# Infant Bacterial Therapeutics AB (publ)

## Interim report January 1-September 30, 2018

### Third quarter (Jul-Sep) 2018

- Net sales 0 KSEK (0)
- Operating loss -7 683 KSEK (-4 571)*
- Earnings per share before and after dilution -0.71 SEK (-0.78)

### Nine months (Jan-Sep) 2018

- Net sales 0 KSEK (238)
- Operating loss -15 541 KSEK (-27 082)*
- Earnings per share before and after dilution -1.55 SEK (-4.61)

* Operational costs for the third quarter include exchange rate loss on forward currency contracts and currency deposits amounting to -286 (0) KSEK, operational costs amounted to 7 397 (4 571) KSEK prior to exchange rate loss. Operational costs for the nine-month period include exchange rate gains on forward currency contracts and forward currency deposits amounting to 10 453 (0) KSEK, operational costs amounted to 25 994 (27 320) KSEK prior to exchange rate gains (Note 2)

## Significant events during the third quarter (Jul-Sep) 2018

- IBT series B shares are traded on Nasdaq Stockholm, Mid Cap, since September 10, 2018 (IBT B)

## Significant events during the reporting period (Jan-Sep) 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
- On May 15, 2018, the annual general meeting elected Kristina Sjöblom Nygren and Lilian Henningson Wikström as new board members, and Jan Annwall resigned from the board
- In June 2018, IBT contracted Premier Research International LLC, the company's CRO during the phase II clinical trial, to also conduct the company's phase III clinical trial

## Significant events after the reporting period

- No significant events have occurred after the reporting period

## Selected financial data

| 000's | 2018 Jul-Sep | 2017 Jul-Sep | 2018 Jan-Sep | 2017 Jan-Sep | 2017 Jan-Dec |
|---|---|---|---|---|---|
| Net sales | - | - | - | 238 | 238 |
| Operating profit/loss | -7 683 | -4 571 | -15 541 | -27 082 | -36 141 |
| Result after tax, SEK | -7 985 | -4 586 | -16 464 | -27 097 | -36 156 |
| Total assets | 589 820 | 83 006 | 589 820 | 83 006 | 175 024 |
| Cash flow for the period (SEK) | -10 014 | -9 147 | 408 512 | -26 610 | 64 488 |
| Cash flow per share for the period (SEK) | -0.89 | -1.66 | 39.46 | -4.83 | 11.53 |
| Cash | 566 786 | 67 176 | 566 786 | 67 176 | 158 274 |
| Earnings per share before and after dilution (SEK) | -0.71 | -0.78 | -1.55 | -4.61 | -6.05 |
| Equity per share (SEK) | 51.74 | 14.36 | 51.74 | 14.36 | 25.5 |
| Equity ratio (%) | 98% | 95% | 98% | 95% | 96% |

## IBT in brief

Infant Bacterial Therapeutics AB ("IBT") is a public Company based in Stockholm. IBT series B shares are traded on Nasdaq Stockholm, Mid Cap, since September 10, 2018 (IBT B).

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 has an additional project in its portfolio, 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

The third quarter was dominated by extensive preparatory work relating to the planned phase III study, called "The Connection Study". In addition to chosing the CRO (Premier Research) we have strengthed our own organization to be able to handle the large study of more than 2,000 pre-term infants. The preparations are considerable, as this work is characterized by coordination of the development program with the EMA and the FDA with the aim to achieve an identical basis for registration of IBP-9414 within both the EU and the USA. Our experience from the completed phase II study has contributed valuable insight that we utilize when designing the protocol for the phase III study. IBTs organization is continuously developing to comply with the demands relating to the Connection Study. The plan, as stated previously, is to initiate the phase III study during the fourth quarter of this year.

IBT is working together with the FDA in the Critical Path Initiative (CPI), which aims to reform pharmaceutical development. In September IBT, in addition to IBTs Principal Investigator, Dr. Josef Neu, participated at the FDAs Microbiome Symposium (Science and Regulation of Live Microbiome-Based Products). Dr. Neu, a member of IBTs Advisory Board, held a lecture on NEC and treatment of NEC. We also plan to participate in several international investor conferences, among others the Nordic-American Life Science Conference in New York in November to further promote awareness of IBT.

In addition, we are continuously in contact with several companies to identify the right partners for marketing and distribution of the pharmaceutical.

During the quarter IBT concluded the planned listing and the Company's B shares were admitted to trading on Nasdaq Stockholm's mid-cap list on September 10.

Stockholm November 14, 2018

Staffan Strömberg,
Chief Executive Officer

## Description of IBT's development project IBP-9414

The development plan for IBP-9414 is to conduct a clinical program consisting of two clinical trials, the completed safety and tolerability study followed by the planned pivotal phase III study, and has been designed with input key opinion leaders from the US and Europe. Further, IBT has discussed the program with both the United States Food and Drug Administration ("FDA") since 2013 and with the European Medicines Agency ("EMA") since 2014, respectively, and adapted to include and accommodate their respective input.

In June 2016, IBT commenced the first 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. On September 11, 2017 IBT reported preliminary results from this safety and tolerability study that was, subsequently, completed according to plan in the fourth quarter 2017. This study included 120 preterm infants in total with birth-weight ranging from 500 to 2,000 grams. The results demonstrated a similar safety and tolerability profile in the active group as in the placebo group.

The subsequent Pivotal Phase III study is expected to be initiated during the fourth quarter of 2018. The phase III study will be designed to show and 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.

## 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.

### Financial risk management

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 currency against which IBT has the greatest exposure is USD. During April 2018, IBT purchased 4.5 MUSD for placement on account, and 13.5 MUSD in foreign exchange forward contracts for the duration up to 12 months hedging such expenses (Notes 2 and 3).

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.

For further information on risks and uncertainties please refer to IBT's Annual Report 2017 and IBT's Rights Issue Prospectus dated January 10, 2018 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.

## Corporate actions

At the annual general meeting in May, Kristina Sjöblom Nygren and Lilian Henningson Wikström were elected as new board members, and Jan Annwall resigned from the board.

Lilian Henningson Wikström holds a Master of Science from Åbo Akademi University and is a Doctor of Medical Sciences from Karolinska Institutet. Since 2010 she has been CEO of Karolinska Institutet Innovations AB in Solna. Lilian Henningson Wikström has, in addition to being a PhD at the Ludwig Institute for Cancer Research in Stockholm, been active in the pharmaceutical industry, among other positions has been research director at NeuroNova AB. Lilian Henningson Wikström does not own any shares in IBT.

Kristina Sjöblom Nygren has received a Doctor of Medical Sciences from Karolinska Institutet and is a licensed physician. She has been Chief Medical Officer, Head of Development since 2018 at Santhera Pharmaceuticals in Basel, Switzerland. Kristina Sjöblom Nygren has extensive experience from the pharmaceutical industry, where she has held among other positions Head of Clinical Development at SOBI. Kristina Sjöblom Nygren does not own any shares in IBT.

## Financial calendar

| | |
|---|---|
| Year-end report January-December 2018 | February 8, 2019 |
| Annual General Meeting 2019 | May 6, 2019 |

## 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 Stockholm.

The Report was submitted for publication, by the CEO, at 08.00 a.m. CET on November 14, 2018.

## Financial development – third quarter (Jul-Sep) 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

Costs for the planned clinical IBP-9414 clinical trial are reported net of exchange rate effects on foreign currency forward contracts and currency deposits. Exchange rate losses during the third quarter amounted to -286 (0) KSEK (Note 2).

Operational costs amounted to 7 397 (4 571) KSEK prior to exchange rate losses amounting to -286 (0) KSEK, and after exchange rate losses to 7 683 (4 571) KSEK, of which costs for the planned IBP-9414 clinical trial amounted to 1 849 (1 017) KSEK and after exchange rate losses amounted to 2 135 (1 017) KSEK.

Personnel costs amounted to 2 955 (2 141) KSEK.

Other external costs amounted to 2 593 (1 428) KSEK.

### Result and financial position

Operational result amounted to -7 683 (-4 571) KSEK and result after financial items amounted to -7 985 (-4 586) KSEK.
Result after tax amounted to -7 985 (-4 586) KSEK.
Result per share amounted to -0.71 (-0,78) SEK.

Cash flow for the period amounted to -10 014 (-9 147) KSEK. Cash flow per share amounted to -0.89

(-1.66) SEK.

The Company's cash balance on September 30, 2018, amounted to 566 786 compared to 158 274 KSEK on December 31, 2017.

The Company's shareholder's equity on September 30, 2018, amounted to 580 860 compared to 168 371 KSEK on December 31, 2017. Shareholder's equity per share amounted to 51.74 compared to 25.50 SEK on December 31, 2017.

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

## Financial development – nine months (Jan-Sep) 2018

### Costs

Costs for the planned clinical IBP-9414 clinical trial are reported net of exchange rate gains on foreign currency forward contracts and currency deposits. Exchange rate gains during the reporting period amounted to 10 453 (0) KSEK (Note 2).

Operational costs amounted to 25 994 (27 320) KSEK prior to exchange rate gains on foreign currency forward contracts and currency deposits amounting to 10 453 (0) KSEK, and after exchange rate gains amounted to 15 541 (27 320) KSEK, of which costs for the planned IBP-9414 clinical trial amounted to 9 334 (12 681) KSEK and after exchange rate gains amounted to -1 119 (12 681) KSEK.

Personnel costs amounted to 8 978 (9 880) KSEK. The comparative period included a bonus payment amounting to approximately SEK 2.4m. IBT had 8 (6) full time equivalent employees at the end of the reporting period.

Other external costs amounted to 7 682 (4 774) KSEK.

**Result and financial position**

Operational result amounted to -15 541 (-27 097) KSEK and result after financial items amounted to -16 464 (-27 097) KSEK.
Result after tax amounted to -16 464 (-27 097) KSEK.
Result per share amounted to -1.55 (-4.61) SEK.

Cash flow for the period amounted to 408 512 (-26 610) KSEK. Cash flow 2018 included a new share issue in the amount of SEK 429.9m (0.0). Cash flow per share amounted to 39.46 (-4.83) SEK. Cash flow per share less the new share issue amounted to -1.97 (-4.83) SEK.

The Company's cash balance on September 30, 2018, amounted to 566 786 compared to 158 274 KSEK on December 31, 2017.

The Company's shareholder's equity on September 30, 2018, amounted to 580 860 compared to 168 371 KSEK on December 31, 2017. Shareholder's equity per share amounted to 51.74 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 cost during the reporting period were lower compared to the previous year as the company's clinical phase II trial was concluded during the first half of 2018, and costs for the planned clinical phase III trial were lower than clinical trial costs during the previous year.

Costs for the ongoing IBP-9414 clinical trial are reported net including exchange rate gains on currency forward contracts and currency deposits during the reporting period amounting to 10 453 (0) KSEK (Note 2).

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 2.0m and business development costs amounting to approximately SEK 1.6m.

Personnel costs have increased during the reporting period in comparison to the equivalent period during the prior year (disregarding the bonus payment during the comparative period) due to staff recruitment required for conducting the clinical Phase III trial.

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 4 467 008 class B shares in a new share issue in February 2018 (Note 4).

On September 30, 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 Stockholm, Mid Cap, on September 10, 2018.

IBT's closing share price on September 28, 2018 amounted to SEK 175.

## Ownership September 30, 2018

| Name | Series A shares | Series B shares | Share capital % | Voting rights % |
|---|---|---|---|---|
| ANNWALL & ROTHSCHILD INVESTMENTS AB | 377 736 | 410 478 | 7.02 | 28.63 |
| ÖHMAN BANK S.A. | - | 1 058 481 | 9.43 | 7.24 |
| FJÄRDE AP FONDEN | - | 852 716 | 7.60 | 5.83 |
| SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY | - | 657 597 | 5.86 | 4.50 |
| TREDJE AP-FONDEN | - | 510 000 | 4.54 | 3.49 |
| AMF AKTIEFOND SMABOLAG | - | 501 585 | 4.47 | 3.43 |
| RBC INVESTOR SERVICES BANK S.A., W8IMY | - | 342 373 | 3.05 | 2.34 |
| SWEDBANK ROBUR MICROCAP | - | 340 694 | 3.03 | 2.33 |
| SWEDBANK ROBUR NY TEKNIK BTI | - | 320 000 | 2.85 | 2.19 |
| FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION | - | 284 115 | 2.53 | 1.94 |
| **Sub-total 10 largest shareholders** | **377 736** | **5 278 039** | **50.38** | **61.92** |
| **Other shareholders** | **-** | **5 570 409** | **49.62** | **38.08** |
| **Total number of shares** | **377 736** | **10 848 448** | **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 14, 2018

| | | | |
|---|---|---|---|
| Peter Rothschild<br>Chairman | Anders Ekblom<br>Director | Margareta Hagman<br>Director | Eva Idén<br>Director |
| Anthon Jahreskog<br>Director | Kristina Sjöblom Nygren<br>Director | Lilian Wikström<br>Director | Staffan Strömberg<br>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, 2018. 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, prepared for the Group in accordance with the Annual Accounts Act.

Stockholm, November 14, 2018

Deloitte AB

Birgitta Lööf

Authorized Public Accountant

## Income statement

| SEK 000 | 2018 Jul-Sep | 2017 Jul-Sep | 2018 Jan-Sep | 2017 Jan-Sep | 2017 Jan-Dec |
|---|---|---|---|---|---|
| Net sales | - | - | - | 238 | 238 |
| Research and development costs | -7 683 | -4 571 | -15 541 | -27 320 | -36 379 |
| **Operating loss** | **-7 683** | **-4 571** | **-15 541** | **-27 082** | **-36 141** |
| **Result from financial items** | | | | | |
| Interest income and similar profit/loss items | 170 | - | 170 | - | - |
| Interest expense and similar profit/loss items | -472 | -15 | -1 093 | -15 | -15 |
| **Result after financial items** | **-7 985** | **-4 586** | **-16 464** | **-27 097** | **-36 156** |
| **Result for the period *** | **-7 985** | **-4 586** | **-16 464** | **-27 097** | **-36 156** |

* Result for the period equals total comprehensive income

## Result per share

| SEK | | | | | |
|---|---|---|---|---|---|
| Result per share, before and after dilution* | -0,71 | -0.78 | -1.55 | -4.61 | -6.05 |
| Number of shares, weighted average* | 11 226 184 | 5 880 087 | 10 643 157 | 5 880 087 | 5 978 024 |
| Number of shares at end of period ** | 11 226 184 | 5 503 638 | 11 226 184 | 5 503 638 | 6 603 638 |

* The share price at the preferential new share issue in February, 2018, amounted to SEK 95 per share, which approximately corresponded to 84 percent of the shares fair value at the time. Bonus element has been applied for calculation of result per share. Comparative figures are restated. No other dilution effects exist

**On September 30, 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 | Not | 2018-09-30 | 2017-09-30 | 2017-12-31 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| *Intangible non-current assets* | | | | |
| Activated development costs | | 13 986 | 14 802 | 14 598 |
| Shares in subsidiary | | 50 | 50 | 50 |
| **Total non-current assets** | | **14 036** | **14 852** | **14 648** |
| **Current assets** | | | | |
| *Current receivables* | | | | |
| Other receivables | 2 | 8 807 | 754 | 994 |
| Prepaid expenses and accrued income | | 191 | 224 | 1108 |
| **Total current assets** | | 8 998 | 978 | 2 102 |
| Cash and cash equivalents | | 566 786 | 67 176 | 158 274 |
| **Total current assets** | | **575 784** | **68 154** | **160 376** |
| **TOTAL ASSETS** | | **589 820** | **83 006** | **175 024** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| *Restricted equity* | | | | |
| Share capital | | 3 060 | 1 500 | 1 800 |
| *Unrestricted equity* | | | | |
| Share premium reserve | | 667 167 | 141 357 | 239 474 |
| Accumulated losses | | -72 903 | -36 747 | -36 747 |
| Net loss for the period | | -16 464 | -27 097 | -36 156 |
| **Total equity** | | **580 860** | **79 013** | **168 371** |
| **Liabilities** | | | | |
| *Current liabilities* | | | | |
| Accounts payable | | 5 543 | 668 | 506 |
| Other current liabilities | | 304 | 216 | 166 |
| Accrued expenses and prepaid income | | 3113 | 3109 | 5981 |
| **Total current liabilities** | | **8 960** | **3 993** | **6 653** |
| **TOTAL EQUITY AND LIABILITIES** | | **589 820** | **83 006** | **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 | | | -27 097 | -27 097 |
| **Total comprehensive income** | | | -27 097 | -27 097 |
| **Shareholder transactions** | | | | |
| Warrants | | 884 | | 884 |
| **Closing equity on Sep 30, 2017** | **1 500** | **141 357** | **-63 844** | **79 013** |
| | | | | |
| **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 | | | -16 464 | -16 464 |
| **Total comprehensive income** | | | -16 464 | -16 464 |
| **Shareholder transactions** | | | | |
| Share issue | 1 260 | 437 882 | | 437 882 |
| Share issue costs | | -10 189 | | -10 189 |
| **Closing equity on Sep 30, 2018** | **3 060** | **667 167** | **-89 367** | **580 860** |

## Statement of cash flows

| SEK 000 | 2018 Jul-Sep | 2017 Jul-Sep | 2018 Jan-Sep | 2017 Jan-Sep | 2017 Jan-Dec |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Operating profit/loss | -7 683 | -4 571 | -15 541 | -27 082 | -36 141 |
| Financial items, net | -302 | -15 | -923 | -15 | -15 |
| Adjustment for non - cash flow affecting items | | | | | |
| (depreciation production process) | 204 | 204 | 612 | 612 | 816 |
| **Cash flow from operating activities before changes in working capital** | **-7 781** | **-4 382** | **-15 852** | **-26 485** | **-35 340** |
| **Cash flow from changes in working capital** | | | | | |
| Increase (-)/Decrease (+) in operating receivables | 382 | -133 | -7 278 | -69 | -1 193 |
| Increase (+)/Decrease (-) in operating liabilities | -1 643 | -4 632 | 2 307 | -890 | 1 770 |
| **Cash flow from operating activities** | **-9 042** | **-9 147** | **-20 823** | **-27 444** | **-34 763** |
| **Investment activities** | | | | | |
| Acquisition of non-current assets | - | - | - | -50 | -50 |
| **Financing activities** | | | | | |
| Share issue | - | - | 439 142 | - | 98 417 |
| Share issue costs | -972 | - | -9 217 | | |
| Warrants | - | - | - | 884 | 884 |
| **Cash flow from financing activities** | **-972** | **0** | **429 925** | **884** | **99 301** |
| **Cash flow for the period** | **-10 014** | **-9 147** | **409 102** | **-26 610** | **64 488** |
| Cash and cash equivalents at the beginning of the year | 576 800 | 76 323 | 158 274 | 93 786 | 93 786 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **566 786** | **67 176** | **567 376** | **67 176** | **158 274** |

## Note 1 Accounting principles

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. Adoption of IFRS 9 has not had any significant impact on the financial statements of IBT. Adoption of IFRS 15 has not had any impact on the financial statements of IBT (Note 2).

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 and recognition of financial assets and liabilities. IFRS 9 retains a mixed approach to measurement but simplifies the approach in some respects. There are three measurement categories for financial assets, accumulated 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, the characteristics of the instrument, and the contractual cashflows that the company will generate from the financial asset.

Financial assets are comprised of cash valued at accumulated cost and financial receivables valued at fair value in the income statement. Liquid assets are subject to the expected loss model. Liquid assets are comprised of immediately available cash deposits in Swedish banks and therefore the risks are deemed to be low. No significant effect. Accounts payable are liabilities.

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 applies to actual loss events. Write downs are reported as operational costs. IBT has during the second quarter 2018 entered into foreign currency forward contracts. The effects of these forward contacts will be reported at fair value in the income statement item research and development costs beginning in the interim statement for the second quarter 2018 (Note 2).

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, the 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 January 1, 2019 or later. Early application is permitted. As IBT currently has only a small number of leases, the effect of introducing this standard is not deemed to be significant. Effects may however impact future financial reports.

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

Financial assets and liabilities valued at fair value in the income statement:

Financial instruments in this category are comprised of foreign exchange forward contracts and are valued at fair value with changes in value reported in the income statement for the period. Valuations are performed by discounting cash flows and is based on the forward exchange rate on the balance sheet date compared to the contractual forward exchange rate. All derivatives are valued at hierarchy level 2.

Value variance in purchased forward contracts and currency deposits are presented in the following table:

| **Foreign exchange forward contracts - income effect*, SEK ooo's** | **2018-07-01-2018-09-30** | **2018-04-18-2018-09-30** | **2017-12-31** |
|---|---|---|---|
| **Purchases of USD forward contracts and deposit on currency account on 2018-04-18** | | | |
| Forward contracts USD 13.5m, as of June 30, 2018/time of purchase | -119 241 | -111 009 | - |
| Forward contracts USD 13.5m on balance sheet date, duration until 2019-04-19 | 119 160 | 119 160 | - |
| Currency account, USD 4.1m as of June 30/time of purchase (restated)** | -36 755 | -34 248 | - |
| Currency account, USD 4.1m on balance sheet date | 36 329 | 36 329 | - |
| Realized exchange rate gains/losses | 221 | 221 | - |
| **Result*** ** | **-286** | **10 453** | **0** |

* Purchased forward contracts and currency refer to mitigate risk related to the ongoing phase III clinical trial in the pharmaceutical drug candidate IBP-9414. The income effect is reported in the income statement item R&D

**Cost restated due to reduced balance which has generated exchange rate gains/losses

***Result during the reporting period is comprised of unrealized exchange rate gains on forward contracts amounting to approximately SEK 8.2m (other current receivables) and unrealized exchange rate gains on USD placed on currency accounts amounting to approximately SEK 2.3m

## Note 3 Cash

The Company's liquidity consists solely of cash deposits held at Danske Bank and SEB. Total liquidity on the balance sheet date amounted to SEK 566.8m of which USD amounted to SEK 36.2m. Liquidity in SEK is charged with Deposit Fees. Deposits of USD on fixed term account generate interest income.

## 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** |

## Deduction of certain key figures

| | 2018 Jul-Sep | 2017 Jul-Sep | 2018 Jan-Sep | 2017 Jan-Sep | 2017 Jan-Dec |
|---|---|---|---|---|---|
| **Cash flow per share** | | | | | |
| Cash flow for the period, 000's | -10 014 | -9 147 | 408 512 | -26 610 | 64 488 |
| Average number of shares | 11 226 184 | 5 503 638 | 10 351 643 | 5 503 638 | 5 595 305 |
| **Cash flow per share (SEK)** | **-0.89** | **-1.66** | **39.46** | **-4.83** | **11.53** |
| | | | | | |
| **Equity per share** | | | | | |
| Equity, 000's | 580 860 | 79 013 | 580 860 | 79 013 | 168 371 |
| Number of shares at end of period | 11 226 184 | 5 503 638 | 11 226 184 | 5 503 638 | 6 603 638 |
| **Equity per share (SEK)** | **51.74** | **14.36** | **51.74** | **14.36** | **25.50** |
| | | | | | |
| **Equity ratio** | | | | | |
| Equity, 000's | 580 160 | 79 013 | 580 860 | 79 013 | 168 371 |
| Total equity and liabilities, 000's | 589 820 | 83 006 | 589 820 | 83 006 | 175 024 |
| **Equity ratio, %** | **98%** | **95%** | **98%** | **95%** | **96%** |

## Financial definitions

Alternate key ratios are presented as they in their context support measures defined by relevant rules for financial reporting. Basis for presented alternate key ratios is that they are used by management to assess the financial development and therefore deemed to provide valuable information for analysts and other interested parties. Definitions are provided below for all alternate key ratios used.

| 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 – September 30, 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.