Infant Bacterial Therapeutics AB (publ)

Interim Report January 1 – September 30, 2017

Third quarter (Jul-Sep) 2017

- Net sales - KSEK (49)
- Operating profit/loss -4 571 KSEK (-7 900)
- Earnings per share before and after dilution -0.83 SEK (-1,40)

Nine months (Jan-Sep) 2017

- Net sales 238 KSEK (49)
- Operating profit/loss -27 082 KSEK (-23 978)
- Earnings per share before and after dilution -4.92 SEK (-6.69)

Significant events during the third quarter

- Infant Bacterial Therapeutics ("IBT") reported results from the safety and tolerability study for IBP-9414 on September 11. The results show a similar safety and tolerability profile in the active group as in the placebo group in IBT's clinical safety and tolerability study on IBP-9414 (NCT02472769)
- IBT reported on September 28 that The European Medicines Agency's (EMA) paediatric committee (PDCO) approved IBT's proposed "paediatric investigation plan (PIP) for IBP-9414 in prevention of necrotizing enterocolitis (NEC)"

Significant events during the reporting period January – September 2017

- In January 2017, all 120 patients were included in the Company's clinical safety and tolerability study in IBP-9414 (NCT02472769)
- IBT's series B shares were listed on Nasdaq First North Premier on March 14
- Eva Idén and Anthon Jahreskog were elected new board members at the AGM on May 4
- The subsidiary IBT Baby AB was established in May for administration of a new share based incentive program
- All personnel subscribed for their respective allotments in a new share based incentive program

Significant events after the reporting period

- No significant events have occurred after the reporting period

Financial summary

SEK 000's	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Total comprehensive income	-	49	238	49	162
Operating profit/loss	-4 571	-7 900	-27 082	-23 978	-38 090
Result financial net	-4 586	-7 717	-27 097	-24 001	-38 106
Total assets	83 006	125 682	83 006	125 682	110 109
Cash flow for the period	-9 147	-8 338	-26 610	63 635	49 375
Cash flow per share for the period (SEK)	-1,66	-1,51	-4,83	17,74	10,91
Cash	67 176	108 046	67 176	108 046	93 786
Earnings per share, weighted average, before and after dilution (SEK)	-0,83	-1,40	-4,92	-6,69	-8,42
Equity per share (SEK)	14,36	21,68	14,36	21,68	19,12
Equity ratio (%)	95%	95%	95%	95%	96%

IBT in brief

Infant Bacterial Therapeutics AB ("IBT") is a pharmaceutical company based in Stockholm. IBT's series B shares are traded on Nasdaq First North Premier in Stockholm since March 14, 2017 (IBT B) with Erik Penser Bank as Certified Adviser.

Infant Bacterial Therapeutics AB (publ) ("IBT") is a pharmaceutical company with a vision to develop drugs influencing the human infant microbiome (the collective genus of stomach- and intestinal bacteria), and thereby prevent or treat rare diseases affecting premature infants.

Using its extensive experience in live bacterial therapeutics and its well-developed knowledge of the action of *Lactobacillus reuteri*, IBT is developing its lead drug candidate IBP-9414, to prevent necrotizing enterocolitis ("NEC"), a rare and often fatal disease that can afflict premature infants.

The FDA and the European Commission have granted IBT Orphan Drug Designation, and the FDA have granted Rare Paediatric Disease Designation for IBP-9414 for the prevention of NEC.

IBT is further pursuing a second rare disease program IBP-1016 for the treatment of an unmet medical need in gastroschisis, a severe disease in infants. By developing these drugs, IBT has the potential to fulfill unmet needs for diseases where there are currently no prevention or treatment therapies available.

Message from the CEO

IBT announced results from the safety and tolerability study of IBP-9414 on September 11th. The data demonstrate a similar safety and tolerability profile in the active and placebo groups. The study included 120 preterm infants, dosed during two weeks and evaluated at time points up to 6 months after administration of the study drug at 15 neonatal centers in the United States. We can conclude that the recruitment rate was higher than expected without any variance between large or small infants and that the demographics of the study population was representative of the target population. IBT was able to complete the study according to plan in terms of recruitment, timelines and budget. We are continuing our preparations for the next and final part of the IBP-9414 development program, the planned pivotal efficacy study for the prevention of NEC.

In September, The Paediatric Committee (PDCO) at the European Medicines Agency (EMA) adopted a positive opinion on the "Paediatric Investigation Plan" proposed by IBT for the development of IBP-9414 for the prevention of necrotizing enterocolitis (NEC). Adoption of the "Paediatric Investigation Plan" is a prerequisite for continuing our clinical development program. I am very happy that the IBT team again has shown its capability to reach a significant milestone in the global development program.

IBT has the financial resources to prepare the following pivotal study of IBP-9414 which is planned to be initiated in the beginning of 2018. The ongoing planning and preparations for the pivotal study include CMC (Chemical, manufacturing and control) activities for the production of clinical trial material.

As previously announced, the pivotal study will require additional capital. IBT is working very actively on several different financing possibilities. In addition, IBT is progressing in its preparation for the application to admittance for trading on the main marketplace, Nasdaq Stockholm.

Stockholm, November 2017

Staffan Strömberg,
Chief Executive Officer

Description of IBT's development project IBP-9414

IBT has developed the production process for drug candidate IBP-9414. This is a complex process involving many steps including fermentation, purification and lyophilization to obtain the final product. The risks for impurities are identified, minimized and controlled (see Note 1).

The development plan for IBP-9414 is to conduct a clinical program consisting of two clinical trials.

The first study of IBP-9414 is a safety and tolerability study for two different dose levels of IBP-9414 in 120 premature infants in total with birth-weight ranging from 500 to 2,000 g. The aim is to assess the safety and tolerability of the drug candidate (IBP-9414) administered in premature infants. All infants in the study were treated with IBP-9414 or placebo for 14 days after which the study was completed by a six-month follow up after the last dose was administered on January 23, 2017.

IBT reported the results from the safety and tolerability study on September 11th. The results demonstrate a similar safety and tolerability profile in the active group as in the placebo group in IBT's clinical safety and tolerability study on IBP-9414. IBT and the principal investigator Dr. Josef Neu have made an initial evaluation of the data of the "Randomized, double blind, parallel-group, dose escalation placebo-controlled multicenter study to investigate the safety and tolerability of IBP-9414 administered in preterm infants" (ClinicalTrial.gov: NTC02472769). The study included 120 preterm infants, evaluated at points in time up to 6 months after administration of the study drug at 15 neonatal centers in the US.

The subsequent pivotal study will be designed to demonstrate and document efficacy of IBP-9414 over placebo in the prevention of NEC in preterm infants with birth-weight ≤ 1,500 g. This study will also include safety evaluation in the larger cohort.

Risks and uncertainties in summary

The value of the Company is largely dependent on success in the Company's development of IBP-9414, the successful completion of clinical trials and the grant of marketing authorization by the US Food and Drug Administration ("FDA") and/or the European Medicines Agency ("EMA"). IBT's clinical program is in the development stage and there is a risk that IBP-9414 will not demonstrate the required effect. If the development on IBP-9414 is unsuccessful, IBT may try to focus on other projects but there is a risk that such projects will not be successful.

Listing IBT's class B shares on Nasdaq First North in March 2016 and the following Share Issue generated capital sufficient to analyze and document the IBP-9414 clinical study (NCT02472769). The Company also has the possibility to prepare the following planned pivotal study, produce clinical trial material for the pivotal study and to prepare a development plan for IBP-1016. The company has sufficient capital for at least twelve months operations, however, additional capital will be required to conduct the planned pivotal study and to develop IBP-1016.

For further information on risks and uncertainties see IBT's 2016 Annual Report and IBT's Rights Issue Prospectus on the Company's homepage www.ibtherapeutics.com

Related party transactions

IBT has issued warrants through its wholly owned subsidiary, Infant Baby AB, during the second quarter to Staffan Strömberg, Eamonn Connolly and Daniel Mackey (see Note 2).

No other significant related party transactions have occurred.

Corporate events

The AGM in May elected Eva Idén and Anthon Jahreskog as new board members.

Eva Idén, born 1966, has a Degree in Chemical Engineering from Chalmers University of Technology. She has extensive experience from leading management positions in Astra and AstraZeneca. She is now working as a consultant in leadership and organizational development, and is the business owner of Better & Beyond AB and a partner in Inflecto AB.

Anthon Jahreskog, born 1980, received his Master's degree in Financial Management from the University of Cape Town. He is currently working as a business strategist and advisor in various industries. Until July 2015 he was the Chief Operating Officer, Fund Linked Products, Credit Suisse Investment Bank, London. Anthon has several years of experience in the international financial market and his core expertise is in finance, strategic business planning, cost efficiency and analysis.

Financial calendar

Year-end report 2017	February 28, 2018
Annual Report 2017	April 12, 2018
Interim report January-March 2018	May 15, 2018
Interim report January-June 2018	August 23, 2018
Interim report January-September 2018	November 21, 2018

The annual general meeting for IBT will be held on May 15th 2018 at 15.00 CET . The last date to request that a matter be put before the annual general meeting is March 28, 2018.

Certified Adviser

The Company's Certified Adviser is Erik Penser Bank, tel. + 46 8 463 80 00

Contact persons

Staffan Strömberg, CEO, telephone: +46 8 410 145 55

Contact information

Infant Bacterial Therapeutics AB (Reg. no. 556873-8586)
Bryggargatan 10
111 21 Stockholm, Sweden
Telephone: +46 8 410 145 55
info@ibtherapeutics.com
www.ibtherapeutics.com

Publication

This information is such which IBT is obliged to make public pursuant to the EU Market Abuse Regulation and which is to be made public according to the Nasdaq regulations for companies listed on Nasdaq First North Premier.
The Report was submitted for publication, by the CEO, at 08.30 a.m. CET on November 23, 2017.

Financial development – third quarter (Jul-Sep) 2017

Amounts are reported in KSEK (SEK in thousands). Amounts in parenthesis refer to the same period in the previous year unless stated otherwise.

Costs

Operational costs amounted to 4 571 (10 492) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 1 017 (7 917) KSEK.
Personnel costs amounted to 2 141 (1 653) KSEK.
Other external costs amounted to 1 428 (922) KSEK.

Result and financial position

Operational result amounted to -4 571 (-7 900) KSEK and result after financial items amounted to -4 586 (-7 717) KSEK.
Result after tax amounted to -4 586 (-7 717) KSEK.
Result per share amounted to -0.83 (-1.40) SEK.
Cash flow for the period amounted to -9 147 (-8 338) KSEK.
The Company's cash balance on September 30, 2017, amounted to 67 176 compared to 93 786 KSEK on December 31, 2016.
The Company's shareholder's equity on September 30, 2017, amounted to 79 013 compared to 105 226 KSEK on December 31, 2016. Shareholder's equity per share amounted to 14.36 compared to 19.12 SEK on December 31, 2016.
The Company's equity ratio amounted to 95% compared to 96% on December 31, 2016.

Financial development – nine months (Jan-Sep) 2017

Costs

Operational costs amounted to 27 320 (26 570) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 12 681 (17 906) KSEK.
Personnel costs amounted to 9 880 (4 978) KSEK.
Other external costs amounted to 4 774 (1 166) KSEK.

Result and financial position

Operational result amounted to -27 097 (-23 978) KSEK and result after financial items amounted to -27 097 (-24 001) KSEK.
Result after tax amounted to -27 097 (24 001) KSEK.
Result per share amounted to -4.92 (-6.69) SEK.
Cash flow for the period amounted to -17 463 (71 973) KSEK. Cash flow for the comparative period includes a new share issue amounting to 89.1 MSEK.

Results for the development of IBT's safety and tolerability study, which is terminated, are in line with expected costs according to budget. Costs regarding the safety and tolerability study are lower during the third quarter as the study in the third quarter 2017 is in final phase.
Operational costs during the reporting period are higher than during the same period in the previous year resulting from personnel recruitment, and bonus payments for which total costs during the second quarter amounted to approximately 2.4 MSEK. Cash flow from operations is in line with the equivalent period the previous year. Cash flow for the comparative period includes a new share issue amounting to 89.1 MSEK.
The Company's financial resources are sufficient to document the completed safety and tolerability study and to prepare the next stage for regulatory approval.

Tax position

IBT has accumulated operational losses amounting to 49.1 MSEK since the company was established in 2012 and until year-end of 2016. Deferred tax receivables are reported when it is likely that future taxable income will be available against which the temporary differences may be utilized. The company has not reported any temporary tax receivables in its statement of financial position.

Shares

As of September 30, 2017, and as of September 30, 2016, respectively, the total number of shares amounted to 5 503 638 of which 222 198 class A - shares carrying ten votes and 5 281 440 class B – shares carrying one vote.
A share based incentive program was launched during the second quarter. Based on the current number of outstanding shares in the company, provided that all options are exercised to subscribe for new B-shares, dilution will amount to approximately 4.84 percent of shares and approximately 3.6 percent of votes (see Note 1).

IBT's class B – share was listed on Nasdaq First North on March 29, 2016. IBT's class B – share was listed on Nasdaq First North Premier on March 14, 2017.

Ownership September 30, 2017

Name	Series A shares	Series B shares	Share capital %	Voting rights %
ANNWALL & ROTHSCHILD INVESTMENTS AB	222 198	241 458	8.42	32.83
ÖHMAN BANK S.A.	-	669 580	12.17	8.92
FJÄRDE AP FONDEN	-	305 259	5.55	4.07
AMF AKTIEFOND SMÅBOLAG	-	295 050	5.36	3.93
ÅLANDSBANKEN I ÄGARES STÄLLE	-	229 777	4.18	3.06
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	-	184 656	3.36	2.46
CLEARSTREAM BANKING S.A., W8IMY	-	165 930	3.01	2.21
CBNY-NORGES BANK	-	156 000	2.83	2.08
LUXEMBOURG AIF CLIENTS ACCOUNT	-	153 965	2.80	2.05
BNYMSANV RE BNYMTD RE CF RUFFER INV	-	150 000	2.73	2.00
BANQUE PICTET & CIE SA, W8IMY	-	148 578	2.70	1.98
STRÖMBERG, STAFFAN	-	122 592	2.23	1.63
SWEDBANK ROBUR MICROCAP	-	118 644	2.16	1.58
PLACERINGSFOND SMÅBOLAGSFOND, NORDEN	-	115 624	2.10	1.54
SEB S.A. CLIENT ASSETS UCITS.	-	113 053	2.05	1.51
NORDNET PENSIONFÖRSÄKRING AB	-	101 338	1,84	1.35
MSIL IPB CLIENT ACCOUNT	-	88 781	1.61	1.18
SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	-	82 377	1.50	1.10
IRWE, STEN	-	82 200	1.49	1.10
HANVAD INVEST AKTIEBOLAG	0	80 349	1.46	1.07
Total 20 largest shareholders	**222 198**	**3 605 211**	**69.55**	**77.65**
Other shareholders	-	1 676 229	30,45	22.35
Total number of shares	**222 198**	**5 281 440**	**100.00**	**100.00**

Board's assurance

The Board of Directors and CEO hereby certify that this report gives a true and fair presentation of the Company's operations, financial position and result of operations, and describes material risks and uncertainties facing the Company.

Stockholm, November 23, 2017

Peter Rothschild Chairman	Jan Annwall Director	Anders Ekblom Director	Margareta Hagman Director
Eva Idén Director	Anthon Jahreskog Director	Staffan Strömberg CEO	

Nb: This is a translation of the Swedish interim report. If any discrepancies exist, the Swedish version shall prevail.

Review Report

Introduction

We have reviewed the interim report for Infant Bacterial Therapeutics AB (publ) for the period January 1 - September 30, 2017. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, in accordance with the Annual Accounts Act.

Stockholm, November 23, 2017

Deloitte AB

Birgitta Lööf

Authorized Public Accountant

Income statement

SEK 000	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Net sales	-	49	238	49	162
Selling expenses	-	2 543	-	2 543	2 543
Research and development expenses	-4 571	-10 492	-27 320	-26 570	-40 795
Operating loss	**-4 571**	**-7 900**	**-27 082**	**-23 978**	**-38 090**
Result from financial items					
Interest expense and similar profit/loss items	-15	183	-15	-23	-16
Result after financial items	**-4 586**	**-7 717**	**-27 097**	**-24 001**	**-38 106**
Result for the period *	**-4 586**	**-7 717**	**-27 097**	**-24 001**	**-38 106**

* Result for the period equals total comprehensive income

Result per share

SEK	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Result per share					
Result per share, before and after dilution*	-0.83	-1.40	-4.92	-6.69	-8.42
Number of shares, weighted average*	5 503 638	5 503 638	5 503 638	3 587 597	4 525 213
Number of shares at end of period **	5 503 638	5 503 638	5 503 638	5 503 638	5 503 638

* Weighted average 2016 restated due to split 2016. No dilution effects exist

**On September 30, allocation of emitted shares amounted to 222 198 A-shares carrying 10 votes per share and 5 281 440 B-shares carrying 1 vote per share

Balance sheet

	Note	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS				
Non-current assets				
Intangible non-current assets				
Activated development expenses	1	14 802	16 225	15 414
Shares in subsidiary	2	50	-	-
Total non-current assets		**14 852**	**16 225**	**15 414**
Current assets				
Current receivables				
Accounts receivable		-	-	53
Other receivables		754	365	708
Prepaid expenses and accrued income		224	1 046	148
Total current assets		978	1 411	909
Cash and cash equivalents		67 176	108 046	93 786
Total current assets		**68 154**	**109 457**	**94 695**
TOTAL ASSETS		**83 006**	**125 682**	**110 109**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		1 500	1 500	1 500
Unrestricted equity				
Share premium reserve		141 357	140 473	140 473
Accumulated losses		-36 747	1 359	1 359
Net loss for the period		-27 097	-24 001	-38 106
Total equity		**79 013**	**119 331**	**105 226**
Liabilities				
Current liabilities				
Accounts payable		668	3 876	1 116
Other current liabilities		216	-	167
Accrued expenses and prepaid income		3 109	2 475	3 600
Total current liabilities		**3 993**	**6 351**	**4 883**
TOTAL EQUITY AND LIABILITIES		**83 006**	**125 682**	**110 109**

Statement of changes in equity

SEK 000	Restricted equity	Unrestricted equity		
	Share capital	Share premium reserve	Accumulated losses incl. loss for the period	Total equity
Opening equity Jan 1, 2016	**500**	**52 350**	**21 959**	**74 809**
Net loss for the period			-24 001	-24 001
Total comprehensive income			-24 001	-24 001
Shareholder transactions				
Repayment shareholder contribution			-20 600	-20 600
Share issue	1 000	99 166		100 166
Share issue costs		-11 042		-11 042
Closing equity Sep 30, 2016	**1 500**	**140 474**	**-46 643**	**119 332**
Opening equity Jan 1, 2016	**500**	**52 350**	**21 959**	**74 809**
Net loss for the period			-38 106	-38 106
Total comprehensive income			-38 106	-38 106
Shareholder transactions				**-**
Repayment shareholder contribution			-20 600	-20 600
Share issue	1 000	99 166		100 166
Share issue costs		-11 043		-11 043
Closing equity Dec 30, 2016	**1 500**	**140 473**	**-36 747**	**105 226**
Opening equity Jan 1, 2017	**1 500**	**140 473**	**-36 747**	**105 226**
Net loss for the period			-27 097	-27 097
Total comprehensive income			-27 097	-27 097
Shareholder transactions				**-**
Warrants		884		884
Closing equity Sep 30, 2017	**1 500**	**141 357**	**-63 844**	**79 013**

Statement of cash flows

SEK 000	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Operating activities					
Operating profit/loss	-4 571	-7 900	-27 082	-23 978	-38 090
Financial items, net	-15	183	-15	-23	-16
Adjustment for non - cash flow affecting items (depreciation production process)	204	-	612	-	811
Cash flow from operating activities before changes in working capital	**-4 382**	**-7 717**	**-26 485**	**-24 001**	**-37 295**
Cash flow from changes in working capital					
Increase (-)/Decrease (+) in operating receivables	-133	-590	-69	-202	578
Increase (+)/Decrease (-) in operating liabilities	-4 632	-31	-890	-1 285	-3 031
Cash flow from operating activities	**-9 147**	**-8 338**	**-27 444**	**-25 488**	**-39 748**
Investment activities					
Acquisition of subsidiary	-	-	-50	-	-
Financing activities					
Share issue	-	-	-	89 123	89 123
Warants	-	-	884	-	-
Cash flow from financing activities	**0**	**0**	**834**	**89 123**	**89 123**
Cash flow for the period	**-9 147**	**-8 338**	**-26 610**	**63 635**	**49 375**
Cash and cash equivalents at the beginning of the year	76 323	116 384	93 786	44 411	44 411
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**67 176**	**108 046**	**67 176**	**108 046**	**93 786**

Accounting principles

The interim report has been prepared in accordance with IAS 34 Interim reporting, and the Annual Accounts act, Årsredovisningslagen. Parent company reporting has been prepared in accordance with the Annual Accounts act, Årsredovisningslagen and as stipulated by RFR 2 Reporting for legal entities. Disclosures in accordance with IAS 34 are presented in Notes as well as in other sections in the interim report.

The subsidiary established in May, IBT Baby AB, has during the second quarter received warrants at no cost from the parent company, which during the second quarter have been sold to personnel employed by IBT at market price. Other transactions have not occurred. As the company was established with a share capital amounting to 50 KSEK and only incurred marginal establishment costs, consolidated income statement and balance sheet, in all material aspects, equal those of the parent company and therefore no consolidation has been made, supported by the Annual Accounts act, Årsredovisningslagen 7 kap. 3a §.

IBT has adopted the same accounting principles and calculation methods as those described in the 2016 annual report.

A number of new or revised standards, interpretations and improvements have been adopted by the EU which apply from January 1, 2017. These have not had any material impact on the financial statements of IBT.

New standards and interpretations which have noy yet been adopted by IBT:

As of January 1, 2018, IFRS 9 Financial instruments and IFRS 15 Revenue recognition will apply.

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and liabilities. It replaces those parts of IAS 39 which relate to the classification and measurement of financial instruments. IFRS 9 retains a mixed approach to measurement but simplifies the approach in some respects. There will be three measurement categories for financial assets, amortixed cost, fair value through other comprehensive income and fair value through profit and loss. How an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments should be measured at fair value through profit or loss but there is also an option of measuring the instrument at fair value through other comprehensive income upon initial recognition. In this case no reclassification to profit or loss is made when the instrument is sold. For financial liabilities the methods of classification and measurement are not changed except in the case where a liability is measured at fair value through profit or loss using the fair value option. The standard must be applied for financial years beginning on 1 January 2018.
IBT has evaluated the effects of introducing the standard, and the current situation indicates that these effects will not be significant.

IFRS 15 Revenue from Contracts with Customers regulates the accounting of revenue. The principles on which IFRS 15 is based are intended to give users of financial statements additional valuable information about a company's revenue. Under the expanded disclosure requirements, information on the type of revenue, date of settlement, uncertainties associated with the recognition of revenue and cash flows attributable to the companys customer contracts must be disclosed. Under IFRS 15, revenue should be recognized when a customer receives control over the sold good or service and is able to use or obtains a benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the related SIC and IFRIC interpretations. IFRS 15 becomes effective from 1 January 2018. As the company has not yet concluded any customer contracts that would be subject to IFRS 15, no effects of introducing the standard exist. Effects may impact future financial reports.

IFRS 16 Leases. In January, 2016, IASB published a new leasing standard that will replace IAS 17 Leases and the related interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognized in the balance sheet. This accounting treatment is based on the view that the lessee has a right to use an asset during a specific period of time as well as an obligation to pay for this right. For the lessor the financial reporting will remain essentially unchanged. The standard is applicable for financial years beginning on 1 January 2019 or later. Early application is permitted. The EU has not yet adopted the standard. As the Group currently has only a small number of leases, the effect of introducing this standard is not deemed to be significant.

All financial assets and liabilities are short term and therefore discounting does not generate any material difference between reported and fair value.

Amounts are reported in KSEK (SEK in thousands). Amounts in parenthesis refer to the same period in the previous year unless stated otherwise.

Note 1 Intangible non-current assets

Activated development costs, 000's	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Opening accumulated costs	16 225	16 225	16 225
Activated costs	-	-	-
Total cost	**16 225**	**16 225**	**16 225**
Opening accumulated depreciation	-811	-	-
Depreciation	-612	-	-811
Total accumulated depreciation	**-1 423**	**-**	**-811**
Carrying amount at end of the period	**14 802**	**16 225**	**15 414**

Activated development costs refer to the production process of the pharmaceutical candidate IBP-9414.

Period of use is based on the underlying useful life of the patent of 20 years.

Depreciation is linear from 2016 and is reported in the FoU-function in the income statement.

Impairment test

The criteria according to IAS 38 and IAS 36, respectively, require testing the immaterial fixed assets for impairment whenever events or changed circumstances indicate that the reported value may not be recovered.

Activated costs referring to the production process have been assessed. The company has at the time of disclosure of this financial report utilized the pharmaceutical candidate produced by the production process in a clinical safety and tolerability study in which 120 patients were dosed.

Technology transfer possibility of the manufacturing method has been verified by third parties.

Two independent companies, Apex Healthcare Consulting Ltd., and Clearview Healthcare Partners have evaluated the market potential in 2014 and 2016, respectively, for IBP-9414 in the USA.

Their assessment of the market potential amounted to an interval of 200 MUSD to 350 MUSD per annum.

To the best of IBT's knowledge, there are no competitors in the same indication.

The total assessment is that the criteria in IAS 38 are met.

Note 2 Shares in subsidiary

Name	Reg. No.	Domicile, country	Shareholding	Book value Sep 30, 2017	Book value Dec 31, 2016
IBT Baby AB	559110-7353	Stockholm, Sweden	100%	50 000	-
Total, SEK				**50 000**	**-**

IBT Baby AB manages incentive programs for key personnel employed by IBT AB.
IBT AB issues warrants which are sold by IBT Baby AB to employees of IBT AB that are included in the parent company's incentive program as follows:

Share based incentive program
WARRANTS 2017/2022
On May 4, 2017, the Annual General Meeting decided on an incentive program by designated issue of warrants to a subsidiary established for this purpose.
The maximum number of warrants to be issued are 280 000.
The warrants were issued in June 2017 at market terms at a price determined by calculating market price at the time of issue using the Black & Scholes method of valuation.
The holder of warrants may during the period from April 3, 2022 through May 3, 2022, for each warrant subscribe for one (1) new share in the company at a subscription price per share amounting to SEK 300.
As of the balance sheet date on June 30, 2017, 200 000 warrants have been issued. The remaining 80 000 warrants are reserved for future employees.

The warrants are subject to first right of refusal stipulating that the warrants shall be sold back to IBT Baby AB should the employee, from the date of signing, terminate employment within one year by 100%, within two years by 75%, within three years by 50%, and within 4 years by 25%.
Based on the existing number of shares the dilution resulting from the adopted incentive program, provided that all warrants are utilized for subscription of class B-shares, amounts to approximately 4.84 percent of shares, and 3.60 percent of votes. The warrants carry no dividend rights.
The warrants are issued at market value and have thus have not resulted in any benefits which require accruals for social costs in the parent company.
The subscription price per share exceeds the market price of IBT's share on the balance sheet date which means that the warrants do not cause any dilution when calculating result per share.

Total market value for the 200 000 issued warrants during the second quarter amounted to 884 KSEK which has been reported directly to shareholder's equity in the parent company.

Allotted warrants, year	Issued warrants	Strike price	Value per allotted warrant	Volatility, %*	Risk-free interest, %	Value per share, weighted average**	Expiry, year
2017	200 000	300	4.42	40	-0.2	85	2022
Total	200 000	**300**	4.42	40	-0.,2	85	2022

*Expected future volatility is ascertained by comparison of historical average and median values for comparable listed companies in the same sector as IBT based on analysis in S&P Capital IQ.
** Volume weighted average share price for IBTs class B share during the period June 12, 2017 through June 16, 2017

Holder of warrants	Number allotted	Number issued	31 Dec 2016
Staffan Strömberg, CEO	70 000	70 000	-
Eamonn Connolly, CSO	50 000	50 000	-
Daniel Mackey, CFO	50 000	50 000	-
Other employees	30 000	30 000	-
Total	**200 000**	200 000	-

Deduction of certain key figures

	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Cash flow per share					
Cash flow for the period, 000's	-9 147	-8 338	-26 610	63 635	49 375
Average number of shares	5 503 638	5 503 638	5 503 638	3 587 557	4 525 213
Kassaflöde per aktie (SEK)	-1,66	-1,51	-4,83	17,74	10,91
Equity per share					
Equity, 000's	79 013	119 331	79 013	119 331	105 226
Number of shares at end of period	5 503 638	5 503 638	5 503 638	5 503 638	5 503 638
Eget kapital per aktie (SEK)	14,36	21,68	14,36	21,68	19,12
Equity ratio					
Equity, 000's	79 013	119 331	79 013	119 331	105 226
Total equity and liabilities, 000's	83 006	125 682	83 006	125 682	110 109
Equity ratio, %	95%	95%	95%	95%	96%

Financial definitions

Key ratios	Definition	Motive
Average number of shares	Average number of shares during the reporting period (split in 2016 restated for comparative figures)	Relevant in calculating income and cash flow per share
Net sales	Sales for the period	Sales of services
Reporting period	First half year 2017	Term to differentiate from current quarter
Result per share	Result for the period divided by average number of shares	Result allocated per share
Cash flow per share*	Cash flow for the period divided by average number of shares	Measure to describe cash flow allocated to one share during the period
Number of shares*	Number of shares at the end of the period	Relevant for calculating shareholders' equity allocated to one share
Total Assets*	Total assets at the end of the period	Relevant for calculating shareholders' equity
Shareholders equity/share*	Total shareholders' equity divided by the number of shares at the end of the period	Measure to describe shareholders' equity equity per share
Equity ratio*	Total shareholders' equity as a percentage of total assets	Measure to evaluate the company's ability to meet its financial obligations

***** The Company presents certain financial measures in the Year-end report not defined by IFRS. The Company deems that these measures provide valuable additional information for investors and management of the Company as they enable evaluation and benchmarking of the Company's performance. As all companies do not calculate financial measures the same way, these measures are not always comparable to those used by other companies. These financial measures shall therefore not be viewed as replacements for those defined by IFRS. The financial definitions are not defined by IFRS unless otherwise stated.