

## Infant Bacterial Therapeutics AB (publ)

### Interim Report January 1 – June 30, 2017

#### Second quarter (Apr-Jun) 2017

- Net sales 121 KSEK (-)
- Operating profit/loss -13 826 KSEK (-10 975)
- Earnings per share -2.51 SEK (-2.84)

#### Six months (Jan-Jun) 2017

- Net sales 238 KSEK (-)
- Operating profit/loss -22 510 KSEK (-16 078)
- Earnings per share -4.09 SEK (-6.44)

#### Significant events during the second quarter 2017

- A subsidiary was established in May to manage share based incentive programs
- All personnel subscribed their allotment in a new share based incentive program
- Eva Idén and Anton Jahreskog were elected new board members at the AGM

#### Significant events during the reporting period January – June 2017

- In January 2017, all 120 patients were included in the Company's phase II clinical trial in IBP-9414 (NCT02472769)
- IBT's series B shares were listed on Nasdaq First North Premier on March 14

#### Significant events after the reporting period

- No significant events have occurred after the reporting period

## Financial summary

SEK 000's	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-jun	2016 Jan-Dec
Net sales	121	-	238	-	162
Operating profit/loss	-13 826	-10 975	-22 510	-16 078	-38 090
Result after tax	-13 827	-11 119	-22 511	-16 284	-38 106
Total assets	92 224	133 127	92 224	133 127	110 109
Cash flow for the period	-8 350	78 755	-17 463	71 973	49 375
Cash	76 323	116 384	76 323	116 384	93 786
Earnings per share, weighted average, before and after dilution (SEK)	-2,51	-2,84	-4,09	-6,44	-8,42
Equity per share (SEK)	15,19	23,08	15,19	23,08	19,12
Equity ratio (%)	91%	95%	91%	95%	96%

#### IBT in brief

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

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

Using its extensive experience in live bacterial therapeutics and its well-developed knowledge of the action of *Lactobacillus reuteri*, IBT is developing its lead drug candidate IBP-9414, to prevent necrotizing enterocolitis ("NEC"), a rare and often fatal disease that can afflict premature infants. The FDA and the European Commission have granted IBT Orphan Drug Designation, and the FDA have granted Rare Pediatric Disease Designation for IBP-9414 for the prevention of NEC.

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

## **Message from the CEO**

IBT's operations are primarily focused on development of the pharmaceutical drug candidate IBP-9414. The objective of the development program is to develop a medicine to prevent patients from developing NEC, a fatal disease that can afflict premature infants.

We are currently in the completion stage of the phase II clinical trial (NCT02472769) and are concurrently working with preparations for a subsequent phase III clinical trial.

The phase II clinical trial is a placebo controlled safety and tolerability study and part of the clinical program for IBP-9414. The final patient, of in total 120, was recruited on January 23, 2017 which means that patient follow-up is terminated and that results from the study are expected during the autumn of this year.

The share issue in 2016 in the amount of SEK 100m has provided capital to complete the ongoing phase II study of IBP-9414. We also have the financial resources to prepare for the following planned phase III study of IBP-9414, and to create a development plan for IBP-1016, IBT's second development project for which the objective is to develop a pharmaceutical preventing gastroschisis. Ongoing planning and preparation for the phase III study include CMC (Chemistry, manufacturing and control) activities for production of clinical trial material and evaluation of several CROs (Clinical Research Organizations).

In June, the board of directors decided to pay a bonus to all employees motivated by the company's successful completion of treatment of the patients in the phase II clinical trial.

IBT is continuing the work to prepare for the application for admittance for trading of IBT's class B shares on the main marketplace, Nasdaq Stockholm. The first step toward Nasdaq Stockholm main marketplace was IBT's application of listing on Nasdaq First North Premier, and completion of such listing change on March 14, 2017.

As previously stated, the phase III study will require additional capital. IBT is working very actively with several potential financing possibilities and partners who can contribute resources for the continuing development program.

Stockholm, August 2017

Staffan Strömberg,  
Chief Executive Officer

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

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

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

The first study of IBP-9414 is a 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. All 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 II clinical trial are expected during the autumn of 2017.

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  $\leq$  1,500 g. This study will also include safety evaluation in the larger cohort.

## Risks and uncertainties in summary

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

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

For further information on risks and uncertainties see IBT's 2016 Annual Report and IBT's Rights Issue Prospectus on the Company's homepage [www.ibtherapeutics.com](http://www.ibtherapeutics.com)

## Related party transactions

IBT has issued warrants through its wholly owned subsidiary, Infant Baby AB, during the second quarter to Staffan Strömberg, Eamonn Connolly and Daniel Mackey (see Note 1).

No other significant related party transactions have occurred.

## Corporate events

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

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

Anthon Jahreskog, born 1980, received his Master's degree in Financial Management from the University of Cape Town. He is currently working as a business strategist and advisor in various industries. Until July

2015 was the Chief Operating Officer, Fund Linked Products, Credit Suisse Investment Bank, London. Anthon has several years of experience in the international financial market and his core expertise is in finance, strategic business planning, cost efficiency and analysis.

## **Financial calendar**

Interim report January-September 2017	November 23, 2017
Year-end report 2017	February 22, 2018

## **Certified Adviser**

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

## **Contact persons**

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

## **Contact information**

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## **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 Premier.

The Report was submitted for publication, by the CEO, at 08.00 a.m. CET on August 28, 2017.

## Financial development – second quarter (Apr-Jun) 2017

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

### Costs

Operational costs amounted to 13 826 (10 975) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 7 112 (7 275) KSEK.

Personnel costs amounted to 5 427 (1 930) KSEK.

Other external costs amounted to 1 287 (1 770) KSEK.

### Result and financial position

Operational result amounted to -13 826 (-10 975) KSEK and result after financial items amounted to -13 827 (-11 119) KSEK.

Result after tax amounted to -13 827 (11 119) KSEK.

Result per share amounted to -2.51 (-2.84) SEK.

Cash flow for the period amounted to -8 350 (78 755) KSEK. Cash flow for the comparative period includes a new share issue amounting to 89.1 MSEK.

The Company's cash balance on June 30, 2017, amounted to 76 323 compared to 93 786 KSEK on December 31, 2016.

The Company's shareholder's equity on June 30, 2017, amounted to 83 599 compared to 105 226 KSEK on December 31, 2016. Shareholder's equity per share amounted to 15.19 compared to 19.12 SEK on December 31, 2016.

The Company's equity ratio amounted to 91% compared to 96% on December 31, 2016.

## Financial development – six months (Jan-Jun) 2017

### Costs

Operational costs amounted to 22 510 (16 078) KSEK of which costs for the ongoing IBP-9414 clinical trial amounted to 11 664 (9 999) KSEK.

Personnel costs amounted to 7 739 (3 325) KSEK.

Other external costs amounted to 3 107 (2 754) KSEK.

### Result and financial position

Operational result amounted to -22 510 (-16 078) KSEK and result after financial items amounted to -22 511 (-16 284) KSEK.

Result after tax amounted to -22 511 (16 284) KSEK.

Result per share amounted to -4.09 (-6.44) SEK.

Cash flow for the period amounted to -7 463 (71 973) KSEK. Cash flow for the comparative period includes a new share issue amounting to 89.1 MSEK.

The Company's cash balance on June 30, 2017, amounted to 76 323 compared to 93 786 KSEK on December 31, 2016.

The Company's shareholder's equity on June 30, 2017, amounted to 83 599 compared to 105 226 KSEK on December 31, 2016. Shareholder's equity per share amounted to 15.19 compared to 19.12 SEK on December 31, 2016.

The Company's equity ratio amounted to 91% compared to 96% on December 31, 2016.

Results are in line with expected costs according to budget. Cost increase over the previous year refers to the ongoing phase II study, for which patient recruitment commenced during the second quarter of 2016, personnel recruitment, and bonus payments for which total costs during the second quarter amounted to approximately 2.4 MSEK.

The Company's financial resources are sufficient to complete the ongoing clinical phase II study and to prepare the next stage for regulatory approval.

## Tax position

IBT has accumulated operational losses amounting to 49.1 MSEK since the company was established in 2012 and until year-end of 2016. However, the company has not reported any temporary tax receivables in its statement of financial position.

## 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 March 31, 2017, total number of shares amounted to 5 503 638 of which 222 198 class A - shares carrying ten votes and 5 281 440 class B - shares carrying one vote.

A share based incentive program was launched during the second quarter. Based on the current number of outstanding shares in the company, provided that all options are exercised to subscribe for new B-shares, dilution will amount to approximately 4.84 percent of shares and approximately 3,6 percent of votes (see Note 1).

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

## Ownership June 30, 2017

Name	Series A shares	Series B shares	Share capital	Voting rights
ANNWALL & ROTHSCHILD INVESTMENTS AB	222 198	241 458	8.42	32.83
ÖHMAN BANK S.A.	0	669 580	12.17	8.92
FJÄRDE AP FONDEN	0	305 259	5.55	4.07
AMF AKTIEFOND SMÅBOLAG	0	295 050	5.36	3.93
ÅLANDSBANKEN ABP, BANK OF ÅLAND LTD	0	272 783	4.96	3.64
CLEARSTREAM BANKING S.A., W8IMY	0	163 908	2.98	2.18
CBNY-NORGES BANK	0	156 000	2.83	2,08
BNYMSANV RE BNYMTD RE CF RUFFER INV	0	150 000	2.73	2.00
PLACERINGSFOND SMÅBOLAGSFOND, NORDEN	0	149 131	2.71	1.99
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	0	144 887	2.63	1.93
LUXEMBOURG AIF CLIENTS ACCOUNT	0	141 416	2.57	1.88
MINGDALE COMPANY LTD	0	138 459	2.52	1.85
STRÖMBERG, STAFFAN	0	122 592	2.23	1.63
NORDNET PENSIONS FÖRSÄKRING AB	0	120 369	2.19	1.60
SWEDBANK ROBUR MICROCAP	0	118 644	2.16	1.58
SEB S.A. CLIENT ASSETS UCITS.	0	111 000	2.02	1.48
HAMILTON, CAROLINE	0	90 849	1.65	1.21
IRWE, STEN	0	82 215	1.49	1.10
SKANDINAVISKA ENSKILDA BANKEN S.A., W8IMY	0	80 827	1.47	1.08
HANVAD INVEST AKTIEBOLAG	0	80 349	1.46	1.07
<b>Total 20 largest shareholders</b>	<b>222 198</b>	<b>222 198</b>	<b>3 634 776</b>	<b>70.10</b>
Other shareholders	0	0	1 646 664	29.90
<b>Total number of shares</b>	<b>222 198</b>	<b>222 198</b>	<b>5 281 440</b>	<b>100.00</b>

## **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, August 28, 2017

Peter Rothschild  
Chairman

Jan Annwall  
Director

Anders Ekblom  
Director

Margareta Hagman  
Director

Eva Idén  
Director

Anthon Jahreskog  
Director

Staffan Strömberg  
CEO

*This interim report has not been subject to a limited review by the company's auditor*

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

### Income statement

SEK 000	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
Net sales	121	-	238	-	162
Selling expenses	-	-	-	-	2 543
Research and development expenses	-13 947	-10 975	-22 748	-16 078	-40 795
Other operating expenses	-	-	-	-	-
<b>Operating loss</b>	<b>-13 826</b>	<b>-10 975</b>	<b>-22 510</b>	<b>-16 078</b>	<b>-38 090</b>
<b>Result from financial items</b>					
Interest income and similar profit/loss items	-	-	-	-	-
Interest expense and similar profit/loss items	-1	-	-	-206	-16
<b>Result after financial items</b>	<b>-13 827</b>	<b>-10 975</b>	<b>-22 510</b>	<b>-16 284</b>	<b>-38 106</b>
<b>Result for the period *</b>	<b>-13 827</b>	<b>-10 975</b>	<b>-22 510</b>	<b>-16 284</b>	<b>-38 106</b>

\* Result for the period equals total comprehensive income

### Result per share

SEK					
Result per share, before and after dilution*	-2.51	-2.84	-4.09	-6.44	-8.42
Number of shares, weighted average*	5 503 638	3 913 698	5 503 638	2 527 597	4 525 213
Number of shares at end of period **	5 503 638	5 503 638	5 503 638	5 503 638	5 503 638

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

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



**Balance sheet**

	Note	30 Jun 2017	30 Jun 2016	31 Dec 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Intangible non-current assets</i>				
Activated development expenses		15 006	16 225	15 414
Shares in subsidiary	1	50	-	-
<b>Total non-current assets</b>		<b>15 056</b>	<b>16 225</b>	<b>15 414</b>
<b>Current assets</b>				
<i>Current receivables</i>				
Accounts receivable		-	-	53
Other receivables		608	464	708
Prepaid expenses and accrued income		237	54	148
<b>Total current assets</b>		<b>845</b>	<b>518</b>	<b>909</b>
Cash and cash equivalents		76 323	116 384	93 786
<b>Total current assets</b>		<b>77 168</b>	<b>116 902</b>	<b>94 695</b>
<b>TOTAL ASSETS</b>		<b>92 224</b>	<b>133 127</b>	<b>110 109</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<i>Restricted equity</i>				
Share capital		1 500	1 500	1 500
<i>Unrestricted equity</i>				
Share premium reserve		141 357	140 473	140 473
Accumulated losses		-36 747	1 359	1 359
Net loss for the period		-22 511	-16 284	-38 106
<b>Total equity</b>		<b>83 599</b>	<b>127 048</b>	<b>105 226</b>
<b>Liabilities</b>				
<i>Current liabilities</i>				
Accounts payable		1 150	269	1 116
Other current liabilities		1 930	187	167
Accrued expenses and prepaid income		5 545	5 623	3 600
<b>Total current liabilities</b>		<b>8 625</b>	<b>6 079</b>	<b>4 883</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92 224</b>	<b>133 127</b>	<b>110 109</b>

**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
<b>Opening equity Jan 1, 2016</b>	<b>500</b>	<b>52 350</b>	<b>21 959</b>	<b>74 809</b>
Net loss for the period		0	-5 165	-5 165
<b>Total comprehensive income</b>			-5 165	-5 165
<b>Shareholder transactions</b>				
Repayment shareholder contribution			-20 600	-20 600
<b>Closing equity Mar 31, 2016</b>	<b>500</b>	<b>52 350</b>	<b>-3 806</b>	<b>49 044</b>
<b>Opening equity Apr 1, 2016</b>	<b>500</b>	<b>52 350</b>	<b>-3 806</b>	<b>49 044</b>
Net loss for the period			-11 119	-11 119
<b>Total comprehensive income</b>			-11 119	-11 119
<b>Shareholder transactions</b>				
Share issue	1000	99 166		100 166
Share issue costs		-11 043		-11 043
<b>Closing equity Jun 30, 2016</b>	<b>1500</b>	<b>140 473</b>	<b>-14 925</b>	<b>127 048</b>
<b>Opening equity Jul 1, 2016</b>	<b>1500</b>	<b>140 473</b>	<b>-14 925</b>	<b>127 048</b>
Net loss for the period			-21 822	-21 822
<b>Total comprehensive income</b>			-21 822	-21 822
<b>Shareholder transactions</b>				-
<b>Closing equity Dec 31, 2016</b>	<b>1500</b>	<b>140 473</b>	<b>-36 747</b>	<b>105 226</b>
<b>Opening equity Jan 1, 2017</b>	<b>1500</b>	<b>140 473</b>	<b>-36 747</b>	<b>105 226</b>
Net loss for the period			-8 563	-8 563
<b>Total comprehensive income</b>			-8 563	-8 563
<b>Shareholder transactions</b>				-
<b>Closing equity Mar 31, 2017</b>	<b>1500</b>	<b>140 473</b>	<b>-45 310</b>	<b>96 663</b>
<b>Opening equity Apr 1, 2017</b>	<b>1500</b>	<b>140 473</b>	<b>-45 310</b>	<b>96 663</b>
Net loss for the period			-13 948	-13 948
<b>Total comprehensive income</b>			-13 948	-13 948
<b>Shareholder transactions</b>				
Warrants		884		884
<b>Closing equity Jun 30, 2017</b>	<b>1500</b>	<b>141 357</b>	<b>-59 258</b>	<b>83 599</b>

## Statement of cash flows

SEK 000	2017 Apr-Jun	2016 Apr-Jun	2017 Jan-Jun	2016 Jan-Jun	2016 Jan-Dec
<b>Operating activities</b>					
Operating profit/loss	-13 826	-10 975	-22 510	-16 078	-38 090
Financial items, net	-1	-144	-1	-206	-16
Adjustment for non - cash flow affecting items (depreciation production process)	204	-	408	-	811
<b>Cash flow from operating activities before changes in working capital</b>	<b>-13 623</b>	<b>-11 119</b>	<b>-22 103</b>	<b>-16 284</b>	<b>-37 295</b>
<b>Cash flow from changes in working capital</b>					
Increase (-)/Decrease (+) in operating receivables	76	1 357	64	789	578
Increase (+)/Decrease (-) in operating liabilities	4 363	-606	3 742	-1 655	-3 031
<b>Cash flow from operating activities</b>	<b>-9 184</b>	<b>-10 368</b>	<b>-18 297</b>	<b>-17 150</b>	<b>-39 748</b>
<b>Investment activities</b>					
Acquisition of non-current assets	-50	-	-50	-	-
<b>Financing activities</b>					
Share issue	-	89 123	-	89 123	89 123
Warrants	884	-	884	-	-
<b>Cash flow from financing activities</b>	<b>834</b>	<b>89 123</b>	<b>834</b>	<b>89 123</b>	<b>89 123</b>
<b>Cash flow for the period</b>	<b>-7 516</b>	<b>78 755</b>	<b>-16 629</b>	<b>71 973</b>	<b>49 375</b>
Cash and cash equivalents at the beginning of the year	84 673	37 629	93 786	44 411	44 411
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>76 323</b>	<b>116 384</b>	<b>76 323</b>	<b>116 384</b>	<b>93 786</b>

## Accounting principles

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

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

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

A number of new or revised standards, interpretations and improvements have been adopted by the EU which apply from January 1, 2017. These have not had any material impact on the financial statements of the group. As of January 1, 2018, IFRS 9 Financial instruments and IFRS 15 Revenue recognition will apply. IFRS 9 and IFRS 15, respectively, have been reviewed and these standards have no impact on IBT's financial reporting at the time of publication of this interim financial statement. However, these standards may have impact on future financial statements.

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

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

## Note 1 Shares in subsidiary

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

IBT Baby AB manages incentive programs for key personnel employed by IBT AB.

IBT AB issues warrants which are sold by IBT Baby AB to employees of IBT AB that are included in the parent company's incentive program as follows:

### Share based incentive program

#### WARRANTS 2017/2022

On May 4, 2017, the Annual General Meeting decided on an incentive program by designated issue of warrants to a subsidiary established for this purpose.

The maximum number of warrants to be issued are 280 000.

The warrants were issued in June 2017 at market terms at a price determined by calculating market price at the time of issue using the Black & Scholes method of valuation.

The holder of warrants may during the period from April 3, 2022 through May 3, 2022, for each warrant subscribe for one (1) new share in the company at a subscription price per share amounting to SEK 300.

As of the balance sheet date on June 30, 2017, 200 000 warrants have been issued. The remaining 80 000 warrants are reserved for future employees.

The warrants are subject to first right of refusal stipulating that the warrants shall be sold back to IBT Baby AB should the employee, from the date of signing, terminate employment within one year by 100%, within two years by 75%, within three years by 50%, and within 4 years by 25%.

Based on the existing number of shares the dilution resulting from the adopted incentive program, provided that all warrants are utilized for subscription of class B-shares, amounts to approximately 4.84 percent of shares, and 3.60 percent of votes. The warrants carry no dividend rights.

The warrants are issued at market value and have thus have not resulted in any benefits which require accruals for social costs in the parent company.

The subscription price per share exceeds the market price of IBT's share on the balance sheet date which means that the warrants do not cause any dilution when calculating result per share.

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

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

\*Expected future volatility is ascertained by comparison of historical average and median values for comparable listed companies in the same sector as IBT based on analysis in S&P Capital IQ.

\*\* Volume weighted average share price for IBT's class B share during the period June 12, 2017 through June 16, 2017

Holder of warrants	Number allotted	Total
Staffan Strömberg, CEO	70 000	70 000
Eamonn Connolly, CSO	50 000	50 000
Daniel Mackey, CFO	50 000	50 000
Other employees	30 000	30 000
<b>Total</b>	<b>200 000</b>	<b>200 000</b>

## Financial definitions

<b>Key ratios</b>	<b>Definition</b>	<b>Motive</b>
<b>*Number of shares</b>	Number of shares at the end of the period	-
<b>*Total Assets</b>	Total assets at the end of the period	Relevant for calculating shareholders' equity
<b>*Shareholders equity/share</b>	Total shareholders' equity divided by the number of shares at the end of the period	Measure to describe shareholders' equity equity per share
<b>Average number of shares</b>	Average number of shares during the reporting period (split in 2016 restated for comparative figures)	-
<b>Net sales</b>	Sales for the period	-
<b>Reporting period</b>	First half year 2017	Term to differentiate from current quarter
<b>Result per share</b>	Result for the period divided by average number of shares	-
<b>*Equity ratio</b>	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.