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Realm Therapeutics plc

("Realm Therapeutics", "Realm" or the "Company" and together with its subsidiaries, the "Group")

Realm Therapeutics Reports Top-line Data from Phase 2 Trial of PR022 in Atopic Dermatitis and First Half 2018 Financial Results

Company Hosting Conference Call Today at 9:00 AM ET / 2:00 PM BST

MALVERN, PA, 14 August, 2018 - Realm Therapeutics plc (NASDAQ:RLM / AIM:RLM), a clinical stage biopharmaceutical company focused on developing novel therapeutics in immune-mediated diseases, today reports preliminary top-line data from its Phase 2 trial of PR022 in Atopic Dermatitis, as well as financial results for the six months ended 30 June, 2018.

In a randomized, double-blind, vehicle controlled, Phase 2 clinical trial of 122 patients, PR022 showed no difference from vehicle in the primary endpoint of percent change in Eczema Area Severity Index (EASI) versus baseline.

"PR022 did not show the desired effect in this trial," said Alex Martin, CEO of Realm Therapeutics. "Having just received the data, we are working to better understand this outcome and to analyze all of the data collected in the study. We are conducting a full review to determine whether there is a path forward for our proprietary technology in Atopic Dermatitis, and to evaluate the implications for our Acne and Psoriasis programs. We will provide an update on our plans in September. I would like to thank the patients and investigators who participated in this trial."

CORPORATE AND FINANCIAL HIGHLIGHTS

- Cash, cash equivalents and short-term investments were $23.7 million as at 30 June 2018 (as at 31 December 2017: $33.9m).
- Investments in Research & Development (R&D) increased to $7.4 million (H1 2017: $3.0m) driven by additional investment in clinical development activities
- General and Administrative (G&A) expenses increased to $3.5 million (H1 2017: $1.6m) primarily due to Nasdaq listing costs.
- In July 2018, listed American Depositary Shares ("ADSs") representing the Company's ordinary shares on the Nasdaq Capital Market to facilitate the creation of a trading market in the US for the Company's securities and in satisfaction of obligations under a registration rights agreement entered into with investors who participated in the Company's October 2017 private placement.
- The US Patent and Trademark Office issued two new patents to Realm that expand the intellectual property portfolio around the Company's proprietary immunomodulatory technology in the treatment of inflammatory and autoimmune disorders.

Conference Call

The Company will host a conference call and audio webcast today at 9:00 a.m. ET / 2:00 p.m. BST to discuss the Atopic Dermatitis Phase 2 trial results and the financial results. To access the conference call, please use the dial in details below:

US Toll-Free: +1 855-857-0686
US Toll: +1 631-913-1422

UK Toll-Free: 08003589473
UK Toll: +44 3333000804

Conference call pin code: 51680194#

Please dial in at least 10 minutes prior to the start time. A live and archived webcast of the call will be available on the Events and Presentations page of the Company's website, www.realmtx.com.

About the Company's Pipeline Candidates

PR022 is a proprietary, non-alcohol based, topical gel formulation of high concentration hypochlorous acid (HOCl).

In pre-clinical models of Atopic Dermatitis, the Company has demonstrated that PR022 is associated with down modulation of key cytokines IL-4, IL-13 and TARC, as well as cytokines associated with itch, including IL-31 and TSLP. Importantly, these results occurred without the same immunosuppressive or other side effects associated with steroids, the current standard of care, suggesting a potential clinical advantage for PR022. However, the recently completed Phase 2 clinical trial of PR022 in patients with Atopic Dermatitis showed no difference from placebo in the primary endpoint of percent change in Eczema Area Severity Index (EASI) versus baseline.

Realm is also evaluating PR022 for Psoriasis. Pre-clinical studies have shown that HOCl can down modulate key cytokines TNF-α, IL-1 β, IL-6, IL-12, and IL-23 which have been reported at elevated levels in patients with Psoriasis and are correlated to disease severity

RLM023 is a topical formulation of HOCl that is being optimized for Acne Vulgaris. In pre-clinical studies, HOCl demonstrated a reduction in the expression of pro-inflammatory cytokines such as TNF-α, IL 1β, Il-8 and IL-12, which have been reported to be key cytokines associated with Acne pathogenesis.

In light of the preliminary top-line data of the Phase 2 clinical trial with PR022 in AD, the Company is conducting a full review of the results to determine whether there is a path forward for Realm's proprietary technology in Atopic Dermatitis, and to evaluate the implications for the Company's Acne and Psoriasis programs.

About Realm Therapeutics

Realm Therapeutics is a clinical-stage biopharmaceutical company developing novel therapeutics that target the interplay between innate and adaptive immunity. The Company's programs seek to influence immune signalling and change the course of immune-mediated diseases in adults and children. Realm's lead drug development program utilizes the Company's proprietary immunomodulatory technology for the treatment of Atopic Dermatitis, and the Company is exploring its efficacy in other dermatology indications which include

Acne Vulgaris and Psoriasis, as well as other therapeutic areas. For more information on Realm Therapeutics please visit www.realmtx.com.

The person who arranged for the release of this announcement on behalf of the Company was Marella Thorell, Chief Financial Officer and Chief Operating Officer.

Forward Looking Statements

Certain statements made in this announcement are forward-looking statements, including with respect to the Company's clinical trials, results of clinical trials, pipeline of candidates and product candidate development plans including trial results, next steps in clinical development, regulatory strategy, costs and timelines. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from our expectations expressed or implied by the forward-looking statements, including, but not limited to, the following: our history of operating losses; the recently announced results of the Phase 2 trial of PR022 in Atopic Dermatitis and the uncertainty around future plans for PR022 or any other product candidates; the impact of the PR022 Phase 2 results on our development plans for other potential product candidates or indications; uncertainty around our need for additional funding to advance development and commercialization of any current or future product candidates, which may not be available and which may force us to delay, reduce or eliminate our development or commercialization efforts; the reliance of our business on PR022 in Atopic Dermatitis; economic, regulatory and other risks; the lengthy and expensive process of drug development, which has an uncertain outcome; undesirable or unacceptable side effects associated with any of our pipeline candidate; the uncertainty of our ability to develop or acquire products not based on our active pharmaceutical ingredient (API) hypochlorous acid (HOCl) or outside of dermatology leading to a high concentration of risk in limited areas; certain risks associated with HOCl including its inherent instability and the fact that there are other companies which make HOCl-based products; the loss of any key personnel from our relatively small team; potential material differences between our reported top-line data and final data; our reliance on third parties, including clinical research organizations, investigators, manufacturers and other suppliers; and lawsuits related to patents covering HOCl, PR022 and our pipeline candidates and the potential for our patents to be found invalid or unenforceable. In addition, following the listing of ADSs representing our ordinary shares on Nasdaq, the Company is listed on two stock exchanges which results in higher operating costs and varied regulatory obligations both of which are impacted by the Company's status as a Foreign Private Issuer and Emerging Growth Company which could change over time; and the uncertainty with respect to an active market being established for the ADSs. These risks and uncertainties and other important factors are referred to in an exhibit to our Form 6-K filed with the Securities and Exchange Commission (SEC) on August 14, 2018, and our other reports filed with the SEC, could cause actual results to differ materially from those indicated by the forward-looking statements made in this press release. Any such forward-looking statements represent management's estimates as of the date of this press release. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change, except as required by law or by any appropriate regulatory authority. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release.

RNS-RLM

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Business Review and Outlook

Realm Therapeutics is a clinical-stage biopharmaceutical company developing novel therapeutics that target the interplay between innate and adaptive immunity. The Company's programs seek to influence immune signalling and change the course of immune-mediated diseases in adults and children. Realm's lead drug development program utilizes the Company's proprietary immunomodulatory technology for the treatment of Atopic Dermatitis and the Company is exploring its efficacy in other dermatology indications which include Acne Vulgaris and Psoriasis, as well as other therapeutic areas.

The Company today announced top-line results from a Phase 2 study evaluating PR022 in patients with Atopic Dermatitis. This trial began in December 2017 and enrollment was completed in May 2018. Preliminary top-line results from the study demonstrate that PR022 showed no difference from vehicle in the primary endpoint of percent change in Eczema Area Severity Index (EASI) versus baseline. The Company is conducting a complete analysis of the results of this study in order to determine whether there is a path forward for Realm’s proprietary technology in Atopic Dermatitis, and to evaluate the implications for its other programs including PR022 in Psoriasis and RLM023 for Acne. Realm intends to provide an update on its plans in September 2018.

While the initial clinical development focus has been on Dermatology, the Company is also exploring other potential applications, in immune-mediated diseases generally. While the other indications are in the early stage of evaluation, Realm believes that the anti-inflammatory and immunomodulatory properties of its formulations demonstrated in pre-clinical studies to date provide scientific rationale for continuing to explore other indications and, subject to the full analysis of the PR022 results, intends to further evaluate the potential applications through pre-clinical models and other research. In addition, the Company is actively exploring opportunities to in-license new assets with potential in immune-mediated diseases to complement its portfolio.

Realm was pleased to announce in July 2018 that the SEC declared effective registration statements with respect to the listing of American Depositary Shares (ADSs), representing the Company’s ordinary shares, Nasdaq approved the ADSs for listing, and ADSs were listed for trading. The registration statements were filed to facilitate the creation of a trading market in the US for ADSs representing the Company's ordinary shares and in satisfaction of Realm's obligations under a registration rights agreement entered into with investors who participated in the Company's October 2017 private placement. The Company did not register any new issuance of securities in connection with the listing. The Company's ordinary shares continue to be admitted to trading on AIM.

Financial Review

Cash

As at 30 June 2018, cash, cash equivalents and short-term investments were $23.7 million (31 December 2017: $33.9m) and the Company had no debt (31 December 2017: $nil).

Total cash and short-term investments used by the Group during the six months ended 30 June 2018 was $10.2 million, primarily driven by investments in R&D, Nasdaq listing costs and general operations. During H1 2018, R&D spend was focused on clinical study costs related to PR022 and PR013 (a formulation studied in Allergic Conjunctivitis which is no longer an active program) and studies to support the Company's Acne Vulgaris program. During H1 2017, Realm used a total of $5.9 million of cash, primarily driven by investments in R&D, the pay-down of $1.1 million in liabilities related to the October 2016 sale of the Supermarket business, and general operations.

Revenue

The Group adopted IFRS 15, *Revenue from Contracts with Customers*, effective 1 January 2018. The adoption of the new standard arises from the fixed guaranteed future minimum royalty payments from the out-licensing of the Group's Wound Care business. Under the new standard, future minimum payments were recognized at a point in time, rather than over future periods. The impact was a decrease of $2.5 million in accumulated deficit as at 1 January 2018 and a corresponding increase in royalty receivable. Accordingly, no royalty revenue was recognized during the period ended 30 June 2018 (H1 2017: $0.6m).

Profit/Loss

Operating expenses increased to $10.9 million (H1 2017: $4.6m) driven primarily by increased R&D investments in Realm's clinical development programs and the cost of the Company's Nasdaq listing. As a result of this increase and the absence of royalty revenue being recognized in the P&L, the EBITDA* loss for H1 2018 was $10.6 million (H1 2017 loss: $3.8m).

** Earnings before interest, tax, depreciation, and share based payment expense.*

FINANCIAL STATEMENTS

Continuing operations comprise the Group's drug development activities, out-licensed Wound Care business and costs associated with operating Realm Therapeutics plc.

Consolidated Statement of Comprehensive Income

For the six-month periods ended 30 June 2018 and 2017 and the 12-month period ended 31 December 2017

	For the six months ended		For the year ended
	30 June 2018	**30 June 2017**	**31 December 2017**
	Unaudited	Unaudited	Audited
	$	**$**	**$**
CONTINUING OPERATIONS			
Revenues [(1)]	**-**	618,921	1,120,840
Cost of sales	**-**	-	-
Gross Profit	**-**	618,921	1,120,840
Research and development expenses	**(7,375,968)**	(2,967,806)	(8,189,196)
General and administrative expenses	**(3,518,262)**	(1,602,435)	(3,622,796)
Total operating expenses	**(10,894,230)**	(4,570,241)	(11,811,992)
Loss before Interest and Tax	**(10,894,230)**	(3,951,320)	(10,691,152)
Finance income	**247,999**	18,466	58,082
Total Finance income	**247,999**	18,466	58,082
Net Loss before Taxation	**(10,646,231)**	(3,932,854)	(10,633,070)
Taxation benefit	**-**	-	107,687
Net Loss	**(10,646,231)**	(3,932,854)	(10,525,383)
Loss Attributable to Equity Holders of the Parent	**(10,646,231)**	(3,932,854)	(10,525,383)
Items that Are or May Be Reclassified to Profit and Loss:			
Unrealized (loss) / gain on investments	**(12,489)**	-	13,748
Foreign currency translation differences for foreign operations	**(3,275)**	9,354	(21,899)
Total Comprehensive Loss Attributable to Equity Holders of the Parent	**(10,661,995)**	(3,923,508)	(10,533,534)
Net Loss per Share, Basic and Diluted	**(0.09)**	(0.08)	(0.16)

[(1)] See Significant Accounting Policies - Adoption of IFRS 15: *Revenue from Contracts with Customers* (new accounting standard) below.

Consolidated Statement of Financial Position
As at 30 June 2018 and 2017 and 31 December 2017

	As At		
	30 June 2018 Unaudited **$**	**30 June 2017** Unaudited $	**31 December 2017** Audited **$**
ASSETS			
Non-Current Assets			
Property, plant, and equipment	**252,317**	205,106	245,550
Non-current royalty receivable [(1)]	**1,570,032**	-	-
Non-current other assets	**280,000**	325,917	320,000
Total Non-Current Assets	**2,102,349**	531,023	565,550
Current Assets			
Prepaid expenses and other current assets	**203,454**	118,576	244,507
Royalty receivable [(1)]	**757,366**	440,933	443,569
Short-term investments: available for sale	**7,433,342**	-	24,345,346
Cash and cash equivalents	**16,235,931**	15,563,124	9,507,804
Total Current Assets	**24,630,093**	16,122,633	34,541,226
Total Assets	**26,732,442**	16,653,656	35,106,776
LIABILITIES			
Current Liabilities			
Trade payables and other accruals	**(2,451,472)**	(1,388,150)	(2,910,938)
Total Liabilities	**(2,451,472)**	(1,388,150)	(2,910,938)
Net Assets	**24,280,970**	15,265,506	32,195,838
EQUITY			
Share capital	**17,263,076**	8,519,391	17,263,076
Share premium	**95,275,483**	81,417,557	95,275,483
Other reserves	**104,390,664**	103,348,176	104,103,809
Retained earnings	**(192,621,225)**	(178,025,850)	(184,435,266)
Accumulated other comprehensive (loss) / income	**(27,028)**	6,232	(11,264)
Issued Capital and Reserves Attributable to Equity Holders of the Parent	**24,280,970**	15,265,506	32,195,838
Total Equity	**24,280,970**	15,265,506	32,195,838

[(1)] See Significant Accounting Policies - Adoption of IFRS 15: *Revenue from Contracts with Customers* (new accounting standard) below.

Consolidated Cash Flow Statement

For the six-month periods ended 30 June 2018 and 2017 and the 12-month period ended 31 December 2017

	For the six months ended		For the year ended
	30 June 2018	**30 June 2017**	**31 December 2017**
	Unaudited	Unaudited	Audited
	$	$	**$**
Cash Flows from Operating Activities			
Net Loss for period	**(10,646,231)**	(3,932,854)	(10,525,383)
Adjustments for non-cash:			
Share-based payment expense	**286,855**	140,901	455,470
Depreciation and amortisation	**39,333**	39,456	85,787
Finance income	**(247,999)**	(18,466)	(58,082)
Write off of property, plant and equipment	**-**	2,674	10,380
Taxation benefit	**-**	-	(107,687)
Operating Loss before Movement in Working Capital	**(10,568,042)**	(3,768,289)	(10,139,515)
Decrease / (Increase) in royalty receivable	**576,444**	(174,627)	(177,264)
Decrease / (Increase) in prepaid expenses, other current assets and other assets	**81,052**	(32,569)	(152,557)
(Decrease) / Increase in trade payables and other accruals	**(459,466)**	(690,959)	912,904
Decrease in taxes payable	-	(26,612)	-
Cash Used in Operations	**(10,370,012)**	(4,693,056)	(9,556,432)
Finance income	**247,999**	18,466	58,082
Net Cash Flow from Operating Activities	**(10,122,013)**	(4,674,590)	(9,498,350)
Cash Flows from Investing Activities			
Purchases of short-term investments	**(10,931,834)**	-	(29,331,620)
Proceeds from sale of short-term investments	**27,831,349**	-	5,000,000
Purchases of property, plant, and equipment	**(46,100)**	(108,348)	(207,682)
Proceeds from sale of plant, property and equipment	**-**	-	4,850
Payment of Supermarket Retail disposal costs	**-**	(1,093,154)	(1,093,154)
Net Cash Flow from Investing Activities	**16,853,415**	(1,201,502)	(25,627,606)
Cash Flows from Financing Activities			
Proceeds from sale of placing units, net of costs paid	**-**	-	23,225,788
Net Cash Flows from Financing Activities	**-**	-	23,225,788
Net Increase / (Decrease) in Cash and Cash Equivalents	**6,731,402**	(5,876,092)	(11,900,168)
Cash and Cash Equivalents at Beginning of Period	**9,507,804**	21,429,871	21,429,871
Effect of Foreign Exchange Rate Changes on Cash Held	**(3,275)**	9,345	(21,899)
Total Cash and Cash Equivalents Held at End of Period	**16,235,931**	15,563,124	9,507,804
Total Short-term Investments Available for Sale at End of Period	**7,433,342**	-	24,345,346
Total Cash, Cash Equivalents and Short-term Investments	**23,669,723**	15,563,124	33,853,150

Consolidated Statement of Changes in Equity

For the six-month periods ended 30 June 2018 and 2017 and the 12-month period ended 31 December 2017

	Share capital $	Share premium $	Other reserves $	Retained earnings $	Other Comprehensive Income / (Loss) $	Total $
As at 1 January 2018	17,263,076	95,275,483	104,103,809	(184,435,266)	(11,264)	32,195,838
Adoption of IFRS 15 [(1)]	-	-	-	2,460,272	-	2,460,272
Loss for the period	-	-	-	(10,646,231)	-	(10,646,231)
Unrealized loss on investments	-	-	-	-	(12,489)	(12,489)
Other comprehensive loss	-	-	-	-	(3,275)	(3,275)
Total comprehensive loss	-	-	-	(8,185,959)	(15,764)	(8,201,723)
Share-based payment	-	-	286,855	-	-	286,855
Transactions with owners	-	-	286,855	-	-	286,855
As at 30 June 2018	**17,263,076**	**95,275,483**	**104,390,664**	**(192,621,225)**	**(27,028)**	**24,280,970**
As at 1 January 2017	8,519,391	81,417,557	103,207,275	(174,092,996)	(3,113)	19,048,114
Loss for the period	-	-	-	(3,932,854)	-	(3,932,854)
Other comprehensive income	-	-	-	-	9,345	9,345
Total comprehensive loss	-	-	-	(3,932,854)	9,345	(3,923,509)
Share-based payment movement	-	-	140,901	-	-	140,901
Transactions with owners	-	-	140,901	-	-	140,901
As at 30 June 2017	**8,519,391**	**81,417,557**	**103,348,176**	**(178,025,850)**	**6,232**	**15,265,506**
As at 1 January 2017	8,519,391	81,417,557	103,207,275	(174,092,996)	(3,113)	19,048,114
Loss for the year	-	-	-	(10,525,383)	-	(10,525,383)
Unrealized gain on investments	-	-	-	-	13,748	13,748
Other comprehensive loss	-	-	-	-	(21,899)	(21,899)
Total comprehensive loss	-	-	-	(10,525,383)	(8,151)	(10,533,534)
New share and warrant capital issued	8,743,685	13,857,926	624,177	-	-	23,225,788
Reclassification following lapse of share options	-	-	(183,113)	183,113	-	-
Share-based payment movement	-	-	455,470	-	-	455,470
Transactions with owners	8,743,685	13,857,926	896,534	183,113	-	23,681,258
As at 31 December 2017	**17,263,076**	**95,275,483**	**104,103,809**	**(184,435,266)**	**(11,264)**	**32,195,838**

[(1)] See Significant Accounting Policies - Adoption of IFRS 15: *Revenue from Contracts with Customers* (new accounting standard) below.

General Information and Basis of Preparation

Realm Therapeutics plc, a company incorporated under the laws of England and Wales and domiciled in the United Kingdom, is a clinical-stage biopharmaceutical company focused on developing novel therapeutics for immune-mediated diseases in adults and children. The consolidated interim financial statements of the Company as at and for the six months ended 30 June 2018 and 2017 and the consolidated financial statements as at 31 December 2017 and for the 12 months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*" (IAS34). The financial statements do not include all of the information required in annual financial statements in accordance with IFRSs and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017.

The reporting currency of the Group is the U.S. Dollar (USD) given the majority of the Group's operations are located in the U.S. and transactions are denominated in USD. The financial statements are presented in USD rounded to the nearest dollar.

The consolidated interim financial statements have been approved by the Board of Directors for issuance on 14 August 2018.

The interim financial statements for the periods ended 30 June 2018 and 2017 are unaudited and do not comprise statutory accounts within the meaning of Sections 434 and 435 of the Companies Act of 2006.

The comparative figures for the financial year ended 31 December 2017 are not the Company's statutory accounts for the financial year. The statutory accounts for the year-ended 31 December 2017, which were prepared under International Financial Reporting Standards adopted by the EU ("Adopted IFRS"), have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

Certain prior year amounts have been reclassified for consistency with the current period presentation.

Significant Accounting Policies

The accounting policies set out in the annual report and accounts for the year ended 31 December 2017 have been applied consistently throughout the Group for the purpose of these consolidated interim financial statements. The following additional significant accounting policies apply to the Group.

Revenue Recognition

Adoption of IFRS 15: *Revenue from Contracts with Customers* (new accounting standard)

Effective 1 January 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), using the modified retrospective method with the impact of the adoption reflected in opening accumulated deficit. The impact of the standard relates to the Group's agreement related to its Wound Care product and the recognition of the future minimum guaranteed royalty payments. Under IFRS 15, minimum royalty payments are included in the transaction price as variable consideration, subject to a constraint. Therefore, the future minimum payments are recognized at the time of adoption of IFRS 15, rather than over the future periods. The revenue recognized is net of the effect of financing components calculated using the customers-specific risk, risk-adjusted lending rates and will be recognized as interest income over time on an effect interest rate basis.

The impact of the adoption to the Group's financial statements was a decrease of $2.5 million in its accumulated deficit as at 1 January 2018 and a corresponding increase to royalty receivable. Results for reporting periods beginning 1

January 2018 reflect the application of IFRS 15, while the results for prior reporting periods were prepared under the guidance of IAS 18, *Revenue*. Royalties in excess of the estimated future minimum royalty amount will be recognized, if applicable, when the royalty is earned.

The Company concluded that the minimum guaranteed royalty amounts are fixed in substance and are recognized upon transferring the license to the distributor under IFRS 15 rather than upon billing under IAS 18. As a consequence of the acceleration of revenue recognition, the Company will not recognize royalty income unless and until the minimum guaranteed amount has been realized. Any royalties in excess of the minimum guarantee will be recognized as revenue in the period in which the royalty is earned.

Adoption of IFRS 15 had no impact to cash provided by / (used in) operating, financing or investing activities on the Company's Consolidated Statement of Cash Flows. In accordance with IFRS 15, the disclosure of the impact of adoption on the Company's Consolidated Statement of Operations and Consolidated Statement of Financial Position was as follows.

	For the six months ended 30 June 2018		
	As Reported $	**Effect of Change $**	**Balances without the adoption of IFRS 15 $**
Revenues	**-**	434,001	434,001
Research and development expenses	(7,375,968)	-	(7,375,968)
General and administrative expenses	(3,518,262)	-	(3,518,262)
Total operating expenses	(10,894,230)	-	(10,894,230)
Net Loss before interest and taxes	(10,894,230)	434,001	(10,460,229)
Finance income	247,999	(70,465)	177,534
Net Loss	(10,646,231)	363,536	(10,282,695)

	As at 30 June 2018		
	As Reported $	**Effect of Change $**	**Balances without the adoption of IFRS 15 $**
Assets			
Royalty receivable	757,366	(526,704)	230,662
Non-current Royalty receivable	1,570,032	(1,570,032)	-
Shareholders' Equity			
Retained Earnings	(192,621,225)	(2,096,736)	(194,717,961)

Use of Estimates and Judgments

The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

Going Concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons. The Group had cash, cash equivalents and short-term investments of $23.7 million as at 30 June 2018. While the cost, timeline for and likelihood of success of the development and regulatory approval of drugs are inherently uncertain and change over time, the Directors have prepared cash flow forecasts to 31 August 2019. These forecasts make a number of assumptions, the most significant of which relate to the clinical development plans for the Company's pipeline candidates, associated planned investment in research and development, overall operating expenses and projected royalties payments to be received. Based on the final analysis of the Atopic Dermatitis trial results, we will determine how to prioritize our resources either for further Atopic Dermatitis development, a proof of concept study in Acne or Psoriasis or for some other purpose which might relate to potential new assets.

Due to the fact that the some of the significant investments remain discretionary, the Directors have prepared a sensitivity to the cash flow forecasts, reflecting spending delays and deferrals, including those portions of planned spending which are not yet committed, which shows that the Group will be able to continue to operate within its available cash throughout the period to at least 31 August 2019, with greater headroom at the end of that period.

The Directors have concluded the Group will continue to operate with sufficient funding for at least the next 12 months on the basis that certain planned investments could be delayed to preserve cash or that the proceeds received from the successful completion of the placing would supplement the current cash resources, and accordingly these interim financial statements have been prepared on a going concern basis.

Earnings per Share

Both basic and diluted earnings per share have been calculated using the loss attributable to the equity shareholders of the parent company as the numerator since no adjustments to losses were necessary during the six months ended 30 June 2018 and 2017 or the year ended 31 December 2017.

The Group's issued share capital at 30 June 2018 consisted of 116,561,917, 10 pence ordinary shares. The weighted average number of shares for the calculation of the Group's basic and diluted profit or loss per share for the six months ended 30 June 2018 and 2017 and year ended 31 December 2017 is as follows.

	For the six months ended		For the year ended
	30 June 2018	30 June 2017	31 December 2017
Number of Shares			
Weighted average number of ordinary shares for the purpose of basic earnings / (loss) per share	116,561,917	50,165,432	65,081,903
Weighted average number of ordinary shares for the purpose of diluted profit per share *	116,561,917	50,165,432	65,081,903

* The calculation for diluted loss per share is identical to that used for basic loss per share. The exercise of share options would have the effect of reducing the loss per share and are therefore excluded since not dilutive under the terms of IAS 33 "Earnings per Share."

The following potentially dilutive securities outstanding as at 30 June 2018 and 2017 and as at 31 December 2017 have been excluded from the computation of diluted weighted average shares outstanding, as they would be anti-dilutive:

	For the six months ended		For the year ended
	30 June 2018	30 June 2017	31 December 2017
Share options	11,263,655	3,924,468	11,418,175
Warrants	26,917,173	154,229	26,917,176
	38,180,828	4,078,697	38,335,351

Share Based Payments

The Company operates the 2016 Executive Omnibus Incentive Plan (the Plan), under which a variety of equity instruments can be issued to employees. As at 30 June 2018, there were 392,537 shares available for future issuance under the Plan. The amount and terms of grants are determined by the Company's board of directors. Issued share options carry a term of up to 10 years and are exercisable in cash or as otherwise determined by the Directors. Generally, share options vest annually over a three-year period or, for certain key executives, vest upon the achievement of performance conditions measured over a three year period. All share options granted to date have exercise prices equal to the fair value of the underlying ordinary shares on the date of the grant. Share options are denominated in pounds sterling and the amounts represented in U.S. dollars are impacted by currency fluctuations.

An analysis of the Group's option activity for the six months ended 30 June 2018 is as follows.

	For the six months ended 30 June 2018	
	Weighted average exercise price $	**Number of option**
Share options outstanding, as at 1 January 2018	0.45	11,418,175
Share options granted during the period	0.56	90,000
Share options exercised during the period	–	–
Share options expired & forfeited during the period	1.56	(244,520)
Share options outstanding, as at 30 June 2018	0.42	11,263,655
Share options exercisable, as at 30 June 2018	0.40	4,686,061
Share options vested and expected to vest, as at 30 June 2018	0.42	11,263,655

An analysis of the inputs for the Black Scholes valuation model for share options granted during the six months ended 30 June 2018 and 2017 and year ended 31 December 2017 is as follows.

	For the six months ended		For the year ended
	2018	**2017**	**31 December 2017**
Weighted average fair value share options granted during period	$ 0.20	$ 0.16	$ 0.15
Weighted average exercise price	$ 0.56	$ 0.38	$ 0.52
Expected volatility	44%	43%	35%
Dividend yield	–	–	–
Expected term (in years)	6	5	6
Risk-free interest rate	2.71% – 2.90%	1.80%	1.69% – 2.19%

The Group recorded share based payment expense during the six months ended 30 June 2018 and 2017 and year ended 31 December 2017 as follows.

	For the six months ended		For the year ended
	2018	**2017**	**31 December 2017**
	$	$	$
Research and development	107,914	49,835	209,300
General and administrative	178,941	91,066	246,170
	286,855	140,901	455,470

Cash, Cash Equivalents and Short-Term Investments Available for Sale

An analysis of the Group's and Company's cash, cash equivalents and short-term investments available for sale as at 30 June 2018, 30 June 2017 and 31 December 2017 is as follows.

	As at 30 June 2018 $	As at 30 June 2017 $	As at 31 December 2017 $
Cash at bank	**1,920,878**	272,736	530,097
Cash equivalents [1]	**14,315,053**	15,290,388	8,977,707
Total Cash and Cash Equivalents	**16,235,931**	15,563,124	9,507,804
Short-term investments available for sale measured at fair value:			
U.S. government agency	**7,433,342**	–	20,871,541
Certificates of deposit	–	–	3,473,805
Total Short-term Investments [2]	**7,433,342**	–	24,345,346
Total Cash, Cash Equivalents and Short-term Investments	**23,669,273**	15,563,124	33,853,150

[1] Balance as at 30 June 2018 includes cash sweep accounts, U.S. Treasury money market fund, and U.S. Treasury bills that have a maturity of three months or less from the original acquisition date; as at 30 June 2017 includes U.S. Treasury money market fund; and, as at 31 December 2017 includes cash sweep accounts, U.S. Treasury money market fund, bank certificates of deposit and U.S. Treasury bills that have a maturity of three months or less from the original acquisition date.

[2] Includes U.S. government agency securities and bank certificates of deposit (December 2017 only) that have a maturity of more than three months from original acquisition date.

An analysis of the Group's short-term investments as at 30 June 2018 is as follows.

	As at 30 June 2018			
	Original Cost $	**Gross Unrealized Gains $**	**Gross Unrealized Losses $**	**Total Carrying Value [1] $**
U.S. government agency	7,432,084	1,258	–	7,433,342
Total Short-term Investments	**7,432,084**	**1,258**	**-**	**7,433,342**

	As at 31 December 2017			
	Original Cost $	**Gross Unrealized Gains $**	**Gross Unrealized Losses $**	**Total Carrying Value [1] $**
U.S. government agency	20,856,588	14,953	–	20,871,541
Certificates of deposit	3,475,011	-	(1,206)	3,473,805
Total Short-term Investments	**24,331,599**	**14,953**	**(1,206)**	**24,345,346**

[1] Represents quoted prices in active markets

Fair Values of Financial Assets

The guidance requires fair value measurements to be classified and disclosed in one of the following three categories:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 — Inputs for the asset or liability that are not based on observable market data, which require the Group to develop its own assumptions

This hierarchy requires the use of observable market data when available and to minimize the use of unobservable inputs when determining fair value.

The Group has classified assets measured at fair value on a recurring basis as at 30 June 2018 and 31 December 2017 as follows. The Group did not have classified assets measured at fair value as at 30 June 2017.

	As at 30 June 2018				
			Fair Value Measurement Based on		
	Carrying Amount $	Fair Value $	Quoted Prices in Active Markets (Level 1) $	Significant other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Available for Sale Financial Assets					
Cash equivalents [1]	14,315,053	14,315,053	14,315,053	—	—
U.S. government agency	7,433,342	7,433,342	—	7,433,342	—
	21,748,395	21,748,395	14,315,053	7,433,342	—

[1] Includes cash sweep accounts, U.S. Treasury money market mutual fund, and U.S. Treasury bills that have a maturity of three months or less from the original acquisition date.

	As at 30 June 2017				
			Fair Value Measurement Based on		
	Carrying Amount $	Fair Value $	Quoted Prices in Active Markets (Level 1) $	Significant other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Available for Sale Financial Assets					
Cash equivalents [2]	15,290,388	15,290,388	15,290,388	—	—
	15,290,388	15,290,388	15,290,388	-	—

[2] Includes U.S. Treasury money market mutual fund.

	As at 31 December 2017				
			Fair Value Measurement Based on		
	Carrying Amount $	Fair Value $	Quoted Prices in Active Markets (Level 1) $	Significant other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Available for Sale Financial Assets					
Cash equivalents [3]	8,977,707	8,977,707	8,977,707	—	—
U.S. government agency	20,871,541	20,871,541	—	20,871,541	—
Certificates of deposit	3,473,805	3,473,805	3,473,805	—	—
	33,323,053	33,323,053	12,451,512	20,871,541	—

[3] Includes cash sweep accounts, U.S. Treasury money market mutual fund, bank certificates of deposit and U.S. Treasury bills that have a maturity of three months or less from the original acquisition date.

Trade Payables and Other Accruals

The Directors believe the carrying amount of trade payables and other accruals approximates their fair value. An analysis of the Group's trade payables and other accruals as at 30 June 2018 and 2017 and 31 December 2017 is as follows.

	30 June 2018 $	As at 30 June 2017 $	31 December 2017 $
Trade payables	**1,233,265**	265,944	1,008,715
Research and development related accruals	**692,353**	622,678	755,643
Compensation and related benefits	**437,497**	207,032	994,098
Other accruals	**88,357**	292,496	152,482
Total trade payables and other accruals	**2,451,472**	1,388,150	2,910,938

Products and Services

Realm Therapeutics is a clinical-stage biopharmaceutical company developing novel therapeutics that target the interplay between innate and adaptive immunity. The Company's programs seek to influence immune signaling and change the course of immune-mediated diseases in adults and children. Realm's lead drug development program utilizes the Company's proprietary immunomodulatory technology for the treatment of Atopic Dermatitis (AD), and the Company is exploring its efficacy in other dermatology indications including Acne Vulgaris and Psoriasis, as well as other therapeutic areas. In light of the preliminary top-line data of the Phase 2 clinical trial with PR022 in AD, the Company is conducting a full review of the results to determine whether there is a path forward for Realm's proprietary technology in Atopic Dermatitis, and to evaluate the implications for the Company's Acne and Psoriasis programs.

Risks and Uncertainties

The Company operates in the inherently uncertain environment of drug development with minimal cash in-flows (arising from a royalty arrangement) and significant cash investments necessary to advance Realm's drug development strategy. Among the developments in 2018 which are reflected in the risks, are the results of the Group's Phase 2 clinical trial of PR013, the preliminary top-line results of the Group's Phase 2 clinical trial of PR022 in Atopic Dermatitis and the listing of ADSs representing the Company's ordinary shares on Nasdaq.

Responsibility Statement of the Directors in Respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The Directors of Realm Therapeutics plc as at 31 December 2017 are listed in the Realm Therapeutics plc 2017 Annual Report. This report is available on the Company's website at www.realmtx.com. A current list of Directors, which has not changed since 31 December 2017, is available on the Company's website at www.realmtx.com.

By order of the Board
Charles Spicer
Non-Executive Chairman

14 August 2018