

Infant Bacterial Therapeutics AB (publ) Year-end report January 1-December 31, 2017

Fourth quarter (Oct-Dec) 2017

- Net sales 0 KSEK (113)
- Operating profit/loss -9 060 KSEK (-14 112)
- Earnings per share before and after dilution -1,54 SEK (-2,56)

Reporting period (Jan-Dec) 2017

- Net sales 238 KSEK (162)
- Operating profit/loss -36 141 KSEK (-38 090)
- Earnings per share before and after dilution -6,46 SEK (-8,42)

Significant events during the fourth quarter

- A directed share issue to eight institutional investors, two foreign and six Swedish, was registered on November 30 which generated SEK 104.5m prior to transaction costs
- Infant Bacterial Therapeutics and the principal investigator Dr. Josef Neu presented data on December 11 from its Safety and Tolerability study in premature infants at the Hot Topics in Neonatology Conference in Washington, D.C., USA

Significant events during the reporting period January – December 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
- 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 after the reporting period

- On January 8, 2018, the EGM decided on a new share issue amounting to SEK 439.1m prior to transaction costs and on January 31 it was fully subscribed.

Financial summary

SEK 000's	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Total comprehensive income	-	113	238	162
Operating profit/loss	-9 060	-14 112	-36 141	-38 090
Result financial net	-9 060	-14 105	-36 156	-38 106
Total assets	175 024	110 109	175 024	110 109
Cash flow for the period	91 098	-14 260	64 488	49 375
Cash flow per share for the period (SEK)	15,52	-2,59	11,53	10,91
Cash	158 274	93 786	158 274	93 786
Earnings per share, weighted average, before and after dilution (SEK)	-1,54	-2,56	-6,46	-8,42
Equity per share (SEK)	25,50	19,12	25,50	19,12
Equity ratio (%)	96%	96%	96%	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

During the last year, IBT passed the most important milestones in the company’s history. The company’s pharmaceutical candidate, IBP-9414, for the prevention of necrotizing enterocolitis, has in a concluded safety and tolerability study demonstrated a similar safety and tolerability profile in the active and placebo groups. With these results, we have the prerequisites to conduct a phase III clinical study, named “The Connection Study”.

As previously communicated, IBT had capital requirements to carry out the planned phase III study and the company has evaluated several different financing alternatives, namely licensing of the pharmaceutical candidate and new share issues.

During the fourth quarter, IBT raised SEK 104.5m in a directed share issue to institutional investors. The EGM resolved on January 8, 2018, to carry out a new share issue amounting to approximately SEK 440m which was fully subscribed on January 31.

The total capital generated amounted to approximately SEK 544m prior to transaction costs and approximately SEK 528m after transaction costs which is deemed sufficient to conduct the planned phase III clinical study, as well as to fund the company’s activities until market approval.

In our estimation, the phase III study will commence with the first patient recruitment during the spring of 2018.

IBT has filed an application to admittance for trading on the main marketplace, Nasdaq Stockholm. The listing change, based on preparations performed, is in IBT’s estimation expected to be approved during the spring of 2018.

Stockholm, February 28, 2018

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.

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

The first study of IBP-9414 was 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 was 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 demonstrated 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 \leq 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 in 2016 generated capital sufficient to analyze and document the IBP-9414 clinical study. The Company also had 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.

IBT generated SEK 104.5m in a directed new share issue to institutional investors and SEK 439.1m in a preferred share issue in January 2018. The total capital generated amounted to approximately SEK 544m prior to transaction costs and approximately SEK 528m less transaction costs is deemed sufficient to conduct the planned pivotal phase III clinical study, as well as to fund the company's activities until market approval.

For further information on risks and uncertainties see IBT's 2016 Annual Report and IBT's Rights Issue Prospectus dated 2018-01-10 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 2017 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

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 at Citykonferensen Ingenjörshuset, Malmskillnadsgatan 46, Stockholm. 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

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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 08.00 a.m. CET on February 28, 2018.

Financial development – fourth quarter (Oct-Dec) 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 9 060 (14 218) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 5 051 (8 860) KSEK.

Personnel costs amounted to 2 500 (2 087) KSEK.

Other external costs amounted to 1 509 (3 270) KSEK.

Result and financial position

Operational result amounted to -9 060 (-14 112) KSEK and result after financial items amounted to -9 060 (-14 105) KSEK.

Result after tax amounted to -9 060 (-14 105) KSEK.

Result per share amounted to -1.54 (-2.56) SEK.

Cash flow for the period amounted to -91 098 (-14 260) KSEK.

The Company's cash balance on December 31, 2017, amounted to 158 274 compared to 93 786 KSEK on December 31, 2016.

The Company's shareholder's equity on December 31, 2017, amounted to 168 371 compared to 105 226 KSEK on December 31, 2016. Shareholder's equity per share amounted to 25.50 compared to 19.12 SEK on December 31, 2016.

The Company's equity ratio amounted to 96% compared to 96% on December 31, 2016.

Financial development – reporting period (Jan-Dec) 2017

Costs

Operational costs amounted to 36 394 (40 795) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 17 482 (26 658) KSEK.

Personnel costs amounted to 12 595 (7 167) KSEK.

Other external costs amounted to 6 317 (6 970) KSEK.

Result and financial position

Operational result amounted to -36 141 (-38 090) KSEK and result after financial items amounted to -36 156 (-38 106) KSEK.

Result after tax amounted to -36 156 (38 106) KSEK.

Result per share amounted to -6.46 (-8.42) SEK.

Cash flow for the period amounted to -64 488 (49 375) KSEK. Cash flow 2017 included a new share issue amounting to SEK 98.4m and for the comparative period a new share issue amounting to SEK 89.1m.

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 fourth quarter as the study in the fourth quarter 2017 was in its 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. Negative cash flow from operations during the reporting period was lower in 2017 than the equivalent period the previous year as the study in the fourth quarter 2017 was in its final phase.

IBT has during November 2017 generated SEK 104.5m in a directed new share issue to institutional investors. In January 2018, a preferred new share issue generated SEK 439.1m. Capital thus generated amounting to approximately SEK 543.6m prior to transaction costs and approximately SEK 528m less

transaction costs is deemed sufficient to conduct the planned pivotal phase III clinical study, as well as to fund the company's activities until market approval.

Tax position

IBT has accumulated operational losses since the company was established in 2012 and until year-end of 2017 amounting to approximately SEK 91m. 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

On January 1, 2017, 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 2.74 percent of shares and approximately 2.11 percent of votes (see Note 2).

IBT issued 1 100 000 class B shares in a new share issue in November 2017.

On December 31, 2017, the total number of shares amounted to 6 603 638 of which 222 198 class A-shares carrying ten votes and 6 381 440 class B-shares carrying one vote.

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.

IBT's closing share price on December 29, 2017, amounted to SEK 115.

Ownership December 31, 2017

Name	Class A shares	Class B shares	Share capital %	Votes %
ANNWALL & ROTHSCHILD INVESTMENTS AB	222 198	241 458	7,02	28,63
ÖHMAN BANK S.A.	0	669 580	10,14	7,78
SWEDBANK ROBUR MICROCAP	0	388 644	5,89	4,52
FJÄRDE AP-FONDEN	0	305 259	4,62	3,55
TREDJE AP-FONDEN	0	300 000	4,54	3,49
AMF AKTIEFOND SMÅBOLAG	0	295 050	4,47	3,43
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	0	183 961	2,79	2,14
SEB S.A. CLIENT ASSETS UCITS	0	170 000	2,57	1,98
DANGOOR, DAVID	0	155 673	2,36	1,81
CBNY-NORGES BANK	0	156 000	2,36	1,81
ANDRA AP-FONDEN	0	155 000	2,35	1,80
LUXEMBOURG AIF CLIENTS ACCOUNT	0	153 095	2,32	1,78
BNYMSANV RE BNYMIL RE LF RUFFER INV	0	150 000	2,27	1,74
BANQUE PICTET & CIE SA, W8IMY	0	148 578	2,25	1,73
ÅLANDSBANKEN I ÄGARES STÄLLE	0	147 237	2,23	1,71
STRÖMBERG, STAFFAN	0	122 592	1,86	1,40
UNIONEN	0	120 000	1,82	1,39
PLACERINGSFOND SMÅBOLAGSFOND, NORDEN	0	110 203	1,67	1,28
MSIL IPB CLIENT ACCOUNT	0	105 711	1,60	1,23
NORDNET PENSIONS FÖRSÄKRING AB	0	103 499	1,57	1,20
Total 20 largest shareholders	222 198	4 181 540	66,70	74,40
Other shareholders	0	2 199 900	33,30	25,60
Total number of shares and votes	222 198	6 381 440	100,00	100,00

This report has not been subject to review by the company's auditors.

The board of Directors propose that no dividend be paid for fiscal year 2017.

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, February 28, 2018

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.

Income statement

SEK 000	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net sales	-	113	238	162
Selling expenses	0	-	-	2 543
Research and development expenses	-9 060	-14 225	-36 379	-40 795
Operating loss	-9 060	-14 112	-36 141	-38 090
Result from financial items				
Interest expense and similar profit/loss items	-	7	-15	-16
Result after financial items	-9 060	-14 105	-36 156	-38 106
Result for the period *	-9 060	-14 105	-36 156	-38 106

* Result for the period equals total comprehensive income

Result per share

SEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Result per share, before and after dilution*	-1.54	-2.56	-6.46	-8.42
Number of shares, weighted average*	5 870 305	5 503 638	5 595 305	4 525 213
Number of shares at end of period **	6 603 638	5 503 638	6 603 638	503 638

* Weighted average 2016 restated due to split 2016. No dilution effects exist as subscription price exceeds market price on the balance sheet date

**On December 31, 2017, allocation of emitted shares amounted to 222 198 A-shares carrying 10 votes per share and 6 381 440 B-shares carrying 1 vote per share

Balance sheet

	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>			
Activated development expenses	1	14 598	15 414
Shares in subsidiary	2	50	-
Total non-current assets		14 648	15 414
Current assets			
<i>Current receivables</i>			
Accounts receivable		-	53
Other receivables		994	708
Prepaid expenses and accrued income		1 108	148
Total current assets		2 102	909
Cash and cash equivalents		158 274	93 786
Total current assets		160 376	94 695
TOTAL ASSETS		175 024	110 109
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		1 800	1 500
<i>Unrestricted equity</i>			
Share premium reserve		239 474	140 473
Accumulated losses		-36 747	1 359
Net loss for the period		-36 156	-38 106
Total equity		168 371	105 226
Liabilities			
<i>Current liabilities</i>			
Accounts payable		506	1 116
Other current liabilities		166	167
Accrued expenses and prepaid income		5 981	3 600
Total current liabilities		6 653	4 883
TOTAL EQUITY AND LIABILITIES		175 024	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			-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			-36 156	-36 156
Total comprehensive income			-36 156	-36 156
Shareholder transactions				
Share issue	300	104 200		104 500
Share issue costs		-6 083		-6 083
Warrants		884		884
Closing equity Dec 31, 2017	1 800	239 474	-72 903	168 371

Statement of cash flows

SEK 000	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Operating activities				
Operating profit/loss	-9 060	-14 112	-36 141	-38 090
Financial items, net	-	7	-15	-16
Adjustment for non - cash flow affecting items depreciation	204	811	816	811
Cash flow from operating activities before changes in working capital	-8 856	-13 294	-35 340	-37 295
Cash flow from changes in working capital				
Increase (-)/Decrease (+) in operating receivables	-1 124	502	-1 193	578
Increase (+)/Decrease (-) in operating liabilities	2 661	-1 468	1 770	-3 031
Cash flow from operating activities	-7 319	-14 260	-34 763	-39 748
Investment activities				
Acquisition of non-current assets	-	-	-50	-
Financing activities				
Share issue	98 417	-	98 417	89 123
Warrants	-	-	884	-
Cash flow from financing activities	98 417	0	99 301	89 123
Cash flow for the period	91 098	-14 260	64 488	49 375
Cash and cash equivalents at the beginning of the year	67 176	108 046	93 786	44 411
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	158 274	93 786	158 274	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 2017, 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 not 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, amortized 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 company's 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 became 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. 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	2017	2016
Opening accumulated costs	16 225	16 225
Activated costs	-	-
Total cost	16 225	16 225
Opening accumulated depreciation	-811	-
Depreciation	-816	-811
Total accumulated depreciation	-1 627	-811
Carrying amount at end of the period	14 598	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.

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 Dec 31, 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 2.74 percent of shares, and 2.11 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 IBT's class B share during the period June 12, 2017 through June 16, 2017

Holder of warrants	Number allotted Dec 31, 2017	Number issued Dec 31, 2017	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 Jan-Dec	2016 Jan-Dec
Cash flow per share		
Cash flow for the period, 000's	64 488	49 375
Average number of shares	5 595 305	4 525 213
Cash flow per share (SEK)	11,53	10,91
Equity per share		
Equity, 000's	168 371	105 226
Number of shares at end of period	6 603 638	5 503 638
Shareholder's equity per share (SEK)	25,50	19,12
Equity ratio		
Equity, 000's	168 371	105 226
Total equity and liabilities, 000's	175 024	110 109
Equity ratio, %	96%	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	January 1 – December 31, 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 shareholder's equity
Shareholders equity/share*	Total shareholders' equity divided by the number of shares at the end of the period	Measure to describe shareholder's 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.