Infant Bacterial Therapeutics AB (publ)
Year End Report January 1-December 31, including the second half year 2016

This financial report is IBT's first financial report prepared in accordance with RFR 2, IAS 34 Interim Reporting (Delårsrapportering) and Annual Report (Årsredovisningslagen). IBT will prepare financial reports on a quarterly basis as of the first quarter 2017.

Significant events during the second half year 2016
July – December

- In November, the independent safety monitoring committee (DSMB) reviewed the ongoing phase ll clinical trial in IBP-9414 (NCT02472769). Following the recommendation by the DSMB it was decided to continue the trial with the higher dose of IBT's drug candidate IBP-9414 in the final group of patients
- In December, IBT announced that it is in the early planning stages of another project, IBP-1016, to develop a drug to treat the consequences of gastroschisis, a rare life threatening and debilitating birth abnormality in infants

Significant events during the reporting period
January-December

- The Annual General Meeting decided on repayment of conditional shareholder contributions by offsetting previously received group contributions by SEK 20.6m
- BioGaia AB (publ) distributed its entire holding (94.5 % of shares and 96 % of votes) in IBT to BioGaia's shareholders
- IBT's shares were listed on Nasdaq First North
- IBT completed a guaranteed share issue which generated approximately SEK 89m after deduction of issue costs
- In June, the first premature infants were enrolled and dosed in the Company's phase ll clinical trial in IBP-9414 (NCT02472769)

Significant events after the reporting period

- In January 2017, all 120 patients were included in the Company's phase ll clinical trial in IBP-9414 (NCT02472769)

Financial summary

SEK 000's	2016 Jul-Dec	2015 Jul-Dec	2016 Jan-Dec	2015 Jan-Dec
Total comprehensive income	162	-	162	-
Net profit/loss	-22 012	-10 942	-38 090	-20 615
Result after tax	-21 822	9 657	-38 106	-23
Total assets	110 109	82 543	110 109	82 543
Cash flow for the period	-22 598	42 894	49 375	43 357
Cash	93 786	44 411	93 786	44 411
Earnings per share, weighted average, before and after dilution (SEK)	-4,8	5,3	-8,4	0,0
Equity per share (SEK)	19,1	831,2	19,1	831,2
Equity ratio (%)	96%	91%	96%	91%

IBT in brief

Infant Bacterial Therapeutics AB ("IBT") is a pharmaceutical company based in Stockholm. IBT is listed on Nasdaq First North in Stockholm since March 29, 2016 (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, 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 afflicts premature infants. 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 fulfil unmet needs for diseases where there are currently no prevention or treatment therapies available.

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

Message from the CEO

Almost five years have passed since Eamonn Connolly and I realized that something extraordinary could be done to ensure that premature infants would not be affected by the often-deadly disease NEC. The idea was triggered by two independent American research groups that had performed clinical studies which demonstrated that *Lactobacillus reuteri* could reduce the risk that these infants would develop NEC. Until the end of March, 2016, we were a subsidiary of BioGaia, a company which has successfully worked with and developed *Lactobacillus reuteri* for several decades. Supported by knowledge and financing from BioGaia, we developed a completely new product focused on treating these highly vulnerable infants. Together with leading world experts and governmental agencies we have generated a well-grounded development plan for our drug candidate IBP-9414 for the prevention of NEC.

IBT was granted Orphan Drug status by the Food and Drug Administration (FDA) as well as the European Medicines Agency (EMA) for the Orphan Drug candidate IBP-9414 for the prevention of NEC. During the year IBT was also granted "Rare Pediatric Disease" status by the FDA. That implies that IBT can be awarded a Priority Review Voucher by the FDA at market approval of IBP-9414. A Priority Review Voucher stipulates that the FDA will treat a drug application with an expedited timeline. At the turn of the year 2015 / 2016, IBT received approval from the Swedish medical agency (Läkemedelsverket) and the FDA to perform a clinical Phase II study (NCT02472769) within the framework of pharmaceutical development of IBP-9414. During the month of June, the first patients were recruited and dosed in the NEC study in the USA. The last patient was recruited on 23 January 2017 and the results of the study are expected during the autumn of 2017.

With that background, we were able to make 2016 an important year in IBTs history in which we accomplished important milestones in our pharmaceutical development. During the month of December, IBT presented a further development project, IBP-1016, which is aimed to address the medical issues that arise in infants that are affected by gastroschisis, a rare and serious disease in infants.

The financial development of IBT is in line with expectation and budget for the costs related to the ongoing clinical Phase II study. The listing of IBT's B share on Nasdaq First North and the following subscription issue has enabled the company to acquire the capital to complete the ongoing Phase II study of IBP-9414 (NCT02472769). We will even have the possibility to prepare for the following planned Phase III study, and create a development plan for IPB-1016.

2017 is going to be an important year for IBT. We will continue to build our organization so that we are well prepared for future challenges. We expect to understand how agencies and experts view our new project IBP-1016 and we also expect to receive our Phase II (NCT02472769) results.

It is our long-term hope and ambition to offer the market pharmaceuticals that can save the lives of premature infants and I am optimistic about the future of IBT and our projects.

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.

IBT intends to conduct a clinical program consisting of two clinical trials.

The first study is 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 is to assess the safety and tolerability of the drug candidate IBP-9414 administered in premature infants. The infants in the study are treated with IBP-9414 or placebo for 14 days, and the study will be completed by a six-month follow up after the last dose has been administered. Results from the ongoing phase ll clinical trial are expected during the fourth quarter of 2017

The budget for the first clinical study is approximately SEK 45 million.

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

History

2013

- Infant Bacterial Therapeutics AB (IBT) commenced its activities and started the development of a preventive therapy (IBP-9414) against NEC using *Lactobacillus reuteri*
- IBT is granted Orphan Drug Designation by the FDA for *Lactobacillus reuteri* for the prevention of NEC in premature infants
- U.S. Food and Drug Administration (FDA) provides scientific input for IBT's development plans

2014

- Pharmaceutical development defining the formulation and manufacturing process for IBP-9414
- The European Medicines Agency provides scientific input for IBT's development plans

2015

- IBP-9414 is granted Orphan Drug Designation by the European Commission for *Lactobacillus reuteri* for the prevention of NEC in premature infants
- Production of drug candidate IBP-9414 according to all applicable pharmaceutical chemistry-manufacture-control regulations for clinical phase II trial
- IBT received approval from the Swedish Medical Products Agency to conduct a clinical trial in Sweden

2016

- BioGaia distributes its shares in IBT to BioGaia's shareholders
- The Company's shares are listed on Nasdaq First North
- IBT receives Rare Pediatric Disease Designation from FDA for IBP-9414
- IBT completed a share issue which generated approximately SEK 89m
- All Board members, the CEO and Head of Research and Development subscribed to shares in the Company in the Rights Issue completed in May, 2016
- IBT announced that the first premature infant has been enrolled and dosed in the Company's phase ll clinical trial (NCT0242769) in the USA
- This financial report is IBT's first financial report prepared in accordance with RFR 2

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 and the following Share Issue in May 2016 generated capital sufficient to complete the ongoing IBP-9414 clinical phase ll-trial (NCT02472769). The Company also has the possibility to prepare the following planned clinical phase lll-trial and to prepare a development plan for IBP-1016. Additional capital will be required to conduct the planned clinical phase lll-trial and to develop IBP-1016.

Access to capital may be limited at the time it is required by the Company. The Company estimates, based on its current development plan, that additional capital will be required for the development of IBP-9414 and submission for regulatory approval. The Company has previously communicated the need for additional capital and the capital needs will be adjusted.

A predominant share of IBT's development costs are commitments in foreign currencies. Should the SEK depreciate in value versus the specific currency, it could have a significant impact on the Company's financial position and results.

IBT's balance sheet item "cash and cash equivalents" in the balance sheet represents cash deposits at Danske Bank. The Company's assessment is that the counterpart risk at Danske Bank is very low.

Further information on risks and uncertainties is available in IBT's Rights Issue Prospectus on the Company's homepage www.ibtherapeutics.com

Related party transactions

The Company was a subsidiary of BioGaia AB (publ) until March 23, 2016. In accordance with the decision at the 2016 annual general meeting, conditional shareholder contributions were offset against previously received Group contributions in the amount of SEK 20.6m. The repayment had no liquidity effect on the Company. No other significant related party transactions were made with BioGaia up to and including March 23, 2016.

BioGaia issued a subscription guarantee in the Rights Issue in May, 2016, for which the Company paid a guarantee fee in June 2016 amounting to approximately SEK 1.3m.

BioGaia has patents on *Lactobacillus reuteri* and BioGaia has provided IBT with an exclusive license free of charge to use *Lactobacillus reuteri* within IBT's field of operations.

The principal patent coverage for IBP-9414 is the product requirement to use a specific strain of *Lactobacillus reuteri.* This form of coverage is often termed "unlimited product coverage", equivalent to those used in the pharma industry for novel chemical substances in the small molecule segment. Patents including product coverage are granted on most important markets. The patent coverage granted in the USA, China and Japan are valid until 2026, and in Europe until 2027. Thereafter the patent duration may be extended in certain areas of the world, which may provide the innovation with additional patent coverage.

IBT also has pending filings for additional patent coverage for IBP-9414 for which the purpose is to provide additional patent coverage for IBP-9414 until year 2036.

No related party transactions have occurred other than described above.

Financial calendar

Interim report January-March 2017	May 4, 2017
Interim report January-June 2017	August 28, 2017
Interim report January-September 2017	November 23, 2017

Annual general meeting

The Annual general meeting of IBT will be held on May 4, 2017 at Citykonferensen Ingenjörshuset, Malmskillnadsgatan 46 in Stockholm. Final date for submission of items for the Annual general meeting is March 31, 2017. The 2016 Annual Report will be available latest on April 3, 2017, on the Company's homepage www.ibtherapeutics.com

The Board of Directors and CEO propose that no dividend shall be paid for fiscal year 2016.

Certified Adviser

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

Contact persons

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

Contact information

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

Publication

The information in this Interim Report 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.
The Report was submitted for publication, by the CEO, at 08.00 a.m. CET on February 14, 2017.

Financial development – comments to development during the second half year and full year 2016

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

Costs

Second half year (July-December)

Operational costs amounted to 24 717 (10 942) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 16 649 (7 261) KSEK.
Personnel costs amounted to 3 804 (2 981) KSEK.
Other external costs amounted to 4 264 (700) KSEK.

Full year 2016

Operational costs amounted to 40 795 (20 615) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 26 658 (11 843) KSEK. Balanced development costs amounted to 0.0 (10 150) KSEK.
Personnel costs amounted to 7 130 (6 315) KSEK.
Other external costs amounted to 7 007 (2 457) KSEK.
Share issue costs amounted to SEK 11.0 (0.0)m which was charged to shareholders equity.

Result and financial position

Second half year (July-December)

Operational result amounted to -22 012 (-10 942) KSEK and result after financial items amounted to -21 822 (-10 944) KSEK.
Result after appropriations and tax amounted to -21 822 (9 657) KSEK.
Result per share amounted to -4.82 (5.35) SEK.
Cash flow for the period amounted to -22 598 (42 894) KSEK. Cash flow 2015 included Group contributions amounting to 6 731 KSEK and a share issue amounting to 52 800 KSEK.
The Company's cash balance on December 31, 2016, amounted to 93 786 compared to 44 411 KSEK on December 31, 2015.
The Company's shareholders equity on December 31, 2016, amounted to 105 226 compared to 74 809 KSEK on December 31, 2015. Shareholders equity per share amounted to 19.12 compared to 831.21 SEK on December 31, 2015.
The Company's equity ratio amounted to 96% compared to 91% on December 31, 2015.

Full year 2016

Operational result amounted to -38 090 (-20 615) KSEK and result after financial items amounted to -38 106 (-20 624) KSEK.
Result after appropriations and tax amounted to -38 106 (-23) KSEK.
Result per share amounted to -8.42 (0.01) SEK.
Cash flow for the period amounted to 49 375 (43 357) KSEK. Cash flows included share issues amounting to 89 123 (52 800) KSEK.
The Company's cash balance on December 31, 2016, amounted to 93 786 compared to 44 411 KSEK on December 31, 2015.
The Company's shareholders equity on December 31, 2016, amounted to 105 226 compared to 74 809 KSEK on December 31, 2015. Shareholders equity per share amounted to 19.12 compared to 831.21 SEK on December 31, 2015.
The Company's equity ratio amounted to 96% compared to 91% on December 31, 2015.
Results are in line with expected costs according to Budget. The Company's financial resources are sufficient to complete the ongoing clinical phase ll-trial and to prepare the next stage for regulatory approval.

Personnel

The average number of employees during the second half year amounted to five (four) persons and during the reporting period to four (four) persons.

Shares

The total number of shares on January 1, 2016, amounted to 90 000. The shares were split on February 12, 2016, after which the total number of shares amounted to 1 834 546 (calculation of result per share is restated as if average number of shares were split on January 1, 2015).
A total number of 3 669 092 share were issued in a new share issue in May, 2016. On June 30, 2016, 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.
IBT's class B – share was listed on Nasdaq First North on March 29, 2016.

Ownership in Infant Bacterial Therapeutics AB (publ) on December 31, 2016

Name	Series A shares	Series B shares	Share capital	Voting rights
ANNWALL & ROTHSCHILD INVESTMENTS AB	222 198	241 458	8.42	32.83
BANQUE ÖHMAN S.A.	0	523 380	9.51	6.98
FJÄRDE AP-FONDEN	0	305 259	5.55	4.07
AMF AKTIEFOND SMÅBOLAG	0	295 050	5.36	3.93
SHAPS CAPITAL AB	0	263 100	4.78	3.51
PLACERINGSFOND SMÅBOLAGSFOND, NORDEN	0	162 070	2.94	2.16
DANGOOR, DAVID	0	155 673	2.83	2.07
HANDELSBANKEN SVENSKA SMÅBOLAGSFOND	0	155 052	2.82	2.07
CBNY-NORGES BANK	0	151 000	2.74	2.01
RUFFER INV	0	150 000	2.73	2.00
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	0	139 692	2.54	1.86
MINGDALE COMPANY LTD	0	138 459	2.52	1.85
SWEDBANK ROBUR NY TEKNIK BTI	0	118 644	2.16	1.58
RBC INVESTOR SERVICES BANK SA, LUX AIF CLIENTS	0	115 296	2.09	1.54
NORDNET PENSIONSFÖRSÄKRING AB	0	99 747	1.81	1.33
STRÖMBERG, STAFFAN	0	91 728	1.67	1.22
HAMILTON, CAROLINE	0	90 849	1.65	1.21
DANICA PENSION	0	81 255	1.48	1.08
HANVAD INVEST AKTIEBOLAG	0	80 349	1.46	1.07
IRWE, STEN	0	75 130	1.37	1.00
Sub-total 20 largest shareholders	222 198	3 433 191	66.43	75.37
Other shareholders	0	1 848 249	33.57	24.63
Total number of shares	222 198	5 281 440	100.00	100.00

Board's assurance

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

Stockholm, February 14, 2017

Peter Rothschild	Jan Annwall	Anders Ekblom	Margareta Hagman	Staffan Strömberg
Chairman	Director	Director	Director	CEO

Nb: This is a translation of the Swedish interim half-year 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 - December 31, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, February 14, 2017

Deloitte AB

Birgitta Lööf
Authorized Public Accountant

Income statement

SEK 000	2016 Jul-Dec		2015 Jul-Dec	2016 Jan-Dec	2015 Jan-Dec
Net sales	162		-	162	-
Selling expenses	2 543	*	-2 600	2 543	-2 600
Research and development expenses	-24 717		-8 301	-40 795	-17 974
Other operating expenses			-41		-41
Operating loss	**-22 012**		**-10 942**	**-38 090**	**-20 615**
Result from financial items					
Interest income and similar profit/loss items	-		-	-	-
Interest expense and similar profit/loss items	190		-2	-16	-9
Result after financial items	**-21 822**		**-10 944**	**-38 106**	**-20 624**
Appropriations					
Group contribution			20 601	0	20 601
Result for the period **	**-21 822**		**9 657**	**-38 106**	**-23**

* Reversal from 2015

** Result for the period equals total comprehensive income

Result per share

SEK				
Result per share, before and after dilution*	-4,82	5,35	-8,42	-0,01
Number of shares, weighted average*	4 525 213	1 806 382	4 525 213	1 806 382
Number of shares at end of period **			5 503 638	90 000

* Weighted average 2015 restated due to split 2016. No dilution effects exist

**On December 31, 2016, allocation of emitted shares amounted to 222 198 A-shares carrying 10 votes per share and 5 281 440 B-shares carrying 1 vote per share

Balance sheet

SEK 000	31 Dec 2016	31 Dec 2015	1 Jan 2015
ASSETS			
Non-current assets			
Intangible non-current assets			
Activated development expenses	15 414	16 225	6 075
Total non-current assets	**15 414**	**16 225**	**6 075**
Current assets			
Current receivables			
Receivable from parent company	-	20 420	6 956
Other receivables	761	535	346
Prepaid expenses and accrued income	148	952	106
Total current assets	909	21 907	7 408
Cash and cash equivalents	93 786	44 411	1 054
Total current assets	**94 695**	**66 318**	**8 462**
TOTAL ASSETS	**110 109**	**82 543**	**14 537**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 500	500	50
Unrestricted equity			
Share premium reserve	140 473	52 350	-
Accumulated losses	1 359	21 981	10 981
Net loss for the period	-38 106	-22	-
Total equity	**105 226**	**74 809**	**11 031**
Liabilities			
Current liabilities			
Accounts payable	1 116	518	492
Other current liabilities	167	137	131
Accrued expenses and prepaid income	3 600	7 079	2 883
Total current liabilities	**4 883**	**7 734**	**3 506**
TOTAL EQUITY AND LIABILITIES	**110 109**	**82 543**	**14 537**

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 at Jan 1 2015	**50**	**0**	**10 981**	**11 031**
Net loss for the period			**-20 623**	**-20 623**
Total comprehensive income			**-20 623**	**-20 623**
Shareholder transactions				
Shareholder contribution			11 000	11 000
Share issue	40	52 760		52 800
Bonus issue	410	-410		0
Group contribution			20 601	20 601
Closing equity at Dec 31 2015	**500**	**52 350**	**21 959**	**74 809**
Opening equity at Jan 1 2016	**500**	**52 350**	**21 959**	**74 809**
Total comprehensive income			-38 106	-38 106
Shareholder transactions				
Repayment of shareholder contribution			-20 600	-20 600
Share issue	1000	99 166		100 166
Share issue costs		-11 043		-11 043
Closing equity at Dec 30 2016	**1500**	**140 473**	**-36 747**	**105 226**

Statement of cash flows

SEK 000	2016 Jul-Dec	2015 Jul-Dec	2016 Jan-Dec	2015 Jan-Dec
Operating activities				
Operating profit/loss	-22 012	10 942	-38 090	-20 615
Financial items, net	190	-2	-16	-9
Adjustment for non - cash flow affecting items				
(depreciation production process)	406		811	
Cash flow from operating activities before changes in working capital	-21 416	10 944	-37 295	-20 624
Cash flow from changes in working capital				
Increase (-)/Decrease (+) in operating receivables	391	-210	578	-628
Increase (+)/Decrease (-) in operating liabilities	-1 573	2 361	-3 031	4 228
Cash flow from operating activities	**-22 598**	**-8 793**	**-39 748**	**-17 024**
Investment activities				
Acquisition of immaterial assets		-1 113		-10 150
Financing activities				
Conditional shareholder contributions				11 000
Group contribution				6 731
Share issue		52 800	89 123	52 800
Cash flow from financing activities	**0**	**52 800**	**89 123**	**70 531**
Cash flow for the period	**-22 598**	**42 894**	**49 375**	**43 357**
Cash and cash equivalents at the beginning of the year	116 384	1 517	44 411	1 054
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**93 786**	**44 411**	**93 786**	**44 411**

Accounting principles

Conversion to IFRS/RFR 2

This financial report is IBT's first financial report prepared in accordance with RFR 2, Reporting for legal entities and Årsredovisningslagen. Adoption of RFR 2 means that IBT complies with all IFRS recommendations accepted by the EU possibly allowed within the frameworks of the Annual Accounts Act (Årsredovisningslagen) and Tryggandelagen and in consideration of the association between reporting and taxation.
The interim report and Year end report has thus been prepared by adopting IAS 34 Interim reporting considering the exceptions and additions as stipulated by RFR 2.
Preparation of financial reports in accordance with RFR 2 requires using certain significant estimations of various item valuations and assessment of principles for reporting purposes.
Amendments of IFRS effective in 2016 have not had any material impact on the financial statements.

IBT applied the Annual Accounts Act and Bokföringsnämndens general recommendations BFNAR 2012:1 Årsredovisning och koncernredovisning (K3) in its latest Annual Report.

The conversion to RFR 2 has not resulted in any numerical adjustments in the balance sheet or income statement. Principles applied in the latest Annual Report have not been affected by the conversion and the reader is therefore referred to the latest Annual Report for information regarding significant principles (for difficult assessment issues regarding principles the reader is referred to the following text in Note 2). In accordance with RFR 2, Total comprehensive income shall be presented under the income statement. IBT has no transactions for disclosure in other Total comprehensive income and this is stated under the income statement. Due to the conversion to RFR 2, a balance sheet as of the beginning of the comparative period is also presented.

Assets, accruals and liabilities have been reported at accumulated cost unless otherwise stated.

Compensation of employees in the form of salaries, bonus, paid vacation, paid illness and pension benefits are reported as earned. No pension commitments exist in the Company other than payment of annual pension premiums. All pension premiums are cost determined.

The cash flow statements are prepared according to the so called indirect method.

The Company's operations are comprised of only one line of operation – to develop pharmaceutical products. The Company's report of comprehensive income and financial position are a single segment.

IBT will prepare financial reports on a quarterly basis as of the first quarter 2017.

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 Significant estimates and assessments

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and on other factors, including expectations of future events which are deemed reasonable under present conditions. The Company makes estimations and assessments of the future. Consequently, Estimates for reporting purposes resulting from such estimations and assessments will, by definition, rarely match actual results. Assessments are also made in adoption of the Company's reporting principles.

Deferred taxes

IBT's taxable loss amounts to approximately SEK 49 (0.0)m. Deferred tax receivables are reported for tax deductible temporary differences and for taxable loss deductions when taxable temporary differences exist or when convincing factors exist indicating the likelihood that the Company will generate taxable

income in the future. Future results are difficult to assess and therefore no deferred tax receivable is disclosed.

Immaterial assets

IBT's development of internally generated immaterial fixed assets are separated in a research phase and a development phase. All costs generated by the research phase are reported as costs as incurred. All costs in the development phase are reported as assets in accordance with IAS 38 if all of the criteria below are met:

- the technical and commercial feasibility of the product or process has been established, for use or sale
- the company intends and is able to complete the intangible fixed asset and either use it or sell it
- prerequisites exist for use or sale of the immaterial fixed asset
- it is probable that the future economic benefits attributable to the asset will flow to the company
- the company has adequate technical and financial resources in accordance with its current financing plan to complete development for use or sale of the immaterial fixed asset, and
- the cost of the asset under development can be reliably measured.

Costs for the project are reported as costs in the development phase should the above criteria not be met.

IBT's assessment is that development of the production process for the pharmaceutical candidate IBP-9414 meets the above criteria. Costs related in the project are activated as incurred when the above criteria are met. The production process has been deemed complete for reporting purposes. The immaterial asset "production process" is therefore depreciated over its useful life span and has resulted in costs for depreciation in 2016. The deemed useful life span is 20 years. Depreciation is reported in the FoU function in the income statement.

The ongoing pharmaceutical project, currently in a safety and tolerability clinical phase ll-trial for two different doses of IBP-9414 administered in a total of 120 premature infants, is not deemed to meet the above criteria in IAS 34 to be activated as development in the balance sheet. Therefore, development costs for the clinical phase ll-trial are charged to income as incurred.

Financial definitions

***Number of shares:** Number of shares at the end of the period
***Total Assets:** Total assets at the end of the period
***Shareholders equity/share:** Total shareholders equity divided by the number of shares at the end of the period
Average number of shares: Average number of shares during the reporting period (split in 2016 restated for comparative figures)
Net sales: Sales for the period
Reporting period: First half year 2016
Result per share: Result for the period divided by average number of shares
***Equity ratio:** Total shareholders equity as a percentage of total assets

* 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.