

Infant Bacterial Therapeutics AB (publ) Interim report January 1-March 31, 2018

First quarter (Jan-Mar) 2018

- Net sales 0 KSEK (117)
- Operating profit/loss -9 144 KSEK (-8 563)
- Earnings per share before and after dilution -0.96 SEK (-1.56)

Significant events during the first quarter January – March 2018

- 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 the share issue was fully subscribed

Significant events after the reporting period

- No significant events have occurred after the reporting period

Selected financial data

000's	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Total comprehensive income	-	117	238
Operating profit/loss	-9 144	-8 563	-36 141
Result after tax, SEK	-9 144	-8 563	-36 156
Total assets	597 313	100 925	175 024
Cash flow for the period (SEK)	422 807	-9 113	64 488
Cash flow per share for the period (SEK)	44.61	-1.66	11.53
Cash	581 081	84 673	158 274
Earnings per share, weighted average, before and after dilution (SEK)	-0.96	-1.56	-6.5
Equity per share (SEK)	52.48	17.56	25.50
Equity ratio (%)	98%	96%	96%

IBT in brief

Infant Bacterial Therapeutics AB ("IBT") is a public Company based in Stockholm. IBT 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.

IBT is a clinical stage pharmaceutical company with a vision to develop drugs influencing the infant microbiome, and thereby prevent or treat rare diseases affecting infants. IBT is currently developing its lead drug candidate IBP-9414 to prevent necrotizing enterocolitis (NEC) in premature infants. IBP-9414 contains the active substance *Lactobacillus reuteri*, which is a human bacterial strain naturally present in breast milk. 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 past year, IBT passed the most important milestones in the company's history. The company's drug candidate, IBP-9414, which we believe will prevent necrotizing enterocolitis, has demonstrated similar safety and tolerability profile in a Phase II study focused on safety and tolerability when IBP-9414 was administered in comparison with placebo.

During the spring of 2018 we ensured that we now have the resources needed to complete the Pivotal Phase III study, that we chose to call "The Connection Study". We expect to be able to announce "first patient in" to this pivotal trial in the near term. The last pieces of the puzzle in relation to our Clinical Research Organization (CRO) and Clinical Trial Material (CTM) vendors are also soon in place.

As previously communicated, IBT has applied for listing on Nasdaq's main list. We will meet all requirements for IBT to be approved for the main list. If nothing unanticipated occurs, I expect IBT to be approved on the main list during the third quarter of 2018.

We have also established an Advisory Board to aid in evaluating other new development projects. Here, IBT will be restrictive with focus on projects that can be taken to market and which satisfy an unmet medical need on parity with IBP-9414. I will return with more information about and when we identify additional valuable projects.

In summary, everything is progressing according to plan and we are looking forward to getting the study started and listing change approved in the near future.

Stockholm, May 15, 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 which 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 a clinical program consisting of two clinical trials.

The first study in IBP-9414 was a phase II 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 at 15 neonatal centers in the USA with IBP-9414 or placebo for up to 14 days, and the study was concluded by a six-month follow up after the last dose was administered on January 23, 2017.

On September 11, IBT reported results from its Safety and Tolerability study. The results demonstrated similar safety and tolerability to placebo in IBT's Safety and Tolerability study with IBP-9414. IBT and the principal investigator, Dr. Joseph Neu performed analysis of results in the study, "A randomized, double blind, parallel-group, dose escalation placebo-controlled multicenter study to investigate the safety and tolerability of IBP-9414 administered in preterm infants" (NCT02472769 ClinicalTrial.gov).

The following pivotal study will be designed to show and to document the effect of IBP-9414 compared to placebo for the prevention of NEC in premature infants with birth weights of 1 500g or less. This study will also include safety evaluation.

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.

IBT generated SEK 104.5m in a directed new share issue to institutional investors in November 2017 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, and operational costs for one year after conclusion of the study.

A predominant share of IBT's development costs are commitments in foreign currencies. Should the SEK depreciate versus the specific currency, it could have a significant impact on the Company's financial position and results. The currencies against which IBT has the greatest exposure are USD and EUR. As of the balance sheet date, the Company had no currency hedges. During April 2018, IBT purchased USD corresponding to 75 percent of expected outflows in USD during the remainder of 2018. The currency was in part bought for placement on account, and in part as foreign exchange forward contracts for the duration up to 12 months.

For further information on risks and uncertainties please refer to IBT's 2017 Annual Report and IBT's Rights Issue Prospectus dated 2018-01-10 on the Company's homepage www.ibtherapeutics.com

Related party transactions

Annwall & Rothschild Investments AB participated in the preferred new share issue by the company during the first quarter 2018 by subscribing to 155 538 class A-shares and 169 020 B-shares in the amount of approximately SEK 30.9m (Note 4).

No other significant related party transactions have occurred.

Financial calendar

Interim report January-June 2018

August 16, 2018

Interim report January-September 2018

November 14, 2018

The annual general meeting for IBT will be held on May 15th 2018 at 15.00 CET at Citykonferensen Ingenjörshuset, Malmskillnadsgatan 46, Stockholm.

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 May 15, 2018.

Financial development – first quarter (Jan-Mar) 2018

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 9 144 (8 680) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 1 914 (2 274) KSEK.

Personnel costs amounted to 2 910 (2 086) KSEK.

Other external costs amounted to 4 320 (1 803) KSEK.

Result and financial position

Operational result amounted to -9 144 (-8 563) KSEK and result after financial items amounted to -9 144 (-8 563) KSEK.

Result after tax amounted to -9 144 (-8 563) KSEK.

Result per share amounted to -0.96 (-1.56) SEK.

Cash flow for the period amounted to 422 807 (-9 113) KSEK. Cash flow 2018 included a new share issue in the amount of SEK 430.0m (0.0). Cash flow per share amounted to 44.61 (-1.66) SEK.

The Company's cash balance on March 31, 2018, amounted to 581 081 compared to 158 274 KSEK on December 31, 2017.

The Company's shareholder's equity on March 31, 2018, amounted to 589 152 compared to 168 371 KSEK on December 31, 2017. Shareholder's equity per share amounted to 52.48 compared to 25.50 SEK on December 31, 2017.

The Company's equity ratio amounted to 98% compared to 96% on December 31, 2017.

Operational costs during the reporting period are higher than during the same period in the previous year resulting from costs incurred relating to the listing change to Nasdaq Stockholm in the amount of approximately SEK 1.9m. Personnel costs have increased during the reporting period in comparison to the equivalent period during the prior year due to staff recruitment required for commencement of the clinical Phase III study.

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 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, 2018, the total number of shares amounted to 6 603 638 of which 222 198 class A-shares carrying ten votes and 5 281 440 class B-shares carrying one vote.

IBT issued 155 538 class A shares and 4 435 663 class B shares in a new share issue on February 5, 2018 (Note 4).

IBT issued 31 345 class B shares in a new share issue on February 13, 2018 (Note 4).

On March 31, 2018, the total number of shares amounted to 11 226 184 of which 377 736 class A shares carrying ten votes and 10 848 448 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.

IBTs closing share price on March 29, 2018, amounted to SEK 115.

Ownership March 31, 2018

Name	A shares	B shares	Share capital %	Votes %
ANNWALL & ROTHSCHILD INVESTMENTS AB	377 736	410 478	7.02	28.63
ÖHMAN BANK S.A.	-	1 088 731	9.70	7.44
FJÄRDE AP-FONDEN	-	848 445	7.56	5.80
SWEDBANK ROBUR MICROCAP	-	660 694	5.89	4.52
TREDJE AP-FONDEN	-	510 000	4.54	3.49
AMF AKTIEFOND SMÅBOLAG	-	501 585	4.47	3.43
SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	-	347 837	3.10	2.38
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	-	298 964	2.66	2.04
SEB S.A. CLIENT ASSETS UCITS	-	266 321	2.37	1.82
DANGOOR, DAVID	-	264 644	2.36	1.81
ANDRA AP-FONDEN	-	263 500	2.35	1.80
ÅLANDSBANKEN I ÄGARES STÄLLE	-	259 493	2.31	1.77
LUXEMBOURG AIF CLIENTS ACCOUNT	-	257 905	2.30	1.76
BANQUE PICTET & CIE SA, W8IMY	-	252 582	2.25	1.73
CBNY-NORGES BANK	-	234 704	2.09	1.60
NORDNET PENSIONS FÖRSÄKRING AB	-	213 166	1.90	1.46
UNIONEN	-	207 196	1.85	1.42
BNYMSANV RE BNYMIL RE LF RUFFER INV	-	187 100	1.67	1.28
RBC IS BANK SA LUX UCITS EXEMPTED	-	155 402	1.38	1.06
SOCIETE GENERALE	-	146 763	1.31	1.00
Total 20 largest shareholders	377 736	7 375 510	69.08	76.24
Other shareholders	-	3 472 938	30.92	23.76
Total number shares and votes	377 736	10 848 448	100.00	100.00

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

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, May 15, 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	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Net sales	-	117	238
Research and development costs	-9 144	-8 680	-36 379
Operating loss	-9 144	-8 563	-36 141
Result from financial items			
Interest expense and similar profit/loss items	-	-	-15
Result after financial items	-9 144	-8 563	-36 156
Result for the period *	-9 144	-8 563	-36 156

* Result for the period equals total comprehensive income

Result per share

SEK	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Result per share, before and after dilution*	-0.96	-1.56	-6.46
Number of shares, weighted average*	9 477 103	5 503 638	5 595 305
Number of shares at end of period **	11 226 184	5 503 638	6 603 638

* No dilution effects exist

**On March 31, 2018, allocation of emitted shares amounted to 377 736 A-shares carrying 10 votes per share and 10 848 448 B-shares carrying 1 vote per share

Balance sheet

SEK 000	2018-03-31	2017-03-31	2017-12-31
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>			
Activated development costs	14 394	15 210	14 598
<i>Financial non-current assets</i>			
Shares in subsidiary	50	-	50
Total non-current assets	14 444	15 210	14 648
Current assets			
<i>Current receivables</i>			
Accounts receivable	-	49	-
Other receivables	1 552	722	994
Prepaid expenses and accrued income	236	271	1 108
Total current assets	1 788	1 042	2 102
Cash and cash equivalents	581 081	84 673	158 274
Total current assets	582 869	85 715	160 376
TOTAL ASSETS	597 313	100 925	175 024
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	3 060	1 500	1 800
<i>Unrestricted equity</i>			
Share premium reserve	668 139	140 473	239 474
Accumulated losses	-72 903	-36 747	-36 747
Net loss for the period	-9 144	-8 563	-36 156
Total equity	589 152	96 663	168 371
Liabilities			
<i>Current liabilities</i>			
Accounts payable	1 326	1 915	506
Other current liabilities	470	194	166
Accrued expenses and prepaid income	6 365	2 153	5 981
Total current liabilities	8 161	4 262	6 653
TOTAL EQUITY AND LIABILITIES	597 313	100 925	175 024

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 on Jan 1, 2017	1 500	140 473	-36 747	105 226
Net loss for the period			-8 563	-8 563
Total comprehensive income			-8 563	-8 563
Closing equity on March 31, 2017	1 500	140 473	-45 310	96 663
Opening equity on 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 on Dec 31, 2017	1 800	239 474	-72 903	168 371
Opening equity on Jan 1, 2018	1 800	239 474	-72 903	168 371
Net loss for the period			-9 144	-9 144
Total comprehensive income			-9 144	-9 144
Shareholder transactions				
Share issue	1 260	437 882		439 142
Share issue costs		-9 217		-9 217
Closing equity on March 31, 2018	3 060	668 139	-82 047	589 152

Statement of cash flows

SEK 000	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Operating activities			
Operating profit/loss	-9 144	-8 563	-36 141
Financial items, net	-	-	-15
Adjustment for non - cash flow affecting items (depreciation production process)	204	204	816
Cash flow from operating activities before changes in working capital	-8 940	-8 359	-35 340
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables	314	-133	-1 193
Increase (+)/Decrease (-) in operating liabilities	533	-621	1 770
Cash flow from operating activities	-8 093	-9 113	-34 763
Investment activities			
Acquisition of non-current assets	-	-	-50
Financing activities			
Share issue	439 142	-	98 417
Share issue costs	-8 242	-	-
Warrants	-	-	884
Cash flow from financing activities	430 900	0	99 301
Cash flow for the period	422 807	-9 113	64 488
Cash and cash equivalents at the beginning of the year	158 274	93 786	93 786
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	581 081	84 673	158 274

Notes

Note 1 Accounting principles in accordance with IFRS

The interim report has been prepared in accordance with IAS 34 Interim reporting, and the Annual Accounts act, Årsredovisningslagen. The Company's 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.

IBT has adopted the same accounting principles and calculation methods as those described in the 2017 annual report with the exception of IFRS 9 and 15.

A number of new or revised standards, interpretations and improvements have been adopted by the EU and as of January 1, 2018, IFRS 9 Financial instruments and IFRS 15 Revenue recognition apply.

These have not had any material impact on the financial statements of IBT.

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and liabilities. It replaces 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.

Assets measured at accumulated cost or fair value through other comprehensive income are subject to the regulations regarding write downs. IFRS 9 applies a model for expected credit losses contrary to IAS 39 which applied to actual loss events. Write downs are reported as operational costs. IBT had on the balance sheet date not entered into any foreign currency hedging. IBT has after the balance sheet date entered into foreign exchange forward contracts. The effects will have impact on future financial statements and will be presented in the Q2 2018 interim statement.

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 exists. 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.

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

Note 2 Financial instruments

Fair value of accounts receivable, other receivables, cash, accounts payable and other liabilities are estimated to equal book value (accumulated cost) due to the short duration.

Note 3 Cash

The Company's liquidity consists solely of cash deposits held at Danske Bank and SEB.

Note 4 Share capital development (SEK)

Period	Transaction	Change	Series A shares	Series B shares	Share capital	Quota value	Subscription price	Total Invested capital*
2011-11-22	Founding	50 000			50 000	1.00	1.00	50 000
2015-09-15	Share issue	40 000			90 000	1.00	1 320.00	52 800 000
2015-09-15	Bonus issue	90 000			500 000	5.56	-	52 850 000
2016-02-12	Split/reclass	-90 000	74 066	1 760 480	500 000	0.27	-	52 850 000
2016-05-30	Share issue	-	148 132	3 520 960	1 500 000	0.27	27.30	153 016 212
2017-11-30	Share issue	-	-	1 100 000	300 000	0.27	95.00	257 516 212
2018-02-05	Share issue	-	155 538	4 435 663	3 051 120	0.27	95	693 680 307
2018-02-13	Share issue	-	-	31 345	3 059 663	0.27	95	696 658 082
Total		0	377 736	10 848 448	3 059 663	0.27	-	696 658 082

* In addition to invested capital the previous parent company of IBT, BioGaia AB, has remitted Group contributions and conditional shareholder contributions amounting to SEK 28.7m

Deduction of certain key figures

	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
Cash flow per share			
Cash flow for the period, 000's	422 807	-9 113	64 488
Average number of shares	9 477 103	5 503 638	5 595 305
Cash flow per share (SEK)	44.61	-1.66	11.53
Equity per share			
Equity, 000's	589 152	96 663	168 371
Number of shares at end of period	11 226 184	5 503 638	6 603 638
Equity per share (SEK)	52.48	1.56	25.50
Equity ratio			
Equity, 000's	589 152	96 663	168 371
Total equity and liabilities, 000's	597 313	100 925	175 024
Equity ratio, %	99%	96%	96%

Financial definitions

Key ratios	Definition	Motive
Average number of shares	Average number of shares during the reporting period	Relevant in calculating income and cash flow per share
Net sales	Sales for the period	Sales of services
Reporting period	January 1 – March 31, 2018	Explanation of period comprised by this financial report
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 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.