	0	394	394
Other receivables	410,070	0	0	410,070	410,070
Rent deposits	0	17,189	0	17,189	17,189
	410,464	17,189	0	427,653	427,653
Financial liabilities measured at fair value					
Cash settled share-based compensation	0	400,827	0	400,827	400,827
	0	400,827	0	400,827	400,827
Financial liabilities measured at amortised cost					
Trade payables	1,208,168	0	0	1,208,168	1,208,168
Other payables	83,793	0	0	83,793	83,793
	1,291,961	0	0	2,583,922	1,291,961
2016					
Loans and receivables measured at amortised cost					
Trade receivables	15,845	0	0	15,845	15,845
Other receivables	153,642	0	0	153,642	153,642
Prepayments	13,101	0	0	13,101	13,101
	182,588	0	0	182,588	182,588
Financial liabilities measured at amortised cost					
Convertible notes	0	708,938	0	708,938	708,938
Trade payables	211,776	0	0	211,776	211,776
Other payables	26,485	0	0	26,485	26,485
	238,261	708,938	0	947,199	947,199

Consolidated financial statements and parent company financial statements 1 January – 31 December

18 Financial risks - continued

Parent

USD	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	Total	Carrying amount
2017					
Loans and receivables measured at amortised cost					
Trade receivables	394	0	0	394	394
Receivables from group entities	204,341	0	0	204,341	204,341
Other receivables	410,070	0	0	410,070	410,070
Rent deposits	0	17,189	0	17,189	17,189
	614,805	17,189	0	631,994	631,994
Financial liabilities measured at fair value					
Put option	0	0	0	0	0
Cash settled share-based compensation	0	400,827	0	400,827	400,827
	0	400,827	0	400,827	400,827
Financial liabilities measured at amortised cost					
Trade payables	1,204,175	0	0	1,204,175	1,204,175
Other payables	83,793	0	0	83,793	83,793
	1,287,968	0	0	1,287,968	1,287,968
2016					
Loans and receivables measured at amortised cost					
Trade receivables	15,845	0	0	15,845	15,845
Other receivables	153,642	0	0	153,642	153,642
	169,487	0	0	169,487	169,487
Financial liabilities measured at amortised cost					
Convertible notes	0	708,938	0	708,938	708,938
Trade payables	211,776	0	0	211,776	211,776
Other payables	26,485	0	0	26,485	26,485
	238,261	708,938	0	947,199	947,199

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18 Financial risks – (continued)

Group and Parent

AntibioTx measures derivatives at fair value at each reporting date. When estimating the fair value of the financial instruments, Management applies the following fair value measurement hierarchy:

Level 1 – Quoted prices 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 or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

AntibioTx had no financial instruments measured at levels 1 or 2. The fair value of financial instruments measured using level 3 relates to a put option valued at nil at 31 December 2017 and cash settled share-based compensation liability of USD 401 thousand. Management has estimated the fair value using valuation techniques in the form of valuation models. The valuation requires Management to make certain assumptions about the model inputs such as the underlying share price and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value. Reference is made to note 6.

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 AntibioTx' interest rate risks primarily relate 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' 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 the 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 2017 and 2016, respectively.

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

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Notes to the financial statements

19 Changes in liabilities arising from financing activities

Group and Parent

In 2017, the Company adopted the amendments to IAS 7 that were issued as a part of the IASB's Disclosure Initiative. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- The effect of changes in foreign exchange rates
- Changes in fair values
- Other changes.

The information is disclosed in note 18 to which we refer.

20 Events after the balance sheet date

Group and Parent Company

In 2018, the Company drewone tranche on a loan facility amounting to USD 8 million of the total loan facility of USD 24 million.

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

21 New International Financial Reporting Standards

The IASB has issued a number of new standards that become effective on or after 1 January 2018. Management's current expectation is that the new standards will be adopted by the Company at the effective date. Depending on the stage of development of the Company as of this point in time, the following new standards could have an impact of the financial statements:

IFRS 9 – Financial instruments

This standard addresses the accounting for financial assets and liabilities including their recognition, classification and measurement and hedge accounting. The Company adopts IFRS 9 from the mandatory effective date of 1 January 2018. The adoption of IFRS 9 is not expected to have an impact on the financial figures.

IFRS 15 – Revenue from contracts with customers

This standard addresses the accounting for revenue recognition. The Company adopts IFRS 15 from the mandatory effective date of 1 January 2018 and will make use of the relief from restating comparative figures. The adoption of IFRS 15 is not expected to have an impact on the financial figures as the Company currently does not have revenue from contracts with customers.

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Notes to the financial statements

21 New International Financial Reporting Standards (continued)

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, the Company will as lessee recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The Company will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Upon implementation on 1 January 2019, assuming that no new leases are entered into and no amendments to existing leases are made, the Company is expected to recognise a liability to make lease payments (i.e. the lease liability) of approximately UDS 80 thousand and an asset representing the right to use the underlying asset during the lease term (i.e. the right to use asset) of approximately USD 80 thousand. The expected accumulated effect on equity and total assets at 1 January 2019 approximates DKK 0 thousand and DKK 0 thousand, respectively. Reference is made to note 16 in respect of operating leasing obligations at 31 December 2017.

The Company will also be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Company will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

The Company expects to implement IFRS 16 applying a simplified transition method, whereby comparative figures will not be restated. Furthermore, the Company expects to use the other available reliefs, e.g. in regards to low-value assets and leases with a maturity of less than 12 months, to the widest possible extent.