AntibioTx ApS

Kogle Allé 5, 2970 Hørsholm

CVR no. 33 96 37 50

Annual report 2015

Approved at the Company's annual general meeting on 21 June 2016

Chairman:

Asbjørn Sonne

....

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 ApS for the financial year 1 January - 31 December 2015.

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 2015 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2015.

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, 21 June 2016

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 auditors' report

To the shareholders of AntibioTx ApS

Independent auditors' report on the financial statements

We have audited the financial statements of AntibioTx ApS for the financial year 1 January - 31 December 2015, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Management's responsibility 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 in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Emphasis of matter paragraph concerning matters in the financial statements

Without qualifying our opinion, we wish to draw attention to note 3 to the financial statements, which describes the uncertainty associated with the Company's ability to continue its operations. Expecting the Company to be able to cover its unfilled funding requirements, Management has presented the financial statements on a going concern assumption.

Independent auditors' report - continued

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 21 June 2016
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 ApS
Address, zip code, city	Kogle Alle 5, 2970 Hørsholm
E-mail	info@antibiotx.com
Phone	+45 61777435
CVR no.	33 96 37 50
Registered office	Hørsholm
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	The Ruth Group Att. Tram Bui & Lee Roth 757 Third Avenue, Floor 26 New York, NY 10017 United States of America Phone: +1 646-536-7035 / +1 646-536-7012 Email: tbui@theruthgroup.com / lroth@theruthgroup.com
Bankers	Jyske Bank

Management's review

Operating review

Principal activities of the Company

AntibioTx is a privately held pharmaceutical company dedicated to the development of a novel class of antibiotics to treat bacterial infections and related disorders that are currently causing harm to millions of patients worldwide.

AntibioTx has a fully operational lab and has utilised cutting edge systems biology and screening methods to identify and characterise a potential game changing class of antibiotics.

The mission of AntibioTx is to develop and commercialise groundbreaking antibiotics to overcome antibiotic resistance and fight infectious diseases. The need for novel antibiotics has been emphasised repeatedly as the evolution of antibiotic resistance continues. AntibioTx is committed to developing and marketing a portfolio of innovative antibiotics capable of addressing highly resistant infections and unmet medical needs.

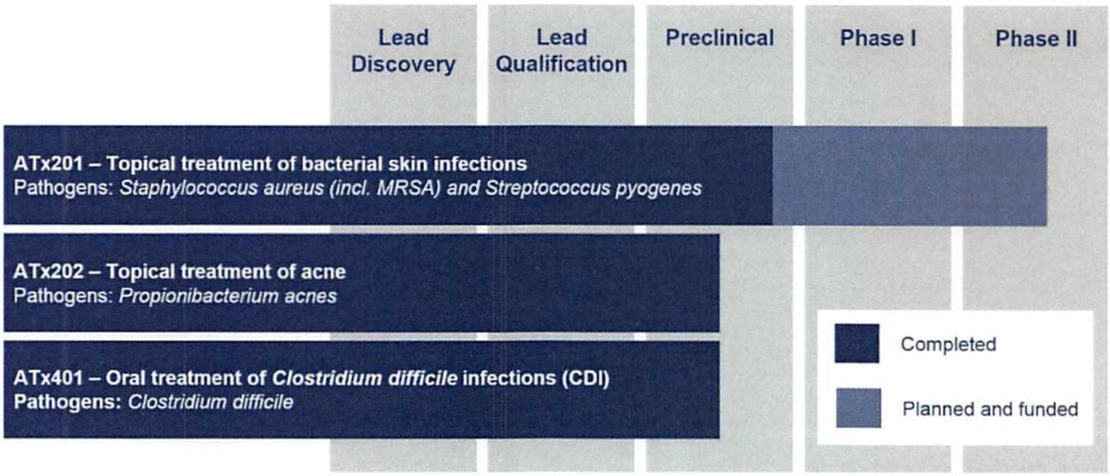
The AntibioTx class is differentiated from current antibiotics in several ways:

- The class effectively overcomes current resistance problems such as methicillin and vancomycin resistance
- The class is based on a simple chemical scaffold that can be synthesized to target multiple indications
- The class exhibits extraordinarily strong ability to delay the onset of de novo resistance
- The class benefits from low risk due to decades of safe use for other types of diseases.

Products and pipeline

AntibioTx has identified, characterised and patent protected a new class of antibiotics. The class of antibiotics has broad applicability against pathogens and infections. Additionally, it is significantly de-risked due to decades of safe use for non-related purposes. AntibioTx has outlined a broader pipeline, but is currently focused on three lead candidates: ATx201, ATx202 and ATx401.

The Company's current pipeline is illustrated below:



Management's review

Management structure

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 at Booz Allen Hamilton and investment banking at Goldman Sachs and Gudme Raaschou.

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 a degree in finance and business administration from Copenhagen Business School and New York University and an executive degree in entrepreneurial leadership from Harvard Business School.

Morten Otto Alexander Sommer, Chief Scientific Officer

Morten is the founder of four biotech companies, including Microlytic founded in 2006, and he serves 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.

Financial review

The income statement for 2015 shows a loss of USD 223,943 against a profit of USD 102,905 last year, and the statement of financial position at 31 December 2015 shows equity of USD -70,637.

At 31 December 2015, the Company had a cash position of approximately USD 157,945; however, the spending for 2016 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 2016 of which USD 569,323 was paid to the Company prior to 30 May 2016. USD 257,561 is to be paid on account during the remainder of 2016 as research and development is carried out under grant programs. Furthermore, the Company is in the late stage consideration for a USD 4 million fully financed grant through Horizon 2020.

Management expects cash in bank and grants received on account during 2016 to be sufficient to cover liabilities as they mature covering a period until 31 December 2016.

If contrary, cash in bank and grants received on account during 2016 are not sufficient to cover liabilities as they mature, the activities of the Company may be immediately downsized to allow operations to be continued until 31 December 2016.

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

Moreover, the Company's capital is expected to be re-established through ordinary activity and capital increase over a number of years. Reference is made to statement of changes in equity.

Management's review

Changes in accounting policies

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.

The financial statements for the year ended 31 December 2015 are the first prepared by the Company in accordance with IFRS. For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with the Danish Financial Statements Act (Danish GAAP). A detailed description of the impact of the Company's adoption of IFRS is provided in note 19.

Post balance sheet events

The Company has been awarded a number of grants for payment in 2016 of which USD 569,323 was paid to the Company prior to 30 May 2016. USD 257,561 is to be paid on account during the remainder of 2016 as research and development is carried out under grant programs. Furthermore, the Company is in the late stage consideration for a USD 4 million fully financed grant through Horizon 2020.

Please refer to the above regarding financial review and to disclosure no. 3.

Financial statements for the period 1 January - 31 December

Statement of comprehensive income

Note	USD	2015	2014
4	Revenue	690,674	723,313
5,6,10	Research and development costs	-845,155	-487,140
	Gross profit/loss	-154,481	236,173
5,6,10	Administrative expenses	-134,332	-71,799
	Operating profit/loss	-288,813	164,374
7	Financial income	3,024	836
8	Financial expenses	-4,147	-8
	Profit/loss before tax	-289,936	165,202
9	Tax on profit/loss for the year	65,993	-62,297
	Profit/loss for the year	-223,943	102,905
	Other comprehensive income	-8,157	-17,218
	Total comprehensive income for the year	-232,210	85,687

Financial statements for the period 1 January - 31 December

Statement of financial position

Note	USD	31 December 2015	31 December 2014	1 January 2014
	ASSETS			
	Non-current assets			
10	**Tangible assets**			
	Other fixtures and fittings, tools and equipment	1,881	3,133	1,146
	Total tangible assets	1,881	3,133	1,146
	Other non-current assets			
	Rent deposit	7,229	6,535	0
	Total other non-current assets	7,229	6,535	0
	Total non-current assets	9,110	9,668	1,146
	Current assets			
11	**Receivables**			
	Trade receivables	26,271	0	0
9	Tax receivables	1,083	26,049	13,404
	Other receivables	42,001	314,272	0
	Prepayments	9,091	0	161,945
		78,446	340,321	175,349
12	**Cash in bank**	157,945	155,462	153,626
	Total current assets	236,391	495,783	328,975
	TOTAL ASSETS	245,501	505,451	330,121

Financial statements for the period 1 January - 31 December

Statement of financial position

Note	USD	31 December 2015	31 December 2014	1 January 2014
	EQUITY AND LIABILITIES			
13	**Equity**			
	Share capital	14,780	14,780	14,780
	Retained earnings	-60,042	163,901	60,996
14	Exchange differences	-25,375	-17,218	0
	Total equity	-70,637	161,463	75,776
	Non-current liabilities			
9	Deferred tax	63	71,381	0
	Total non-current liabilities	63	71,381	0
	Current liabilities			
	Trade payables	111,500	3,199	14,601
15	Payables to group entities	0	0	2,209
15	Payables to Management	0	462	445
	Other payables	50,841	23,904	52,339
	Deferred income	153,734	245,042	184,751
	Total current liabilities	316,075	272,607	254,345
	Total liabilities	316,138	343,988	254,345
	TOTAL EQUITY AND LIABILITIES	245,501	505,451	330,121

Financial statements for the period 1 January – 31 December

Statement of changes in equity

USD	Share capital	Retained earnings	Exchange differences	Total
Equity at 1 January 2014	14,780	60,996	-	75,776
Comprehensive income				
Profit for the year	-	102,905	-	102,905
Other comprehensive income				
Exchange differences arising from translation from functional currency to presentation currency	-	-	-17,218	-17,218
Total comprehensive income	14,780	163,901	-17,218	161,463
Equity at 31 December 2014	14,780	163,901	-17,218	161,463
Equity at 1 January 2015	14,780	163,901	-17,218	161,463
Comprehensive income				
Loss for the year	-	-223,943	-	-223,943
Other comprehensive income				
Exchange differences arising from translation from functional currency to presentation currency	-	-	-8,157	-8,157
Total comprehensive income	14,780	-60,042	-25,375	-70,637
Equity at 31 December 2015	14,780	-60,042	-25,375	-70,637

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 expect to re-established share capital through ordinary activity and capital increase over a number of years.

Financial statements for the period 1 January – 31 December

Statement of cash flows

Note	USD	2015	2014
	Profit/loss before tax	-289,936	165,202
	Adjustment to reconciled profit before tax to net cash flows:		
5	Depreciation of other fixtures and fittings, tools and equipment	941	38
	Financial income	-3,024	-836
	Financial expenses	4,147	8
	Working capital adjustments		
	Decrease/increase in trade and other receivables and prepayments	236,909	-152,327
	Decrease/increase in trade and other payables and payables to group enterprises and Management	134,776	-42,029
	Decrease/increase in deferred income	-91,308	60,291
7	Interest received	88	836
8	Interest paid	-50	-1
9	Income tax received	26,049	0
	Cash flows from operating activities	18,592	31,182
	Payment of rent deposits	-694	-6.535
10	Purchase of other fixtures and fittings, tools and equipment	0	-2,025
	Cash flows from investing activities	-694	-8,560
	Cash flows from financing activities	0	0
	Net cash flows from operating, investing and financing activities	17,898	22,622
12	Cash in bank at 1 January	155,462	153,626
	Exchange gains/losses on cash in bank	-15,415	-20,786
12	**Cash in bank at 31 December**	157,945	155,462

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 ApS for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 10 June 2016. AntibioTx ApS is a limited liability company incorporated and domiciled in Denmark and whose shares are privately held. The registered office is located Kogle Alle 5, 2970 Hørsholm, Denmark.

Basis of preparations

The financial statements of AntibioTx ApS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU at 31 December 2015 and additional Danish disclosure requirements for reporting class B enterprises. All approved, mandatory standards and bases for conclusion effective at 31 December 2015 have been applied in the financial year.

Changes in accounting policies - First-time adoption of IFRS

The Company has changed accounting policies from financial statements prepared in accordance with the Danish Financial Statements Act to financial statements 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.

The financial statements for the year ended 31 December 2015 are the first the Company has prepared in accordance with IFRS. Accordingly, the financial statements were prepared in accordance with IFRS 1, regarding first time adoption. For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with the Danish Financial Statements Act (Danish GAAP). A description of the impact of the Company's adoption of IFRS is provided in note 19.

New and amended standards and interpretations

For the first time, the Company applied certain standards and amendments which are effective for annual periods beginning on or after 1 January 2015. Besides the additional disclosure requirements following the first time adoption of IFRS, none of the standards and amendments had a significant effect on the financial statements.

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 income statement 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.

The Company's research and development activities primarily relates to the development of ATx201, ATx202 and ATx401.

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 income statements 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 income statement, 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, there have been no provisions 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 2015 and 2014 for any of our collaborations.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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:

Financial statements for the period 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
- There must be availability of adequate technical, financial and other resources 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 845,155 thousand in 2015, compared to USD 487,139 thousand in 2014.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Assessment as to going concern. Reference is made to note 3.

3 Going concern

The income statement for 2015 shows a loss of USD 223,943 against a profit of USD 102,905 last year, and the statement of financial position at 31 December 2015 shows equity of USD -70,637.

At 31 December 2015, the Company had a cash position of approximately USD 157,945; however, the spending for 2016 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 2016 of which USD 569,323 was paid to the Company prior to 30 May 2016. USD 257,561 is to be paid on account during the remainder of 2016 as research and development is carried out under grant programs. Furthermore, the Company is in the late stage consideration for a USD 4 million fully financed grant through Horizon 2020.

Management expects cash in bank and grants received on account during 2016 to be sufficient to cover liabilities as they mature covering a period until 31 December 2016.

If contrary, cash in bank and grants received on account during 2016 are not sufficient to cover liabilities as they mature, the activities of the Company may be immediately downsized to allow operations to be continued until 31 December 2016.

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	2015	2014
4	**Revenue**		
	Included in revenue:		
	Revenue arising from rendering of contract research services	152,202	38,835
	Income from grants	538,472	684,478
		690,674	723,313
5	**Depreciation and amortisation**		
	Included in research and development costs:		
	Depreciation on tangible assets	941	38
		941	38
6	**Staff costs**		
	Included in research and development costs:		
	Wages and salaries	386,660	355,373
	Social security costs	491	1,222
	Pension costs	11,195	11,264
	Included in administrative expenses:		
	Wages and salaries	12,479	11,141
	Social security costs	15	38
	Pension costs	350	353
		411,190	379,391

Remuneration to the Executive Board (key management personnel) totalling USD 142,711 was expensed during 2015 (2014: USD 136,678). No remuneration was paid to the Board of Directors.

		2015	2014
7	**Financial income**		
	Interest income	88	836
	Foreign currency adjustments	2,936	0
		3,024	836
8	**Financial expenses**		
	Interest expense	40	0
	Foreign currency adjustments	4,097	7
	Other	10	1
		4,147	8

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 **Income tax**

The major components of income tax expense regarding continued operations for the years ended 31 December 2015 and 2014 are:

USD	2015	2014
Statement of comprehensive income		
Current income tax charge	1,100	2,290
Relating to origination and reversal of temporary differences	64,893	-71,318
Adjustments regarding current tax previous years	0	6,731
	65,993	-62,297
Statement of other comprehensive income		
Deferred tax charges to other comprehensive income during the year:		
Currency adjustment due to presentation in USD	6,362	0
Deferred tax charged to other comprehensive income	6,362	0
Deferred tax		
1 January	71,318	0
Adjustment of deferred tax	-64,893	71,318
Currency adjustment on deferred tax	-6,362	0
Deferred tax at 31 December	63	71,318
Deferred tax comprise temporary differences related to:		
Other fixtures and fittings, tools and equipment	63	178
Grants	0	71,140
Deferred tax at 31 December	63	71,318

Reconciliation of tax expense and the accounting profit multiplied by the Danish domestic tax rate for 2015 and 2014:

	2015	2014
Accounting profit before tax	-289,936	165,202
	-289,936	165,202
At the Danish statutory income tax rate of 23,5% (2014: 24,5%)	-68,134	40,475
Adjustments in respect of current income tax of previous years	0	6,731
Foreign exchange adjustment	-596	0
Tax effect of:		
Other non-deductible costs	3,838	545
Tax credit, research and development costs	-1,100	-2,290
Change in non-recognized deferred tax asset	0	16,836
	-65,993	62,297
Income tax expense (income) reported in the statement of comprehensive income	-65,993	62,297
	-65,993	62,297

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 2014	1,146
Additions	2,025
At 31 December 2014	3,171
Additions	0
Currency adjustments	-332
At 31 December 2015	2,839
Depreciation and impairment	
At 1 January 2014	0
Depreciation charge for the year	38
At 31 December 2014	38
Depreciation charge for the year	941
Currency adjustments	-21
At 31 December 2015	958
Net book value	
At 31 December 2015	1,881
At 31 December 2014	3,133

USD	2015	2014
11 **Receivables**		
Trade receivables	26,271	0
Tax receivables	1,083	26,049
Other receivables	42,001	314,272
Prepayments	9,091	0
	78,446	340,321

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. At 31 December 2015, 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	2015	2014
12 Cash and cash equivalent at year end		
Cash in bank	157,945	155,462
	157,945	155,462

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. Reference is made to note 3.

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 2015 and 2014.

Share capital

80,000 shares of USD 0.15 each has been issued and paid in full. There are only one class of share and no shares have any special rights.

No increase of share capital has taken place since the Company was founded.

14 Reserves on equity

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	2015	8,088	10,066	18,056
	2014	0	0	0
Key management personnel:				
Director receivables and payables	2015	0	81	0
	2014	0	0	462

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 2015 and 2014.

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

The Board of Directors is remunerated by the Company. 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. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2015 and 31 December 2014, 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 4 months and future minimum rental payments at 31 December amount to USD 7 thousand (2014: USD 6 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. Reference is made to note 3 Uncertainty as to going concern.

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
2015					
Receivables					
Trade receivables	26,271	-	-	26,271	26,271
Tax receivables	1,083	-	-	1,083	1,083
Other receivables	42,001	-	-	42,001	42,001
Prepayments	9,091	-	-	9,091	9,091
	78,446	-	-	78,446	78,446
Obligations					
Trade payables	111,500	-	-	111,500	111,500
Payables to Management	0	-	-	0	0
Other payables	50,841	-	-	50,841	50,841
	162,341	-	-	162,341	162,341
2014					
Receivables					
Trade receivables	0	-	-	0	0
Tax receivables	26,049	-	-	26,049	26,049
Other receivables	314,272	-	-	314,272	314,272
Prepayments	0	-	-	0	0
Receivables	340,321	-	-	340,321	340,321
Obligations					
Trade payables	3,199	-	-	3,199	3,199
Payables to Management	462	-	-	462	462
Other payables	23,904	-	-	23,904	23,904
Obligations	27,565	-	-	27,565	27,565

All receivables and obligations are measured at amortised cost.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

17 Financial risks (continued)

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 2015 and 2014, 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 2016 to 30 May 2016, the Company received grants totalling USD 826,884 from Innovation Fund Denmark. Please refer to the above regarding financial review and note 3.

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 First-time adoption of IFRS

These separate financial statements for the years ended 31 December 2015 and 2014 are the first financial statements that the Company has prepared in accordance with IFRS as adopted in EU. The opening statement of financial position was prepared at 1 January 2014 (the date of transition to IFRS). For periods up to and including the year ended 31 December 2014, the Company prepared its separate financial statements in accordance with Danish generally accepted accounting principle (Danish GAAP).

The adoption of IFRS has not resulted in any material changes and has not had any impact on recognition and measurement of assets and liabilities.

A statement of other comprehensive income was not presented under local GAAP.

Estimates

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2014 (the date of transition to IFRS), at the transaction dates, and at 31 December 2015 and 31 December 2014.

The estimates at 1 January 2014 and at 31 December 2014 are consistent with those made for the same dates in accordance with Danish GAAP.

Reclassifications

The following reclassifications have been made:

- Assets and liabilities are presented as long-term or short-term assets instead of fixed and current assets
- Deferred tax is presented as long-term asset or liability instead of short-term asset or liability
- The presentation of statement of comprehensive income has been changed from by nature to by function.
- Additional disclosure requirements have been added.

20 New International Financial Reporting Standards and IFRIC Interpretations

The IASB has issued a number of standards and interpretations that are not mandatory for AntibioTx ApS at the time of the publication of the Company's annual report for 2015.

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