Invitation to subscribe for shares in Infant Bacterial Therapeutics AB (publ)

IMPORTANT INFORMATION

This prospectus (the "Prospectus") has been prepared in connection with the offer to subscribe for shares in Infant Bacterial Therapeutics AB (publ) (the "Offer"). In the Prospectus, "IBT" or the "Company" refers to Infant Bacterial Therapeutics AB (publ). "SEB" refers to Skandinaviska Enskilda Banken AB. For definitions of these and other terms in the Prospectus, please refer to the section "Definitions".

The figures included in the Prospectus have, in certain cases, been rounded off and, consequently, the tables contained in the Prospectus do not necessarily add up correctly. In addition, certain percentages presented in the Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. All financial amounts are in Swedish kronor ("SEK"), unless indicated otherwise, and "TSEK" refers to thousands of SEK.

Except as expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Prospectus that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The Offer is not directed to the general public in any country other than Sweden. Nor is the Offer directed to such persons whose participation requires additional prospectuses, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden that would allow any offer of the shares in the Company to the public, or allow holding and distribution of the Prospectus or any other documents pertaining to the Company or its shares in such jurisdiction. Applications to subscribe for shares that violate such rules may be deemed invalid. Persons into whose possession the Prospectus comes are required by the Company and SEB to inform themselves about and to observe such restrictions. Neither the Company nor SEB accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. The shares in the Offer have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless an exemption from the registration requirements of the Securities Act is available. All offers and sales of shares will be made in compliance with Regulation S under the Securities Act. The shares may not be sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Any reproduction or distribution of the Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The shares in the Offer have not been approved by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) (the "Order") or (iii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order, and to other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The Prospectus is only directed at relevant persons and must not be acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which the Prospectus relates is available only to relevant persons and will only be directed at relevant persons.

The Offer and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offer or the Prospectus.

A separate prospectus in Swedish has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:1980) (Sw. *lagen (1991:980) om handel med finansiella instrument*). In the event of discrepancies between the Prospectus and the Swedish prospectus, the Swedish prospectus shall prevail.

Forward-looking statements

The Prospectus contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Prospectus concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors which may entail that the actual results, including the Company's cash flow, financial position and earnings, may differ materially from the results which, expressly or implicitly, form the basis of or are described in those statements or that the expectations which, expressly or implicitly, form the basis for, or to turn out to less favorable compared to the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Prospectus, including the following sections: "Summary", "Risk factors", "Business description" and "Operating and financial review", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. Neither the Company nor SEB can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Prospectus may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Prospectus may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation, changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, negative results in ongoing and planned clinical trials, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations and occurrence of accidents or systematically defaults in delivery.

Following the date of the Prospectus, neither the Company nor SEB assume any obligation, except as required by law or Nasdaq Stockholm First North's Rule Book for Issuers, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

Business and market data

The Prospectus includes industry and market data pertaining to the business and markets on which the Company operates. Such information is based on the Company's analysis of multiple sources. Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Prospectus that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions that should be included in the relevant market.

Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Table of contents

TERMS AND CONDITIONS IN BRIEF

Subscription price

95 SEK

Record date for participation in the Offer

12 January 2018

Subscription period

16 January – 30 January 2018

Trading in series B subscription rights

16 January – 26 January 2018

Trading in BTAs (B)

16 January – 8 February 2018

Miscellaneous

Short name (ticker): IBT B

ISIN-code series B shares: SE0008015259

ISIN-code BTAs (B): SE0010713958

ISIN-code series B subscription rights: SE001071394

FINANCIAL CALENDAR

Year-end report 2017	28 February 2018
Interim report for the period 1 January – 31 March 2017	15 May 2018
Annual shareholders' meeting 2018	15 May 2018

CERTAIN DEFINITIONS

The Offer	The offer to subscribe for shares in IBT pursuant to the terms and conditions set forth in the Prospectus.
Euroclear Sweden	Euroclear Sweden AB.
First North Premier	The unregulated market platform operated by Nasdaq Stockholm AB.
IBT or **the Company**	Infant Bacterial Therapeutics AB (publ)
SEB	Skandinaviska Enskilda Banken AB.
SEK	Swedish kronor.

PLEASE NOTE THAT THE SUBSCRIPTION RIGHTS ARE EXPECTED TO HAVE AN ECONOMIC VALUE

In order not to lose the value of the subscription rights, the holder must either:

- Exercise the subscription rights and subscribe for new shares in the Offer no later than 30 January 2018; or
- Sell the unexercised subscription rights no later than 26 January 2018. Please note that in order to sell subscription rights, legal entities must have a so called LEI-code (Legal Entity Identifyer) or, if the holder is a physical person, a so called NPID-number (National Personal ID or National Client Identifier). For more information, please refer to the section "Subscription for new shares without subscription rights - Important information regarding LEI and NPID when subscribing for shares without subscription rights".

Please note that the investors with nominee-registered shareholdings subscribe for new shares through the respective nominees. Please also note that it is possible to register to subscribe for new shares without subscription rights.

Distribution of the Prospectus and subscription for new shares is subject to restrictions in some jurisdictions.

Summary

The summary is drawn up in accordance with information requirements in the form of a number of "paragraphs" which should include certain information. The paragraphs are numbered in section A–E (A.1–E.7). This summary contains all the paragraphs required in a summary for the relevant type of security and issuer. However, as certain paragraphs are not required, there may be gaps in paragraph numbering sequences. Even if it is necessary to include a paragraph in the summary for the security and issuer in question, it is possible that no relevant information can be provided for that paragraph. In such instances, the information has been replaced by a brief description of the paragraph, along with the specification "not applicable".

SECTION A – INSTRUCTION AND WARNINGS		
A.1	Introduction and warnings	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on an assessment of the Prospectus in its entirety by the investor. Where statements in respect of information contained in an offering circular are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the offering circular before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the offering circular or if it does not, together with other parts of the offering circular, provide key information to help investors when considering whether to invest in the securities.
A.2	Consent for use of the Prospectus by financial intermediaries	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent trading or final placement of securities.

SECTION B – ISSUER AND ANY GUARANTOR		
B.1	Company and trading name	Infant Bacterial Therapeutics AB (publ), reg. no. 556873-8586. The short name for the Company's shares of series B on First North Premier is IBT B.
B.2	Issuer's registered office and corporate form	IBT's registered office is in Stockholm. The Company is a public limited liability company founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551).
B.3	Description of the Issuer's operations	IBT is a pharmaceutical company with its registered office in Stockholm 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 currently developing its lead drug candidate IBP-9414, to prevent Necrotizing Enterocolitis ("NEC"), in premature infants. IBP-9414 contains the active compound *Lactobacillus reuteri*, which is a human bacterial strain naturally present in breast milk. IBT is further pursuing a second rare disease program IBP-1016 for the treatment of an unmet medical need in gastroschisis, a severe disease in infants. By developing these drugs, IBT has the potential to fulfil unmet needs for diseases where there are currently no prevention or treatment therapies available.

B.3	Description of the Issuer's operations, cont.	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 from US and EU key opinion leaders. Further, IBT has discussed the program with both FDA and with EMA in 2013 and 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 11 September 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 premature infants in total with birth-weight ranging from 500 to 2,000 grams. The results demonstrate 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 in the beginning of 2018.
B.4a	Trends	Microbiome refers to the collection of microorganisms living in or on the human body. The microbiome has been subject to increased focus in recent years, with a growing number of articles being published in scientific peer-review journals supporting that many diseases can be addressed by influencing the human microbiome. The pharmaceutical industry has increasingly invested in projects and companies aiming to develop drugs that affect the microbiome. However, most of the activities in the microbiome field remain at preclinical or early clinical stages. There has been little or no progress in recent years in improving outcomes for infants that are affected by NEC once the disease is underway and a preventive treatment against NEC remains an unmet medical need. A preventive therapy for NEC, such as IBP-9414, could therefore indirectly reduce healthcare expenses and, thus, receive reimbursement from caregivers, insurance companies and pharmaceutical authorities.
B.5	Description of the Group and the issuer's position within the Group	The Group comprises the parent company Infant Bacterial Therapeutics AB (publ) and the wholly-owned subsidiary IBT Baby AB.
B.6	Major shareholders, control over the Company and notifiable individuals, major shareholders and control	As of 30 November 2017, the Company had 5,131 shareholders. As per that date, the Company's largest shareholders were Annwall & Rothschild Investments AB (7.02 percent of the shares and 28.63 percent of the votes), Öhman Bank S.A. (10.14 percent of the shares and 7.78 percent of the votes), Swedbank Robur Microcap (6.34 percent of the shares and 4.87 percent of the votes) and Fourth Swedish National Pension Fund (4.62 percent of the shares and 3.55 percent of the votes).

B.7 Financial information in summary

This section presents selected financial information for IBT for the period 1 January–30 September 2017 with comparative figures for the equivalent period 2016, and for the fiscal years 2016, 2015 and 2014. The information for the period 1 January–30 September 2017 with comparative figures for the equivalent period 2016 derives from the Company's reviewed interim report for the first three quarters 2017, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, (Sw. *Årsredovisningslagen*).

IBT's financial statements are prepared in accordance with the Annual Accounts Act and the recommendations issued by the Council for Financial Reporting (Sw. *Rådet för Finansiell Rapportering*), RFR 2, accounting for legal entities. Application of RFR 2 means that IBT applies International Financial Reporting Standards ("IFRS"), as adopted by the EU, to the extent possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (Sw. *Tryggandelagen*) and in consideration of the relation between accounting and taxation.

The information for the fiscal year 2016 is derived from the Company's audited annual report for 2016, which has been prepared in accordance with the Annual Accounts Act and RFR 2. The information for the fiscal years 2015 and 2014 derives from the Company's audited annual reports for 2015 and 2014, which have been prepared in accordance with the Swedish Accounting Standards Board's accounting principles for group companies K3 (Sw. *Bokföringsnämndens allmänna råd, koncernredovisning K3*) (BFNAR 2012:1) and the Annual Accounts Act.

In connection with the Company's conversion to RFR 2, the financial statements for 2015 were restated, whereby no effects requiring any adjustments to the figures were identified. Moreover, the Company has analysed whether there are any differences between K3 and RFR 2 in relation to the financial statements for 2014, whereby no differences were identified. However, the restated figures have not been audited or reviewed by the Company's auditor.

The Company's consolidated income statement

SEK thousands	2017 Jan–Sep[1]	2016 Jan–Sep[2]	2016 Jan–Dec[3]	2015 Jan–Dec[4]	2014 Jan–Dec[5]
Net sales	238	49	162	–	–
Selling expenses	–	2,543	2,543	–2,600	–
Research and development expenses	–27,320	–26,570	–40,795	–17,974	–6,592
Other operating expenses	–	–	–	– 41	–
Operating loss	**–27,082**	**–23,978**	**–38,090**	**–20,615**	**–6,592**
Result from financial items					
Interest income and similar profit/loss items	–	–	–	–	1
Interest expense and similar profit/loss items	–15	–23	–16	–9	–157
Result after financial items	**–27,097**	**–24,001**	**–38,106**	**–20,624**	**–6,747**
Appropriations					
Group contribution	–	–	–	20,601	6,730
RESULT FOR THE PERIOD*	**–27,097**	**–24,001**	**–38,106**	**–22**	**–17**

1) Reviewed, unaudited.
2) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
3) Audited.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.

* Result for the period equals total comprehensive income.

B.7 Financial information in summary, cont.

The Company's consolidated balance sheets

SEK thousands	30 Sep 2017[1]	30 Sep 2016[2]	31 Dec 2016[3]	31 Dec 2015[4]	31 Dec 2014[5]
ASSETS					
Non-current assets					
Intangible non-current assets					
Activated development expenses	14,802	16,225	15,414	16,225	6,075
Shares in subsidiary	50	–	–	–	–
Total non-current assets	**14,852**	**16,225**	**15,414**	**16,225**	**6,075**
Current assets					
Current receivables					
Accounts receivable	–	–	53	–	–
Receivable from parent company	–	–	–	20,420	6,956
Other receivables	754	365	708	535	346
Prepaid expenses and accrued income	224	1,046	148	952	106
Total current assets	**978**	**1,411**	**909**	**21,907**	**7,408**
Cash and cash equivalents	67,176	108,046	93,786	44,411	1,054
Total current assets	**68,154**	**109,457**	**94,695**	**66,318**	**8,462**
TOTAL ASSETS	**83,006**	**125,682**	**110,109**	**82,543**	**14,537**
Equity and liabilities					
Equity					
Restricted equity					
Share capital	1,500	1,500	1,500	500	50
Unrestricted equity					
Share premium reserve	141,357	140,473	140,473	52,350	–
Accumulated losses	–36,747	1,359	1,359	21,981	10,998
Net loss for the period	–27,097	–24,001	–38,106	–22	–17
Total equity	**79,013**	**119,331**	**105,226**	**74,809**	**11,031**
Liabilities					
Current liabilities					
Accounts payable	668	3,876	1,116	518	492
Other current liabilities	216	–	167	137	131
Accrued expenses and prepaid income	3,109	2,475	3,600	7,079	2,883
Total current liabilities	**3,993**	**6,351**	**4,883**	**7,734**	**3,506**
TOTAL EQUITY AND LIABILITIES	**83,006**	**125,682**	**110,109**	**82,543**	**14,537**

1) Reviewed, unaudited.
2) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
3) Audited.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.

B.7 Financial information in summary, cont.

The Company's consolidated statement of cash flow

SEK thousands	2017 Jan–Sep[1]	2016 Jan–Sep[2]	2016 Jan–Dec[3]	2015 Jan–Dec[4]	2014 Jan–Dec[5]
Operating activities					
Operating profit/loss	–27,082	–23,978	–38,090	–20,615	–6,592
Financial items, net	–15	–23	–16	–9	–155
Adjustment for non–cash flow affecting items	–	–	–	–	–
(depreciation production process)	612	–	811	–	–
Cash flow from operating activities before changes in working capital	**–26,485**	**–24,001**	**–37,295**	**–20,624**	**–6,747**
Cash flow from changes in working capital					
Increase (–)/Decrease (+) in operating receivables	–69	–202	578	–628	–290
Increase (+)/Decrease (–) in operating liabilities	–890	–1,285	–3,031	4,228	3,265
Cash flow from operating activities	**–27,444**	**–25,488**	**–39,748**	**–17,024**	**–3,772**
Investment activities					
Acquisition of immaterial assets	–	–	–	–10,150	–6,075
Acquisition of subsidiary	–50	–	–	–	–
Financing activities					
Conditional shareholder contributions	–	–	–	11,000	10,000
Group contribution	–	–	–	6,731	–
Share issue	–	89,123	89,123	52,800	–
Warrants	884	–	–	–	–
Cash flow from financing activities	**834**	**89,123**	**89,123**	**70,531**	**10,000**
Cash flow for the period	**–26,610**	**63,635**	**49,375**	**43,357**	**153**
Cash and cash equivalents at the beginning of the year	93,786	44,411	44,411	1,054	901
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**67,176**	**108,046**	**93,786**	**44,411**	**1,054**

1) Reviewed, unaudited.
2) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
3) Audited.
4) The comparative figures for the fiscal year 2015 have not been audited, but are included as comparative figures in the audited annual accounts for the fiscal year 2016.
5) The comparative figures for the fiscal year 2014 have not been audited, but derives from the Company's internal accounts.

B.7 Financial information in summary, cont.

Key information and data[1)]

SEK thousands	2017 Jan–Sep[2)]	2016 Jan–Sep[3)]	2016 Jan–Dec	2015 Jan–Dec[4)]	2014 Jan–Dec[5)]
Net sales	238*	49*	162	–	–
Net operating profit/loss	–27,082*	–23,978*	–38,090	–20,615	–6,592
Result after tax	–27,097*	–24,001*	–38,106	–22	–17
Total assets	83,006*	125,682*	110,109	82,543	14,537
Cash flow for the period	–26,610*	–63,635*	49,375	43,357	153
Cash flow for the period per share (SEK)	–4.83*	17.74*	10.91*	24*	3.06*
Cash	67,176*	108,046*	93,786	44,411	1,054
Earnings per share, weighted average, before and after dilution (SEK)	–4.92*	–6.69*	–8.42	–0.01[6)]*,	–0.01[6)]*,
Equity per share (SEK)	14.36*	21.68*	19.12*	831.21*	220.62*
Equity ratio (%)	95%*	95%*	96%*	91%*	76%*

1) Audited, unless stated otherwise.
2) Reviewed, unaudited.
3) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.
6) Restated for split.

*Unaudited.

The table above includes key information which are not defined by IFRS. The table below presents the calculation method for this key information.

Deduction of certain key figures[1)]

	2017 Jan–Sep[2)]	2016 Jan–Sep[3)]	2016 Jan–Dec	2015 Jan–Dec[4)]	2014 Jan–Dec[5)]
Cash flow per share					
Cash flow for the period, SEK thousands	–26,610	63,635	49,375	43,357*	153*
Average number of shares	5,503,638	3,587,557	4,525,213	1,806,382*	1,794,546*
Cash flow per share (SEK)	–4.83	17.74	10.91*	24.00*	0.09*
Equity per share					
Equity, SEK thousands	79,013	119,331	105,226	74,809	11,031
Number of shares at end of period	5,503,638	5,503,638	5,503,638	90,000	50,000
Equity per share (SEK)	14.36	21.68	19.12*	831.21*	220.62*
Equity ratio					
Equity, SEK thousands	79,013	119,331	105,226	74,809	11,031
Total equity and liabilities, thousands	83,006	125,682	110,109	82,543	14,537
Equity, %	95%	95%	96%*	91%*	76%*

1) Audited, unless stated otherwise.
2) Reviewed, unaudited.
3) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.

*Unaudited.

B.7 Financial information in summary, cont.

Financial definitions

KEY RATIOS	DEFINITION	MOTIVE
Average number of shares	Average number of shares during the reporting period (split in 2016 restated for comparative figures)	Relevant in calculating income and cash flow per share
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 shareholder's equity allocated to one share
Shareholder's equity/share	Total shareholder's equity divided by the number of shares at the end of the period	Measure to describe shareholder's equity per share
Equity ratio	Total shareholder's equity as a percentage of total assets	Measure to evaluate the Company's ability to meet its financial obligations

Significant events during the period covered by the historical financial information

In 2015, the Company received orphan drug designation by the European Commission for IBP-9414. During the same year, approval was obtained from the FDA and the MPA (Sw. *Läkemedelsverket*) for start of clinical studies in IBP-9414 in the US and Sweden. In 2016, IBT was separated from its previous parent company BioGaia AB (publ) and IBT's shares of series B were listed on Nasdaq First North. During the same year, IBT received a Rare Pediatric Disease Designation for IBP-9414 from the FDA and the Company also initiated a new pharmaceutical project, IBP-1016. In 2017, IBT completed a safety and tolerability study of IBP-9414 and the EMA adopted a positive opinion on the Paediatric Investigational Plan proposed by IBT for the development of IBP-9414.

Significant events since 30 September 2017

On 23 November 2017, the Company's board of directors resolved, based on the authorization from the shareholders' meeting, on a directed share issue of approximately SEK 105 million to Swedish and international institutional investors.

On 11 December 2017, data from the completed safety and tolerability study regarding the Company's pharmaceutical candidate IBP-9414 were presented at Hot Topics in Washington, D.C.

Apart from what is set out above, no events of material importance to the Company's financial position or position on the market have occurred since 30 September 2017.

B.8	Proforma accounting	Not applicable. The Prospectus does not contain proforma accounting.
B.9	Profit/loss forecast	Not applicable. The Company has not presented any profit/loss forecast.
B.10	Audit remarks	Not applicable. There are no remarks in the audit reports.
B.11	Net working capital	Not applicable. IBT believes that the existing net working capital is sufficient to meet the Company's needs over the next twelve month period.

SECTION C – SECURITIES		
C.1	Securities offered	Shares of series A and series B in Infant Bacterial Therapeutics AB (publ) reg. no. 556873-8586. The ISIN-code for the shares of series A is SE0008015242 and the ISIN-code for the shares of series B is SE0008015259.
C.2	Denomination	The shares are denominated in SEK.
C.3	Total number of shares in the Company	As per the date of the Prospectus, the Company has issued in total 6,603,638 shares, divided on 222,198 shares of series A and 6,381,440 shares of series B. The shares have a quota value of approximately SEK 0.27. All shares have been fully paid for. The Offer comprises not more than 4,622,546 new shares, divided into not more than 155,538 shares of series A and not more than 4,467,008 shares of series B.
C.4	Rights associated with the securities	Each series A share in the Company entitles the holder to ten votes at shareholders' meetings and each series B share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares of series A or B in a cash issue or a set-off issue, shareholders shall, as a general rule, have pre-emptive rights to subscribe for new shares of the same series of shares *pro rata* to the number of shares previously held (primary pre-emptive right). Shares which are not subscribed for by those shareholders entitled to subscribe pursuant to primary pre-emptive rights will be offered to all shareholders (subsidiary pre-emptive rights). In an issue of warrants and convertibles, shareholders shall as a general rule have pre-emptive rights in accordance with what is stated above. All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.
C.5	Restrictions in free transferability	Not applicable. The shares in the Company are not subject to any restrictions on transferability.
C.6	Admission to trading on regulated market	Not applicable. On 29 March 2016, IBT's shares of series B were listed on First North and were admitted for trading on First North Premier on 14 March 2017. The shares are traded under the short name IBT B. Trading in the shares of series B that will be issued as a result of the Offer is expected to commence on First North Premier on or around 14 February 2018. In accordance with what the Company previously has announced, the board of directors of the Company has, in November 2017, applied for listing of the Company's shares of series B on Nasdaq Stockholm's main market.
C.7	Dividend policy	In the light of IBT's financial position and historical losses, the Company has not yet paid any dividends to its shareholders. The board of directors of the Company's does not intend to propose any dividends over the next few years. Instead, IBT's financial resources will mainly be used to finance the Company's development programs.

SECTION D – RISKS		
D.1	Main risks related to the issuer or the industry	An investor should carefully consider the risk factors described in the Prospectus before making a decision to invest in IBT. There are a number of factors that affect, or could affect, IBT and which may cause the price of the Company's shares to fall significantly and that investors may lose all or part of their investment. The main risks relating to IBT's operations, consist of: • the risk that the Company is unable to meet the comprehensive requirements established by relevant authorities, including requirements with respect to clinical trials, registration, approval, labeling, manufacturing and distribution for IBT to obtain the necessary authorizations to conduct further clinical studies and to market and sell potential approved drugs; • the risk that the development of IBP-9414 is delayed as a result of the studies conducted by the Company are discontinued, postponed or cancelled due to, among other things, required extended clinical studies, unacceptable health risks being imposed on patients, increased costs or that IBP-9414 does not demonstrate sufficient safety and efficacy; • the risk that IBP-9414, following potential relevant approvals, does not meet market expectations due to, among other things, product properties, clinical documentation and results, competing products, distribution channels, availability and sales and marketing efforts, which could lead to that the product does not prove to be commercial successful; • the risk that IBT or its co-operation partners do not achieve acceptance for its products and the desired prizing of the products by relevant users and financiers or that IBT's expectations on the pricing of the Company's potential drugs do not correspond to the demand on the market due to, among other things, macroeconomic factors or changes in financiers' budgets; • the risk that IBT fails to enter and to maintain relevant third party agreements for the performance of clinical studies and for the production of IBP-9414 and that existing or future third parties would not fulfill their obligations, which could lead to delays of clinical studies; and • the risk that the Company fails to maintain the license agreement referring to the active ingredient in the Company's pharmaceutical projects, *Lactobacillus reuteri*, that has been entered with BioGaia or that BioGaia fails to extend or maintain its patent protection.

D.3	Main risks related to the securities	Main risks relating to the Offer and IBT's shares consist of: • the risk that the price of the shares is subject to significant fluctuations and that the share price development is negatively affected, resulting in that an investor will lose its invested capital; • the risk that any future dividends will not be distributed, leading to that an investor's potential return will depend solely on the future share price development; • the risk that an investment in shares on an unregulated market platform can be more riskful compared to an investment on a regulated market, since companies, whose shares are being traded on First North Premier and other unregulated markets are not subject to the same rules and regulations as companies listed on the regulated main market; and • the risk that the unsecured subscription undertakings and guarantee commitments relating to the Offer are not fulfilled.

SECTION E – OFFER		
E.1	Issue proceeds and issue costs	The proceeds from the Offer are expected to amount to approximately SEK 440 million, before deduction of issue costs. Such costs are expected to amount to approximately SEK 10 million.
E.2a	Motive for the Offer and use of proceeds	The purpose of the Offer of approximately SEK 440 million (approximately SEK 430 million net of transaction costs) is to finance the Company's continued operations and to finalize the development program, as supported by authorities, through the planned pivotal phase III study with the aim of market approval in 2020. As previously announced, IBT has carried out a safety and tolerability study[1], where the data demonstrates a similar safety- and tolerability profile in the active group as in the placebo group. IBT intends to launch the pivotal phase III study remaining in the development plan supported by the EMA and FDA as soon as possible, with the aim of market approval in 2020. The pivotal phase III study is estimated to take place during 2018–2019 and to be a randomized, double blind, parallel group, placebo controlled study to evaluate the efficacy of IBP-9414 in preventing NEC in premature infants with a birth weight of less than 1,500 grams. The study will be conducted in North America and Europe at approximately 100 different hospitals. On 24 November 2017, IBT carried out a directed share issue of approximately SEK 105 million as a first step in financing the pivotal phase III study, whereby the Company´s institutional shareholder base was broaden and the financing was secured as IBT in conjunction with the directed issue obtained guarantee commitments, subscription undertakings and declarations of intent to subscribe, corresponding to, in total, 89 percent of the Offer. The total issue proceeds of approximately SEK 545 million before transaction costs which will accrue to the Company through the completed directed issue as well as the Offer, is estimated to be sufficient to conduct the planned phase III study in its entirety as well as to fund the Company´s activities until market approval. The Company intends to use approximately 80 percent of the net proceeds from the Offer to the development of IBP-9414, of which the greatest part will be used to complete the pivotal phase III study. The remaining 20 percent of the proceeds from the Offer will be used to finance the Company's continued operations.

1) A randomized, double blind, parallel group, dose escalation, placebo controlled, multicentre study to investigate the safety and tolerability profile of IBP-9414 administered in preterm infants (NTC02472769 ClinicalTrial.gov).

E.3	Terms and conditions	The Offer comprises up to 4,622,546 new shares, of which not more than 155,538 shares of series A and not more than 4,467,008 shares of series B. Persons being registered as shareholders of IBT on the record date 12 January 2018 have pre-emptive rights to subscribe for new shares in the Offer. Those being registered as shareholders in IBT on the record date will receive seven (7) subscription rights of respective series for each share held on the record date of respective series, whereby ten (10) subscription rights of respective series entitles to subscription of one (1) new share of respective series (primary pre-emptive right). The new shares are issued at a subscription price of 95 SEK per new share. Subscription for new shares will take place during the period from and including 16 January 2018 up to and including 30 January 2018. Subscription for new shares may also be made without subscription rights. The subscription rights of share of series B will be traded on Nasdaq First North Premier during the period from and including 16 January 2018 up to and including 26 January 2018. If not all new shares have been subscribed for with subscription rights (primary pre-emptive right), the board of directors shall decide on allotment of new shares within the highest amount of the Offer in accordance with the following (except for shareholders resident in certain unauthorized jurisdictions): • Firstly, new shares shall be allotted to those having subscribed for new shares with subscription rights (secondary pre-emptive right), regardless of whether they were shareholders on the record date or not, whereby – upon over-subscription – allotment shall be made *pro rata* in relation to the number of subscription rights such subscribers have used for subscription. • Secondly, new shares shall be allotted to others having expressed interest in subscribing for new shares without subscription rights, whereby – upon over-subscription – allotment shall be made *pro rata* in relation to the expressed interest, and when that is not possible, by drawing of lots. • Finally, any remaining shares not subscribed for shall be allotted to those having guaranteed the Offer.
E.4	Interests and conflict of interests	There are no family ties between any of the members of the board or the executive management. Further, there are no conflicts of interest or any potential conflicts of interest between, on the one hand, the duties of the members of the board or the executive management towards the Company and, on the other hand, their private interests and/or other duties. SEB is financial advisor to IBT in connection with the Offer. From time to time, SEB may also provide services to the Company within the ordinary course of business and in connection with other transactions.
E.5	Principal owner/ Lock-up agreements	Certain current shareholders, including some of the Company's largest shareholders Annwall & Rothschild Investments AB, Sebastian Jahreskog, Fourth Swedish National Pension Fund and AMF, have issued subscription undertakings for their respective *pro rata* parts covering in total approximately 32 percent of the Offer and undertaken to not sell their respective holdings under the period up and until the completion of the Offer.
E.6	Dilution effect	If the share issue in connection with the Offer is fully subscribed, the number of shares in the Company will increase from 6,603,638 to 11,226,184 and the number of votes from 8,603,420 to 14,625,808, corresponding to a dilution effect of 41 percent.
E.7	Costs imposed on investors by the issuer or offerer	Not applicable. Broker commission will not be charged.

Risk factors

An investment in IBT's shares involves various risks. A number of factors affect, or could affect, IBT's business, both directly and indirectly. Described below, in no particular order and without claim to be exhaustive, are the risk factors considered to affect IBT's operations, financial position and earnings. The risks described below are not the only risks to which IBT and its shareholders may be exposed. Additional risks that are not currently known to IBT may also negatively affect IBT's operations, financial position and earnings. Such risks could also cause the price of IBT's shares to fall significantly, and investors could potentially lose all or part of their investment.

In addition to this section, investors should also take into consideration the other information contained in the Prospectus in its entirety. The Prospectus also contains forward-looking statements that are subject to future events, risks and uncertainties. IBT's actual earnings could differ materially from what is anticipated by these forward-looking statements as a result of numerous factors, including the risks described below.

RISKS RELATED TO IBT AND ITS OPERATIONS

IBT is dependent on the successful development of the Company's drug candidates

As of the date of the Prospectus, the Company's lead drug candidate, IBP-9414, is in the planning stage for a pivotal phase III study. Hence, the Company has not yet completed any clinical development of any pharmaceutical product and therefore has not commenced sales or received any income from the sale of any approved pharmaceutical product. IBP-9414, as well as the Company's other development project IBP-1016, continue to require research and development before a potential product can be launched on the market. Accordingly, the Company's future development is, to a large extent, dependent on the successful completion of the continued clinical studies with IBP-9414 and on the granting of relevant marketing authorizations in order to be able to launch the product. If the development of IBP-9414 and IBP-1916 is not successful or if the development for any reason would be delayed or disrupted, there is a risk that IBT's operations, financial position and earnings would be negatively affected. There is also a risk that IBT would not be able to maintain its operations in its current form or, ultimately, that IBT is forced to discontinue with its operations.

IBT is dependent on obtaining and maintaining relevant registrations and regulatory approvals

The pharmaceutical market is strictly regulated and pharmaceutical companies such as IBT are dependent on various assessments and decisions from relevant authorities. In order to be granted the right to market and sell a pharmaceutical product, all pharmaceutical products under development must undergo an extensive registration procedure and be approved by the relevant regulatory authorities on a particular market, such as the FDA in the US and the EMA in the EU. For example, the registration procedure includes, where applicable, requirements with respect to preclinical development, clinical trials, registration, approval, labeling, manufacturing and distribution and can be particularly extensive if the drug candidate has been developed for a disease or similar, for which another drug already has received market approval. If such requirements, either current or future, are not fulfilled, this may result in denial of registration or that the development of the Company's drug projects are delayed and subject to increased costs.

Also, authorities are not bound to the advice they provide during the development procedure but can revise their assessments, which may lead to delays due to required changes to the development program. In this regard, there is a risk that authorities, as a result of failures and unexpected results in other pharmaceutical companies' development programs and manufacturing processes, may impose stricter requirements on the methods and the manufacturing process used by IBT in its pharmaceutical development. Furthermore, authorities

may make different assessments than IBT regarding, for example, the interpretation of data from studies or the quality of the data. Obtaining regulatory approvals can be time-consuming and can delay, hinder or make the development and commercialization of a product more expensive.

Even after a pharmaceutical product developed by IBT, or any third party under an agreement with the Company, would be approved for marketing, the Company will be liable to meet certain regulatory requirements in order to uphold the relevant market approval. A failure in this regard could lead to the relevant pharmaceutical product being withdrawn from the market. Following such approval, the Company and the pharmaceutical products it markets will be under the supervision of national regulatory authorities where these products are marketed and sold. In the event previously unknown problems are discovered, this can lead to restrictions on the use of a particular product or to the withdrawal of the product from the market, which could have a negative impact on IBT's operations, financial position and earnings.

The orphan drug designations for IBP-9414 could be revoked

In August 2013, IBP-9414 was granted an orphan drug designation for the prevention of NEC in the US and in February 2015, an orphan drug designation was granted in Europe. Such designation may be granted if the potential pharmaceutical product targets a disease that only affects a small number of people and if certain additional criteria, imposed by the authorities, are being met. The orphan drug designation grants IBT certain benefits during product development, such as protocol assistance, scientific advice and lower regulatory and registration fees. If IBP-9414's orphan drug designation is converted into orphan drug status upon relevant regulatory approval, IBP-9414 is, under certain conditions, eligible for market exclusivity in the US and the EU for seven and ten years, respectively, from the grant date of the relevant market approval.

There is a risk that the above mentioned designation may be revoked if IBT is unable to comply with the laws and requirements regulating the designation. If the orphan drug designation would be revoked, it could increase IBT's costs and the regulatory burden that is imposed in the development phase and also have a negative effect on the Company's ability to compete on the market. Furthermore, there is a risk that the orphan drug designation is not converted to orphan drug status upon relevant regulatory approvals or that the orphan drug status, following granting of approvals, are revoked due to for example a other pharmaceutical product being proved to have a better risk/benefit profile than IBP-9414 for the prevention of NEC. Any such revocation or if the orphan drug designation is not converted into orphan drug status, could have a negative effect on the Company's operations, financial position and earnings.

IBT is dependent on recruiting patients to participate in the clinical trials and on co-operations for recruiting patients

Finding patients for necessary clinical trials could be a challenge, due to ethic as well as practical reasons, as the patients intended to be treated with IBP-9414 are premature infants. There is also a risk that clinical studies evaluating competing products for the prevention of NEC or similar diseases are initiated, which could further impact the Company's ability to recruit patients. The number of available patients will have a significant impact on the time plan for the planned clinical trials. If one or several of the Company's co-operation partners which the Company relies on for finding patients are not able to find the requisite number of patients or were to terminate the agreements and if these cannot be replaced with other agreements, the clinical trials could be delayed. This would affect the timing of a potential market approval. Such delay could lead to additional costs and that expected revenues are not generated as planned. This could have a negative effect on the Company's operations, financial position and earnings.

The efficacy and safety of IBT's drug candidates are still under development

The Company's leading drug candidate is still under development and before being able to market and sell IBP-9414 for the prevention of NEC, IBT must complete the planned pivotal phase III study to document and ensure that the product is efficacious and safe.

Clinical studies are extensive and time-consuming and IBT cannot exactly predict when planned studies can be commenced or when current studies can be completed, since there are numerous factors outside IBT's control which must be observed prior to commencement or finalization of clinical studies, such as regulatory reviews and access to study sites and patients. Consequently, there is a risk that the Company experiences delays in ongoing and planned studies.

It is also difficult to accurately predict the costs associated with clinical studies. Actual costs for carrying out a study may significantly exceed estimated and budgeted costs, which could entail that clinical studies are discontinued or cancelled.

Further, there is a risk that adverse or inconclusive clinical study results may, despite initially promising results, result in IBP-9414 not being approved for marketing and sale, require IBT to conduct additional clinical studies resulting in increased costs, a significant delay of the filing with regulatory authorities, a filing for a narrower indication or that IBT is forced to discontinue the commercialization of IBP-9414. In the event regulatory approval is received, there is a risk that IBP-9414 in a later stage exhibits negative effects that could prevent its widespread use and result in withdrawal from the market.

As the Company's operations consist of pharmaceutical development, there is a risk that patients participating in clinical studies or other individuals that come in contact with the Company's pharmaceutical products could suffer from serious unexpected side effects or fall ill during the treatment. The consequence of such side effects could be that additional clinical trials are required in respect to the safety and tolerability of the drug, that the project is cancelled or that claims for damages are made against the Company. Moreover, national and international supervisory authorities can, temporarily of definitely, stop or put the development of a pharmaceutical product on hold and may further, anytime, temporarily or definitely, stop continued clinical trials or withdraw a pharmaceutical product from the market following approval if they consider that public health and safety is endangered. Serious side effects could delay or render it impossible to launch the relevant product.

In the event any of the above risks associated with the Company's pharmaceutical development should materialize, the Company could suffer unexpected delays in ongoing studies, increased costs, unforeseen suspensions and unfavorable results, circumstances that, together or individually, could have a negative effect on IBT's operations, financial position and earnings.

IBT is dependent on the commercialization of its products

Even if a pharmaceutical product obtains relevant regulatory approvals for marketing and sales, the risk still remains that the sales thereof, regionally or globally, may not meet expectations and that the product does not prove to be commercially successful. The level of market acceptance and sales of a pharmaceutical product depend on a number of factors, including product properties, clinical documentation and results, competing products, patent protection, distribution channels, availability and sales and marketing efforts.

It is of significant importance for IBT's future profitability and financial position that IBP-9414, or other potential products from, for example, the IBP-1016 project, can be commercialized successfully. At present, IBT does not have any marketing, sales or distribution capabilities. However, if the continued development of IBP-9414 or any other drug candidate is successful, the Company will be required to develop such capabilities or rely on co-operations or licensing of the relevant product to a third party in order to commercialize the product. The Company's success in this respect is dependent on, among other things, its ability to attract partners and to enter into agreements on terms favorable to IBT. There is a risk that the Company will not be able to enter into such partnership agreements or that the Company's partners allocate insufficient resources, or are otherwise unable or unwilling to fulfill the agreements. If IBT is unable to obtain or maintain contract manufacturing of its products, or to do so on commercially unreasonable terms only, IBT may not be able to successfully benefit from its products from a financial perspective, which would negatively affect IBT's operations, financial position and earnings.

IBT is dependent on reimbursement systems and the pricing of pharmaceutical products

The reimbursement rate that, from time to time, applies for a pharmaceutical product depends on several factors, including the legal framework, the value the product is deemed to add for the patient and the healthcare system, the paying party's perception of whether the product is safe and efficacious, non-experimental, medically important and suitable for patients and whether it is cost efficient based on the laws and regulations applicable in the specific market.

On many markets, purchases of pharmaceuticals of the type developed by the Company are financed, in whole or in part, by a party other than the patient, for example care givers, insurance companies or governmental authorities subsidizing pharmaceuticals. If the Company or a relevant co-operation party does not achieve acceptance for its products and the desired prizing of the products from such financiers, this may make it more difficult for the products to reach the market and may limit their commercial potential. There is further a risk that the product not qualifying for subsidies from privately and publicly financed healthcare programs or that reimbursement is or becomes lower than expected. Reimbursement systems may also change from time to time, making it more difficult to predict the benefit and reimbursement that a product may obtain. In addition, in case the incidence of NEC is relatively low, for certain countries it may be difficult to demonstrate an economic

benefit for the approved drug to support the required reimbursement.

The pricing and the demand of pharmaceutical products may further be adversely affected by a downturn in the general economy in the US and in the EU, as well as on other major pharmaceutical markets. An economic downturn could, among other things, put pressure on healthcare payers, including authorities, insurance companies and hospitals, resulting in a lower willingness to pay for pharmaceutical products which, together with other changes in said payers' budgets, could result in reduced reimbursement for all pharmaceutical companies, including IBT, if the Company would reach a position where one or several pharmaceutical products are sold on the market. Further, initiatives to curb rising pharmaceutical costs could affect sales margins and product sales for pharmaceutical companies and could result in fewer reimbursement possibilities and lower reimbursement levels in certain markets.

The above circumstances could entail a negative effect on IBT's operations, financial position and earnings.

IBT conducts its operations through a small organization and is dependent on the ability to manage expansion

IBT conducts its business by virtue of a small organization. The planned pivotal phase III study with IBP-9414 is significantly more extensive than the recently completed safety and tolerability study and impose large requirements on the Company's management as well as its operational and financial capabilities. Hence, for the development of IBP-9414, the Company is dependent on its ability to adapt its organization to new circumstances. Such adaptions can be costly, time consuming and disrupt the daily operations, which could negatively affect the Company's operations, financial position and earnings.

A potential receipt of marketing approval for IBP-9414 would require the Company's presence on various markets the Company intends to process. Further, expansion and sales into several markets are associated with uncertainties and risks such as increased product liability for potential defaults in IBT's pharmaceutical products or higher regulatory requirements, and the Company may have to recruit personnel with certain qualifications or engage third parties to manage such risks. There is a risk that the Company fails to manage the risks associated with increased growth and market expansion, which could have a negative effect on IBT's operations, financial position and earnings.

IBT is dependent on entering and maintaining favourable clinical partner agreements

For the performance of the completed clinical study on IBP-9414, the Company has engaged so called contract research organizations ("CROs") and plans to do so for the planned pivotal phase III study as well. Further, so called contract manufacturing organizations ("CMOs") are contracted for the production of IBP-9414. Consequently, the Company is dependent on maintaining third party agreements for the continued development of its pharmaceutical projects. If existing or future third parties would not fulfill their obligations, such as not meeting expected deadlines, allocate insufficient resources or fail to, on time, manufacture and deliver a sufficient amount of compounds, there is a risk that future clinical studies can be delayed, terminated or not started at all. The same applies in the event the quality of the compound delivered would be deficient as a result of, for example, deficiencies in the manufacturing process or if the parties in any other way would be unable or unwilling to fulfill the agreements. Further, there is a risk that IBT fails to successfully contract any new external party should any of the existing agreements be terminated or if additional parties are needed for the Company's operations. This could cause delays and/or price increases of the services rendered to the Company. The above factors could have a negative impact on the Company's operations, financial position and earnings.

IBT, its employees and third party contractors, are subject to various environment safety rules and ethical standards

IBT, its employees and third party contractors are, due to the compounds of pharmaceutical products and the nature of the manufacturing process, subject to safety reporting requirements, environmental regulations and, going forward, additional requirements following potential receipt of marketing approval. Further, any of the Company's employees may perform acts or omissions that are considered unethical, criminal or otherwise contrary to applicable laws and regulations and/or internal guidelines. IBT's reputation may be harmed by such events, which could have a negative effect on the Company's ability to market and sell IBP-9414 and other products on the market, which, in turn, could have a negative effect on the Company's operations, financial position and earnings.

IBT is dependent on being able to recruit and retain competent personnel at competitive terms

IBT is dependent on a small number of key individuals, employees as well as board members, for the continued development of the Company's operations and clinical projects. The Company's future earnings are thus affected by the Company's ability to attract and recruit qualified key individuals. There is a risk that some or several of the Company's key individuals would terminate their assignments within the Company, or that the Company fails to recruit new individuals with relevant knowledge and expertise. This could have a negative effect on the Company's operations, financial position and earnings.

Exposure to competition on the pharmaceutical market

The industry for the development of pharmaceutical products is heavily exposed to competition. Developing a new pharmaceutical product from invention to finished product is very time consuming. Especially when the development is underway, it is uncertain whether there will be any market for the product when it is finally developed and, in such case, how large this market will be, as well as which competing products the Company's products will encounter when they reach the market. Some of the Company's competitors may have a substantially stronger financial position and considerably greater resources and capacity in terms of, for example, research and development, regulatory contacts and marketing than IBT. Accordingly, there is a risk that competitors may develop more effective, safer and convenient products at a better price or may achieve earlier patent protection or commercialization of their products than IBT. These competing products may render the Company's potential future products obsolete or limit the ability of IBT to generate earnings.

Further, there is a risk that the use and market acceptance of products that are not classified as pharmaceutical products, such as food supplements, which are not subject to the same regulatory framework nor require as much time and costs to develop as pharmaceutical products, will increase, which could reduce the competitive advantages of a potential launch of a pharmaceutical product. If the Company fails to compete efficiently, this could have a negative impact on IBT's operations, financial position and earnings.

RISKS RELATING TO LEGAL CONSIDERATIONS AND TAX

IBT is dependent on upholding the protection for its intellectual property rights

Pharmaceutical companies' protection of patents and intellectual property rights may be uncertain and involve complicated legal and technical questions. There is a risk that a patent granted will be circumvented or declared invalid. The issuance of a patent does not necessarily mean that it provides sufficient protection for the Company's products or that it is enforceable against third parties. The patent position of pharmaceutical companies is generally uncertain and comprises complex factual and legal assessments. Pursuing litigation for infringement or the validity of a patent is normally associated with significant costs. By having access to greater economic resources, competitors may be better positioned to carry such costs. In certain jurisdictions, these costs may be imposed on IBT even where the outcome of the case for the Company is otherwise positive.

The active ingredient in IBP-9414 and IBP-1016, *Lactobacillus reuteri*, is protected by a patent held by BioGaia AB (publ) ("BioGaia") and which IBT, within certain areas, has been granted an exclusive, free of charge license to use. The patent protection granted in the US is valid until and including 2026 and in Europe, China and Japan until and including 2027. Following expiry, parent term extensions are possible in certain areas of the world, which could provide additional patent protection of the innovation. IBT has also filed for further patent protection relating to IBP-9414 which is currently pending and aim to further protect IBP-9414 until 2036, but is dependent on BioGaia's ability to achieve, extend and maintain the patent protection made available to the Company under the license agreement. If the Company or BioGaia would fail to achieve, extend or maintain the patent protection for its inventions, competitors may be given the opportunity to freely develop and use copies of IBT's drug candidates and potential products, which could negatively affect the Company's ability to commercialize its operations. A failure in maintaining the license agreement or own existing patents, could have a negative effect on the Company's operations, financial position and earnings.

IBT may infringe on other parties' intellectual property rights

If IBT utilizes or is accused of utilizing products or methods in its own operations that are subject to intellectual property protection by another party, the holder of these rights may accuse IBT of intellectual property right infringement. Third party intellectual property rights may also obstruct or restrict the Company from freely utilizing a specific product or production method. Accordingly, there is a risk of IBT being forced into litigation or other proceedings for alleged intellectual property right infringements. Such proceedings may be costly and time consuming. If any such dispute results in an unfavourable outcome for IBT, the Company might be forced to pay damages, cease with the infringing activity or be forced to obtain a license in order to continue to manufacture or market the affected products or processes. If IBT were to infringe on other parties' intellectual property rights, this could have a negative effect on IBT's operations, financial position and earnings.

IBT is dependent on the protection of trade secrets not covered by intellectual property rights

In addition to intellectual property rights, IBT is dependent on trade secrets and know-how. Such assets may not always be protected by patent registration or other formal registration in the same way as other intellectual property rights such as information of innovations not yet subject to any patent applications. However, unauthorized disclosure or use of information covered by such agreements by competitors, consultants, employees and others could still occur that would render it impossible for the Company to receive patent protection or is harmful to IBT's competitive situation. Furthermore, there is a risk that competitors or others could independently develop similar know-how and trade secrets. This could have a negative effect on IBT's operations, financial position and earnings.

Disputes, claims, investigations and proceedings may lead to IBT having to pay damages or cease with certain operations

Disputes, claims, investigations and proceedings may lead to IBT having to pay damages or cease with certain operations. IBT may become involved in disputes within the framework of its normal business activities and risk being subject to claims in suits concerning agreements. In addition, IBT (or the Company's management, board members, employees or affiliates) may become subject to criminal investigations and proceedings. Disputes, claims, investigations and proceedings of this kind can be time consuming, disrupt normal operations, involve large claims and result in considerable costs. Moreover, it can be difficult to predict the outcome of complex disputes, claims, investigations and proceedings. Future disputes, claims, investigation and proceedings may have a negative effect on IBT's operations, financial position and earnings.

Changes to legislation may entail negative effects for IBT

The pharmaceutical industry is heavily affected by laws and other regulations. Such regulations include, *inter alia*, development and approval processes, quality controls, documentation requirements and pricing regimes and affect IBT as well as its contracting partners. Over time, new legislation is likely to be enacted, which could significantly alter the regulatory framework that governs pre-clinical and clinical studies, regulatory approvals, production and marketing of regulated products as well as the pricing thereof. Moreover, the European parliament and council's regulation (2916/679) ("GDPR") will be effective as of May 2018. GDPR is expected to entail significant changes of the Company's management of personal data as well as more strict sanctions with significant administrative fines. Any changes in legislation and regulations regarding the Company's operations and pharmaceutical products, both in the US and in the EU, as well as on other major pharmaceutical markets, may entail increased costs and also negatively affect the Company's operations, financial position and earnings. For more information of the regulatory framework governing IBT's operations, please refer to the above risk factor "IBT is dependent on obtaining and maintaining relevant registrations and regulatory approvals".

IBT's tax position could change negatively due to changes in tax law

IBT's approach in tax issues is based on interpretations of the current tax laws, tax treaties and other tax regulations and the requirements of the relevant tax authorities. There is a risk that tax audits and reviews may result in IBT being imposed additional tax or denied deductions.

In the event that the Company's interpretation of tax laws, tax treaties and other tax regulations or their applicability is incorrect, if one or more governmental authorities successfully make negative tax adjustments with regard to IBT, or if the applicable tax laws, tax treaties or governmental interpretations thereof or administrative practice in relation thereto change,

including with retroactive effect, the Company's past or current tax positions may be challenged. In the event tax authorities were to succeed with such claims, this could result in an increased tax cost, including tax surcharges and interest costs, which could have a negative effect on IBT's financial position and earnings.

A changed ownership structure of IBT may result in limitations to utilize loss carry-forwards

As IBT's operations historically have generated large deficits, the Company has significant accumulated tax loss carry-forwards. Ownership changes, meaning that the controlling influence over the Company changes, may result in limitations (fully or in part) of the possibility to utilize such tax loss carry-forwards in the future. The opportunity of utilizing the tax loss carry-forwards in the future may also be negatively impacted by changes in applicable legislation. Such limitations and changes may negatively affect IBT's operations, financial position and earnings.

IBT is dependent on entering and maintaining appropriate insurance agreements

Clinical studies as well as marketing and sales of pharmaceutical products entail a liability risk that may arise if patients or other parties participating in or come in contact with IBT's studies and products are harmed. There is a risk that the Company's liability insurances may prove to be insufficient in relation to product liability and other damages caused by the Company's products or product candidates. Furthermore, there is a risk that the Company may not be able to maintain its insurance cover on acceptable terms, or at all, which could negatively affect IBT's operations, financial position and earnings.

RISKS RELATING TO FINANCING

The Company's operations are capital intense and subject to continuing financing needs

IBT has so far not generated any significant revenue and has, since the start of its operations, reported negative operating results. The development of pharmaceutical products of the types being developed by IBT is associated with great costs, which means that IBT will continue to require capital for research and development until IBT is able to generate revenues from any marketed product and achieve positive earnings. The proceeds from the Offer, if the Offer is fully subscribed, in combination with cash resources at hand, are estimated to be sufficient to finance the planned pivotal phase III study of IBP-9414. Depending on how the Company decides to commercialize IBP-9414, the Company may require additional financing which may exceed the proceeds generated from the Offer. The size as well as the timing of the Company's future capital need is dependent on a number of factors, including the ability to succeed in research and development projects and the ability to enter into co-operation or licensing agreements with external parties. In order to satisfy future capital needs, the Company may issue new shares or other securities to current shareholders as well as to new investors. Through the issuance of new shares or securities, current shareholders' holdings could be diluted.

IBT may also explore alternative financing options, such as out licensing specific pharmaceutical rights to third parties. Both the access to and the conditions of additional financing depend on a number of factors such as market conditions, the general availability of capital and IBT's credit rating and credit capacity. There is a risk that capital cannot be obtained as the need arises, that loans cannot be taken up on favourable terms or that such loans are not sufficient to cover the financing needs according to plan. Further, disruptions and uncertainty in the credit and capital markets may also limit the access to additional capital. If IBT, in part or in whole, fails to raise enough capital or is only able to do so on unfavorable terms, this could have a negative impact on the Company's operations, financial position and earnings.

IBT is exposed to credit and currency risk

Credit risk refers to the risk that a counterparty in a financial agreement, in part or in whole, cannot fulfill its obligations under the agreement. If one or more of IBT's counterparties run into financial difficulties, this could have a negative impact on IBT's operations, financial position and earnings.

Currency risk refers to the risk that the value of assets and liabilities vary due to fluctuations in exchange rates. As a result of that a majority of the development costs in IBT are undertakings in foreign currencies, the Company is exposed to currency fluctuations between, primarily, USD and EUR in relation to SEK. Since IBT currently does not use any forwards or options to hedge potential currency risks, there is a risk that changing exchange rates may negatively affect the Company's financial statements, which could have a negative effect on the Company's financial result and earnings.

RISKS RELATING TO THE SHARES AND THE OFFER

The price of the shares may be volatile and potential investors could lose a portion or all of their investment

Trading in securities is always associated with risk and risk-taking. Since an investment in shares and other securities can both increase and decrease in value, it is not certain that an investor will recoup all or even a part of the capital invested. In addition, it should be noted that the pricing of the Company's shares is dependent on factors beyond the control of IBT, including, among other things, the stock market's expectations and development as well as the economy in general. An investment in IBT's shares should therefore be made following a thorough analysis of the Company, its competitors, surroundings in general as well as general information regarding the industry. The price of the Company's shares may be subject to fluctuations as a consequence of changes in opinions on the capital market regarding the shares or similar securities, due to various circumstances and events such as changes in applicable legislation and other rules which affect the Company's operations, or changes in the Company's earnings and business development. Stock markets may experience significant fluctuations from time to time with regard to prices and volumes, which are not necessarily related to the Company's operations or future prospects. In addition, the Company's earnings and future prospects may, from time to time, be lower than the expectations of capital markets, analysts or investors. One or more of these factors may result in a drop in the price of the share, which could lead to potential investors may lose a portion or all of their investment.

Trading on an unregulated market is, as a general rule, associated with more risk than trading on a regulated market

First North Premier is an unregulated market operated by the different exchanges within the Nasdaq group. Companies, whose shares are being traded on First North Premier, are not subject to the same rules and regulations as companies listed on the regulated main market. Instead, they are subject to a less extensive set of rules and regulations. The risk of investing in IBT may therefore be higher than investing in a company on a regulated market.

Main shareholders has a substantial influence over the Company's operations

On 30 November 2017, Annwall & Rothschild Investments AB held shares corresponding to approximately 7.02 percent of the share capital and approximately 28.63 percent of the votes in the Company. Thus, based on its holdings, Annwall & Rothschild Investments AB may, on their own or together with other main shareholders, exercise a significant influence over the outcome of matters submitted to the Company's shareholders for approval, including resolutions on dividends, capital increases and the election of board members. The interests of Annwall & Rothschild Investments AB may deviate significantly from the interests of other shareholders. Except for adhering to the applicable rules, such as the Swedish Companies Act's rules regarding protection of minority shareholders, IBT is unable to take any actions in order to guarantee that the significant influence is not abused.

IBT's ability to pay dividends is dependent on the Company's future earnings, financial position, cash flows, net working capital requirements, investment costs and other factors

In the light of IBT's financial position and historical losses, the Company has not yet paid any dividends to its shareholders. The board of directors of the Company does not intend to propose any dividends over the next few years. Instead, IBT's financial resources will mainly be used to finance the Company's development programs.

The size of any future dividends from IBT depends on a number of factors, such as the Company's future earnings, financial position, cash flow, net working capital requirements, capital expenditures and other factors. There is a risk that the Company will not have sufficient distributable funds to pay dividends at all or to the extent that shareholders may expect. Further, there is a risk that the Company or its major shareholders for various reasons may prevent or limit future dividends. In the event that no dividend is paid, an investor's potential return will depend solely on the future share price development.

Differences in exchange rates may negatively affect the value of shareholdings and/or dividends paid

IBT's shares of series B will be quoted in SEK only, and potential future dividends will be paid in SEK. As a result, shareholders outside Sweden may experience negative effects on the value of their shareholding and their dividends, when converted into other currencies, if SEK depreciates against the relevant currency.

A liquid market for trading in subscription rights and BTA regarding shares of series B may not develop

Those who are registered as shareholders of IBT on the record date, 12 January 2018, will receive subscription rights in relation to their current shareholding. The subscription rights are expected to have an economic value to the holder only if the holder uses them for subscription for new shares in the Offer no later than 30 January 2018 or sells the subscription rights no later than 26 January 2018. After 30 January 2018, unused subscription rights will, without prior notification, be derecognized from the holder's securities account, whereby the shareholder will lose the expected economic value of the subscription rights. Both the subscription rights and the paid subscribed shares (Sw. *betalda tecknade aktier*, "BTAs") which, after payment, will be recognized in the securities account belonging to those who have subscribed for the new shares, will be available for trading on First North Premier for a limited period of time. The trading may be limited, which could result in that individual holders may not be able to sell his or her subscription rights and/or their BTAs. A limited trading may also increase the fluctuation in the market price for subscription rights and/or the BTAs and the pricing of these instruments may thereby be incorrect or misleading.

Subscription undertakings and guarantee commitments regarding the Offer are not secured

IBT has received subscription undertakings and guarantee commitments of SEK 308 million as well as additional declarations of intent and commitments, which in total corresponds to 89 percent of the Offer. However, the undertakings are not secured through bank guarantee, blocked funds or pledges or similar arrangements, why there is a risk that the undertakings will not be fulfilled. This could have a negative impact on the implementation of the Offer.

Shareholders not participating in the Offer may lose their subscription rights and have their shareholdings diluted

Those shareholders that, in part or in full, choose not to use their subscription rights to subscribe for new shares in the Offer will lose their rights to subscribe for new shares and therefor may have their holding in the Company diluted. Their portion of the shares and the votes in the Company will thereby decrease, which may result in that future earnings, if any, will not be received by them to the same extent as they would have prior to the Offer.

Shareholders in the US and other countries outside Sweden may not be able to participate in future share issues

If the Company issues new shares against cash payment, current shareholders have, as a general rule, pre-emptive rights to subscribe for new shares in relation to the number of shares held at the time of the rights issue. However, shareholders in other countries may be subject to limitations, that prevent them from participating in such new issues or limit and make it difficult for them to participate in other ways. For example, shareholders in the US may be prevented from exercising such right to subscribe for new shares or subscription rights if these are not registered according to the Securities Act or if any exemptions from the registration requirements are not applicable. Shareholders in other jurisdictions outside Sweden may be affected in similar ways if the subscription rights or the new shares are not registered with the relevant authorities in such jurisdictions. IBT has no obligation to investigate if there are any registration requirements under the Securities Act or corresponding legislation in other jurisdictions than Sweden and the Company has no obligation to apply for registration of the Company's shares or the sale of the Company's shares in accordance with such legislation outside Sweden, and to do so in the future may be impractical and costly. The potential limitations for shareholders in countries outside Sweden to participate in rights issues may result in that their holdings are diluted or decrease in value.

Invitation to subscribe for shares in Infant Bacterial Therapeutics

On 8 January 2018, the extraordinary shareholders' meeting in IBT resolved to approve the board of directors' decision to increase the Company's share capital through a new share issue with pre-emptive rights (rights issue) for IBT's shareholders.

Through the rights issue, IBT's share capital will increase by not more than SEK 1,259,861, from current SEK 1,799,801 to not more than SEK 3,059,663, through the issue of not more than 155,538 shares of series A and not more than 4,467,008 shares of series B. Following the Offer, the total number of shares in IBT will amount to not more than 11,226,184 shares, divided into not more than 377,736 shares of series A and not more than 10,848,448 shares of series B. The Company's shareholders have pre-emptive rights to subscribe for the new shares *pro rata* in relation to the number of shares held. The record date for the right to receive subscription rights in the Offer is 12 January 2018.

Those being registered as shareholders in IBT on the record date will receive seven (7) subscription rights of the respective series for each share held on the record date of the respective series, whereby ten (10) subscription rights of the respective series entitle to subscription for one (1) new share of the respective series (primary pre-emptive right). Shares not subscribed for with primary pre-emptive right shall be offered for subscription to all shareholders (secondary pre-emptive right). Subscription may also be made without pre-emptive rights, as set forth in the section "Terms and conditions". The primary as well as the secondary pre-emptive right will be transferred to the acquirer upon sale of the subscription right.

Subscription shall take place during the period from and including 16 January 2018 up to and including 30 January 2018, or such later date as determined by the board of directors and otherwise in accordance with what is stated in the section "Terms and conditions".

The subscription price has been set at SEK 95 per share, which means that IBT will receive in total approximately SEK 440 million before deduction of transaction costs, if the Offer is fully subscribed.

Shareholders choosing not to participate in the Offer will have their holdings diluted by up to 41 percent, but have the possibility to be financially compensated for the dilution by selling their subscription rights.

GUARANTEE UNDERTAKINGS AND SUBSCRIPTION COMMITMENTS

The Offer is covered by subscription undertakings, guarantee commitments and declarations of intent to subscribe corresponding to, in total, 89 percent of the Offer, of which approximately 41 percent is subscription undertakings for a *pro rata* parts, approximately 8 percent is declarations of intent to subscribe for a *pro rata* part, approximately 29 percent is guarantee commitments in addition to *pro rata* parts and approximately 11 percent is declarations of intent to subscribe in addition to *pro rata* parts. Some of the Company's largest shareholders Annwall & Rothschild Investments AB, Sebastian Jahreskog, the Fourth Swedish National Pension Fund and AMF have issued subscription undertakings for their respective *pro rata* parts covering in total approximately 20 percent of the Offer.[1)] Certain other current shareholders of the Company have also issued subscription undertakings and declarations of intent corresponding to approximately 12 percent of the Offer. Additionally, the participants in the Directed Issue (as defined in the section "Share capital and ownership structure") have issued subscription undertakings, declarations of intent and guarantee commitments without compensation, corresponding, in total, to approximately 57 percent of the Offer.[2)]

The shareholders of IBT are hereby invited to subscribe for shares with pre-emptive rights in accordance with the terms and conditions set forth in the Prospectus.

Stockholm, 10 January 2018

Infant Bacterial Therapeutics AB (publ)

1) The shareholder Sebastian Jahreskog's commitment covers 50 percent of his *pro rata* part of the Offer, although he has expressed an intention to subscribe for his full *pro rata* part. The subscription undertakings from the other mentioned shareholders cover their respective full *pro rata* parts of the Offer.
2) Swedbank Robur Funds has committed to subscribe for their *pro rata* part on certain terms and expressed an intention to subscribe for additional shares above *pro rata*, whereas the other participants in the Directed Issue have undertaken to subscribe for their respective *pro rata* parts and have also issued guarantee commitments in addition to their respective *pro rata* parts.

Background and reasons

The purpose of the Offer of approximately SEK 440 million (approximately SEK 430 million net of transaction costs) is to finance the Company's continued operations and to finalize the development program, as supported by authorities, through the planned pivotal phase III study with the aim of market approval in 2020.

As previously announced, IBT has carried out a safety and tolerability study[1], where the data demonstrates a similar safety and tolerability profile in the active group as in the placebo group. IBT intends to launch the pivotal phase III study remaining in the development plan supported by the EMA and FDA as soon as possible, with the aim of market approval in 2020.

The pivotal phase III study is estimated to take place during 2018-2019 and to be a randomized, double blind, parallel group, placebo controlled study to evaluate the efficacy of IBP-9414 in preventing Necrotizing Enterocolitis ("NEC") in premature infants with a birth weight of less than 1,500 grams. The study will be conducted in North America and Europe at approximately 100 different hospitals.

On 24 November 2017, IBT carried out a directed share issue of approximately SEK 105 million as a first step in financing the pivotal phase III study, whereby the Company´s institutional shareholder base was broadened. In addition, the financing was secured as IBT in conjunction with the directed issue obtained guarantee commitments, subscription undertakings and declarations of intent to subscribe, corresponding to, in total, 89 percent of the Offer.

The total issue proceeds of approximately SEK 545 million before transaction costs which will accrue to the Company through the completed directed issue as well as through the Offer, is estimated to be sufficient to conduct the planned phase III study in its entirety as well as to fund the Company´s activities until market approval. The Company intends to use approximately 80 percent of the net proceeds from the Offer to the development of IBP-9414, of which the greatest part will be used to complete the pivotal phase III study. The remaining 20 percent of the proceeds from the Offer will be used to finance the Company's continued operations.

The board of directors of IBT is responsible for the contents in the Prospectus. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in the Prospectus, as far as the board of directors is aware, corresponds to the facts and that nothing is omitted that could affect its import.

Stockholm, 10 January 2018

Infant Bacterial Therapeutics AB (publ)
The board of directors

1) A randomized, double blind, parallel group, dose escalation, placebo controlled, multicentre study to investigate the safety and tolerability profile of IBP-9414 administered in preterm infants (NTC02472769 ClinicalTrial.gov).

Terms and conditions

PRE-EMPTIVE RIGHTS AND SUBSCRIPTION RIGHTS

The Offer comprises up to 4,622,546 new shares, of which not more than 155,538 shares of series A and not more than 4,467,008 shares of series B. Persons being registered as shareholders of IBT on the record date 12 January 2018 have pre-emptive rights to subscribe for new shares in the Offer.

Those being registered as shareholders in IBT on the record date will receive seven (7) subscription rights of the respective series for each share held on the record date of the respective series, whereby ten (10) subscription rights of the respective series entitles to subscription of one (1) new share of the respective series (primary pre-emptive right). Shareholders not participating in the Offer will be diluted by up to 4,622,546 shares corresponding to approximately 41 percent, but have the opportunity to be compensated for the economic dilution effect by selling their subscription rights.

Application can also be made to subscribe for shares not subscribed for with subscription rights, refer to the section "Subscription for new shares without subscription rights" below.

SUBSCRIPTION PRICE

The new shares are issued at a subscription price of SEK 95 per new share. Broker commission will not be charged.

RECORD DATE

The record date at Euroclear Sweden to determine which persons are entitled to receive subscription rights in the Offer is 12 January 2018. The last day of trading in IBT's shares inclusive of the right to participate in the Offer is 10 January 2018. The shares in IBT are trading exclusive of the right to participate in the Offer from and including 11 January 2018.

SUBSCRIPTION PERIOD

Subscription for new shares will take place during the period from and including 16 January 2018 up to and including 30 January 2018. The board of directors of IBT is entitled to extend the subscription period, which – in such case – will be announced through a press release as soon as such decision has been made.

ISSUE STATEMENTS

Directly registered shareholders

Pre-printed issue statements with attached payment form will be sent to directly registered shareholders and representatives of shareholders that on the record date are registered in the share register maintained by Euroclear Sweden on behalf of IBT, with the exception of such shareholders being resident in certain unauthorized jurisdictions. The issue statements will state, among other things, the number of subscription rights received and the number of shares that may be subscribed for with the subscription rights. No securities notification (Sw. *VP-avi*) will be sent out regarding the registration of subscription rights on the securities/service account. Shareholders included in the special list of pledge holders and trustees, which is maintained in connection with the share register, will not receive any issue statement but will be informed separately.

Nominee-registered shareholders

Shareholders with nominee-registered holdings at a bank or other nominee (for example through custody-, investment savings- or individual pension savings account) will not receive an issue statement. Subscription and payment for new shares subscribed for with both primary- and secondary pre-emptive right should instead be made to the respective nominee and in accordance with instructions from the respective nominee.

Shareholders resident in certain unauthorized jurisdictions

The allotment of subscription rights and the issuance of new shares to subscribers resident in countries other than Sweden may be affected by securities legislation in such countries, refer to the introductory section of the prospectus "Important information". Consequently, subject to certain exceptions, shareholders with existing shares directly registered on a securities/service account (Sw. *VP-konto*) with registered address in USA, Australia, Japan, Canada, Hong Kong or Singapore will not receive any subscription rights or be allowed to subscribe for new shares. The subscription rights that otherwise would have been delivered to such shareholders will be sold and the sales proceeds, less costs, will be paid to such shareholders. Amounts less than SEK 100 will not be paid out.

TRADING IN SUBSCRIPTION RIGHTS

The subscription rights of series B will be traded on Nasdaq First North Premier during the period from and including 16 January 2018 up to and including 26 January 2018 with the ticker IBT TR B. SEB and other securities institutions with required licenses will provide brokerage services in connection with the sale and purchase of subscription rights. The primary as well as the subsidiary pre-emptive right will be transferred to the acquirer upon sale of the subscription right. The ISIN code for the subscription rights of series B is SE0010713941. Trading with subscription rights of series A will not take place. Observe that in order to acquire or dispose of subscription rights the holder must have a so called LEI- or NPID number, refer to the section "Subscription for new shares without subscription rights – Important information regarding LEI and NPID when subscribing for shares without subscription rights" below.

SUBSCRIPTION FOR NEW SHARES WITH SUBSCRIPTION RIGHTS

Subscription for new shares with subscription rights will take place during the subscription period, 30 January 2018 at the latest. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. After 30 January 2018, unexercised subscription rights will be deleted from the holder's securities/service account without any notice from Euroclear Sweden.

In order not to lose the value of the subscription rights, the holder must either:

- exercise the subscription right to subscribe for new shares no later than 30 January 2018, or in accordance with instructions from the holder's nominee, or
- sell the subscription rights that will not be exercised no later than 26 January 2018.

Subscription by directly registered shareholders

Subscription for new shares with subscription rights will be made through payment in cash together with a notification, either by use of the pre-printed payment form or a special subscription form in accordance with one of the following options:

- If all subscription rights pursuant to the issue statement from Euroclear Sweden are to be exercised, the pre-printed attached payment form shall be used. No additions or amendments may be made on the payment form.
- If subscription rights have been purchased, sold or transferred from another securities/service account, or if, for some other reason, the number of subscription rights to be exercised for subscription differs from the number set out in the pre-printed issue statement, the subscription form named "Subscription of shares with subscription rights" shall be used. In connection with submission of the filled out form to SEB on the adress below, payment shall be made for the subscribed new shares in accordance with the payment instruction on the subscription form. Subscription forms in accordance with the above can be ordered from SEB during office hours on telephone +46 (0)8-639 27 50. The subscription form shall be sent to SEB, Emissioner R B6, SE-106 40 Stockholm or handed in at one of SEB's offices in Sweden. The subscription form shall be received by SEB no later than 30 January 2018.

Directly registered shareholders not resident in Sweden eligible for subscription for new shares with subscription rights

Directly registered shareholders that are not resident in Sweden but eligible for subscription for new shares with subscription rights (i.e. not subject to the restrictions described in the section "Shareholders resident in certain unauthorized jurisdictions") and cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

SEB
Emissioner R B6
SE-106 40 Stockholm
IBAN number: SE5650000000058651005512
Bank account number: 5865-10 055 12
SWIFT/BIC: ESSESESS

Upon payment, the subscriber's name, address, securities/service account number and the payment identity stated on the issue statement must be quoted. Last day for payment is 30 January 2018. If the subscription relates to a different number of shares than the number set out in the issue statement, the subscription form named "Subscription for shares with subscription rights" shall be used, which can be ordered from SEB during office hours by telephone: +46 (0)8 639 27 50. Payment shall be made in accordance with the aforementioned instructions. Note that the payment identity stated in the issue statement must be quoted. The subscription form shall be received by SEB, at the address above, no later than 30 January 2018.

Subscription by nominee-registered shareholders

Shareholders with nominee-registered holdings wishing to subscribe for new shares with subscription rights shall apply for subscription in accordance with instructions from their nominee or nominees.

PAID SUBSCRIBED SHARES (BTAs)

After payment and subscription, Euroclear Sweden will distribute a securities notification confirming the registration of the BTAs on the securities/service account. The newly subscribed shares are entered as BTA on the securities/service account until the new shares have been registered at the Swedish Companies Registration Office (Sw. *Bolagsverket*) and the BTA have been re-classified to shares. New shares that are subscribed for with subscription rights are expected to be registered with the Swedish Companies Registration Office around 12 February 2018. Delivery of the new shares subscribed for with subscription rights is expected around 14 February 2018. No securities notification will be issued in connection with such re-classification. Trading in BTAs of series B is expected to take place on First North Premier during the period from and including 16 January 2018 up to and including 8 February 2018. SEB and other securities institutions with required licenses will provide brokerage services in connection with the purchase and sale of BTAs of series B. The ISIN-code for the BTAs of series B is SE0010713958. Trading in BTAs of series A will not take place.

SUBSCRIPTION FOR NEW SHARES WITHOUT SUBSCRIPTION RIGHTS

Subscription for new shares may also be made without subscription rights.

Important information regarding LEI and NPID when subscribing for shares without subscription rights

According to the European parliament and the council's directive 2011/61/EU (MiFID II) all investors need a global identification code to be able to carry out securities transactions from 3 January 2018. These requirements call for all legal entities to apply for registration of a LEI-code (Legal Entity Identifier), and all physical persons to learn their NPID-number (National Personal ID or National Client Identifier), in order to be able to subscribe for new shares without subscription rights. Observe that it is the subscriber's legal status that determines whether a LEI-code or NPID-number is required, and that SEB may not be able to execute the transaction for the person in question if a LEI-code or NPID-number (as applicable) is not presented. Legal entities needing to acquire a LEI-code can turn to any of the suppliers available on the market. Instructions regarding the global LEI-system can be found on www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations. For physical persons with only a Swedish citizenship, the NPID-number is "SE" followed by the personal identity number. If the person in question has multiple citizenships or another citizenship than Swedish, the NPID-number can be any other type of number.

Those intending to express an interest in subscribing for shares without subscription rights are encouraged to apply for registration of a LEI-code (legal entities) or learn their NPID-number (physical persons) as early as possible as this information needs to be stated in the application form for subscription of shares without subscription rights.

Directly registered shareholders and others

Application for subscription for new shares without subscription rights must be made on a special subscription form named "Subscription of shares without subscription rights." More than one subscription form may be submitted, however, only the most recently dated form will be considered. Subscription forms can be obtained at SEB's offices in Sweden or at SEB's website for prospectuses www.sebgroup.com/prospectuses, as well as on IBT's website www.ibtherapeutics.com. The form can be sent to SEB, Emissioner R B6, SE-106 40 Stockholm or handed in at one of SEB's branch offices in Sweden. The subscription form must be received by SEB no later than 30 January 2018.

Nominee-registered shareholdings

Application for subscription for new shares without subscription rights shall be made to the respective nominee and in accordance with instructions from the nominee, or if the holding is or is expected to be registered with several nominees, from each of these.

Allotment of new shares subscribed for without subscription rights

If not all new shares have been subscribed for with subscription rights (primary pre-emptive right), the board of directors shall decide on allotment of new shares within the highest amount of the Offer in accordance with the following (except for shareholders resident in certain unauthorized jurisdictions):

1. Firstly, new shares shall be allotted to those having subscribed for new shares with subscription rights (secondary pre-emptive right), regardless of whether they were shareholders on the record date or not, whereby – upon over-subscription – allotment shall be made *pro rata* in relation to the number of subscription rights such subscribers have used for subscription.
2. Secondly, new shares shall be allotted to others having expressed interest in subscribing for new shares without subscription rights, whereby – upon over-subscription – allotment shall be made *pro rata* in relation to the expressed interest, and when that is not possible, by drawing of lots.
3. Finally, any remaining shares not subscribed for shall be allotted to those having guaranteed the Offer.

As confirmation of the allotment of new shares subscribed for without subscription rights, a settlement note will be sent to directly registered shareholders and others with a securities/service account. New shares which have been subscribed for and allotted must be paid for in cash in accordance with the instruction on the settlement note, however, no later than three business days from obtaining the settlement note.

Shareholders with nominee-registered holdings will receive confirmation of the allotment in accordance with the procedure of the respective nominee. No notice will be sent to those whom have not been allotted new shares. The subscription for new shares is binding. If payment is not duly made, the new shares will be transferred to others. In case the sale price of the shares is below the subscription price, the person who was initially allotted new shares is responsible for paying the entire or part of the difference.

The new shares will be delivered after the required registration has taken place at the Swedish Companies Registration Office. Registration is expected to take place around 12 February 2018 and delivery is expected around 14 February 2018. A securities notification will be sent to the directly registered shareholders or nominees as confirmation that the new shares have been registered on the securities/service account.

RIGHT TO DIVIDEND

The new shares will carry the right to dividends commencing from the first record date for dividend that follows the registration of the new shares in the Company's share register.

ANNOUNCEMENT OF THE OUTCOME OF THE OFFER

The subscription outcome of the Offer is expected to be announced 2 February 2018 through a press release from IBT.

TRADING IN NEW SHARES

IBT's shares of series B are traded on First North Premier. Following registration of the new shares at the Swedish Companies Registration Office, the newly issued shares of series B will also be traded on First North Premier. Such trading is expected to commence around 14 February 2018. IBT's shares of series A are not subject to organized trading.

TIMETABLE

	Date
Record date for participation in the Offer	12 January 2018
Subscription period commences	16 January 2018
Trading of subscription rights commences	16 January 2018
Trading in BTA commences	16 January 2018
Trading of subscription rights is concluded	26 January 2018
Subscription period is concluded	30 January 2018
Outcome of Offer is announced	Around 2 February 2018
Trading in BTA is concluded	8 February 2018
Delivery of new shares	Around 14 February 2018
Trading in the new shares commences	Around 14 February 2018

IRREVOCABLE SUBSCRIPTION

IBT is not entitled to revoke the Offer. Subscription for new shares, with or without subscription rights, is irrevocable and the subscriber cannot withdraw or change the subscription for the new shares, unless otherwise stated in the Prospectus or in accordance with applicable law.

OTHER INFORMATION

In the event that a larger amount than required has been paid by a subscriber for new shares, IBT will arrange for the excess amount to be refunded. No interest will be paid for such excess amount.

Insufficient or incomplete application forms may not be considered. Furthermore, if the subscription payment is made late, is insufficient or incomplete, the subscription application may not be considered or subscription may be deemed to have occurred at a lower amount. Paid in amount that has not been considered will in such case be reimbursed. No interest will be paid for such payment. Questions regarding the Offer is answered by SEB during office hours on telephone +46 (0)8-639 27 50.

TAXATION

For information regarding taxation, please refer to the section “Tax issues in Sweden”.

Market overview

The Prospectus includes information concerning IBT's future markets and other information related to the business. Unless otherwise indicated, the information in the Prospectus is based on IBT's evaluation of multiple sources stated in the Prospectus. As IBT does not have access to the facts and assumptions underlying such market data, or statistical information and economic indicators contained in these third party sources, IBT is unable to verify such information and, while IBT believes it to be reliable, IBT cannot guarantee its completeness. The information has been accurately reproduced and, as far as IBT is aware and able to ensure through comparison with other information published by such third parties, no information has been omitted which could render the reproduced information inaccurate or misleading. For information on the medical terms used in this section, please refer to the section "Glossary".

INTRODUCTION

Microbiome refers to the collection of microorganisms living in or on the human body. The microbiome has been subject to increased focus in recent years, with a growing number of articles being published in scientific peer-review journals supporting that many diseases can be addressed by influencing the human microbiome. The pharmaceutical industry has increasingly invested in projects and companies whose goal is to develop drugs that affect the microbiome. However, most of the activities in the microbiome field remain at preclinical or early clinical stages.[1)] IBT is a pharmaceutical company focused on developing live bacterial therapies influencing the human microbiome and the Company sees itself as one of the pioneers in the field of microbiome.

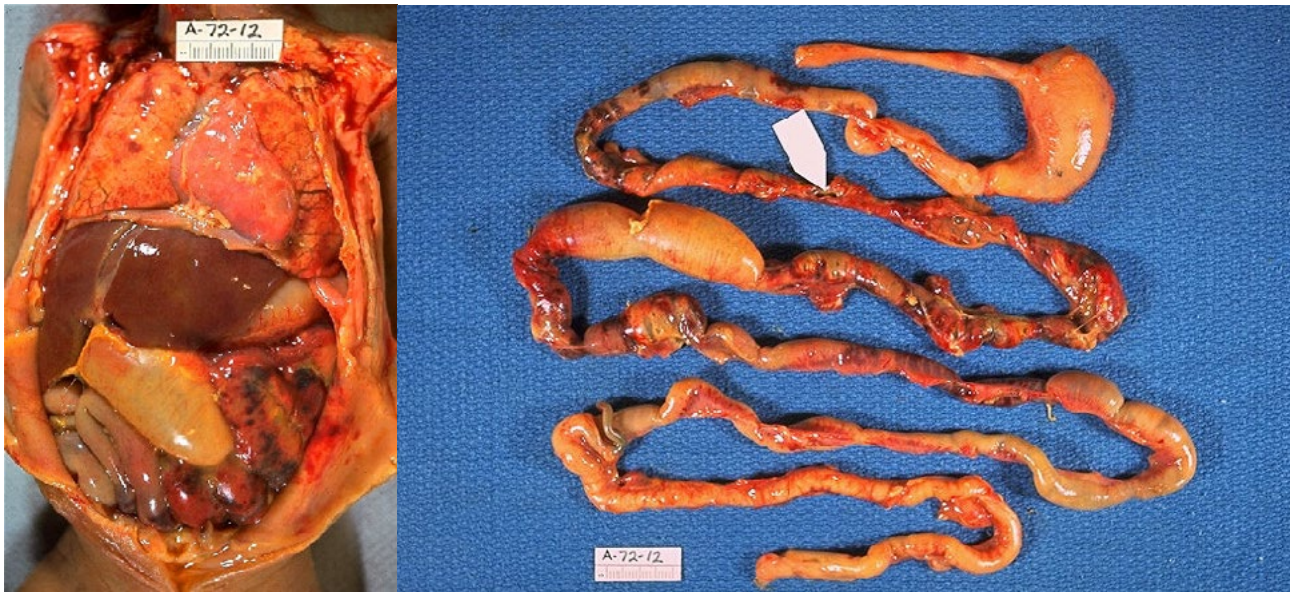
The microbiome of the infant is more sensitive and more dynamic than that of the mature human, which led to the current focus of IBT on diseases of the neonate. IBT's current pipeline includes two development programs of live bacterial therapies intended for neonatology: IBP-9414 for the prevention of NEC and IBP-1016 for the treatment of gastroschisis.

NEC

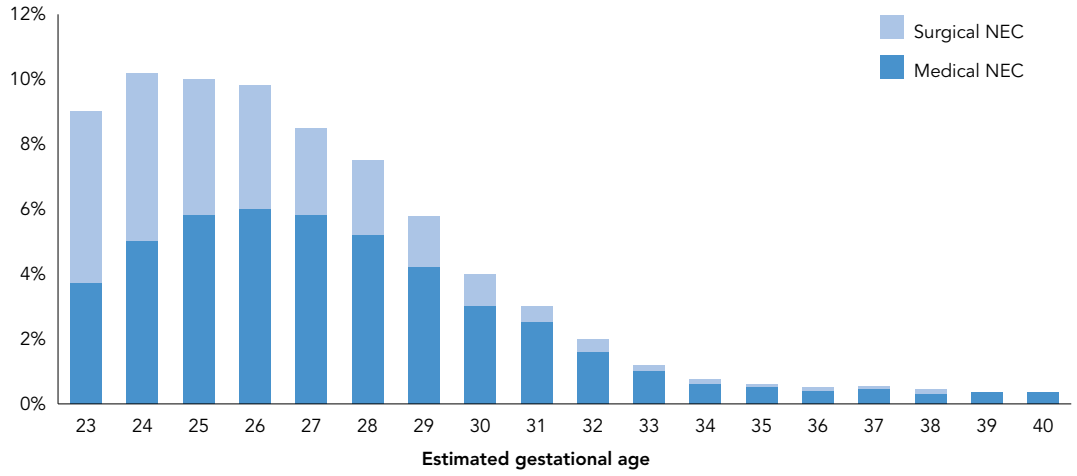
What is NEC?

NEC is a leading cause of death among premature infants in neonatal intensive care units ("NICU"). NEC annually kills approximately 3,700[2)] and 1,500[3)] infants in Europe and in the US, respectively. NEC has an unpredictable, spontaneous, and acute onset and major surgery is today the only available treatment. NEC is a serious inflammatory disease of the newborn bowel in which portions of the bowel undergo tissue death (necrosis). NEC primarily affects premature infants and the single most significant risk factor for the development of NEC is the degree of prematurity of the infant, with lower birth weight and lower gestational age increasing the risk for the disease.

1) Valencia PM et al, The human microbiome: opportunity or hype?, Nature Reviews Drug Discovery, 823-824, 2017.
2) Approximation calculated with risk-population under 34 weeks gestational age in EU (Euro-Peristat, The European Perinatal Health Report 2010, Health and Care of Pregnant Women and Babies in Europe in 2010; 2013 and Moser K, Hilder L. Assessing quality of NHS numbers for babies data and providing gestational age statistics. Health Stat Q. 2008;37:15-23), incidence of NEC of 7 percent (Guillet R, Stoll BJ, Cotton CM, et al. Association of H2-blocker therapy and higher incidence of necrotizing enterocolitis in very low birth weight infants. Pediatrics. 2006;117:e137-e142) and mortality of 20-30 percent (Mustafi D, Shiou SR, Fan X, et al. MRI of neonatal necrotizing enterocolitis in a rodent model. NMR Biomed. 2013;27:272-279 and Fitzgibbons SC, Ching Y, Yu D, et al. Mortality of necrotizing enterocolitis expressed by birth weight categories. J Pediatr Surg. 2009;44:1072-75).
3) Approximation calculated with risk-population ≤1,500 grams in the US (Martin JA, Hamilton BE, Ventura SJ, et al. Births: final data for 2010. National Vital Statistics Reports. 2012; 61:1-100), incidence of NEC of 7 percent (Guillet R, Stoll BJ, Cotton CM, et al. Association of H2-blocker therapy and higher incidence of necrotizing enterocolitis in very low birth weight infants. Pediatrics. 2006;117:e137-e142) and mortality of 20-30 percent (Mustafi D, Shiou SR, Fan X, et al. MRI of neonatal necrotizing enterocolitis in a rodent model. NMR Biomed. 2013;27:272-279 and Fitzgibbons SC, Ching Y, Yu D, et al. Mortality of necrotizing enterocolitis expressed by birth weight categories. J Pediatr Surg. 2009;44:1072-75).

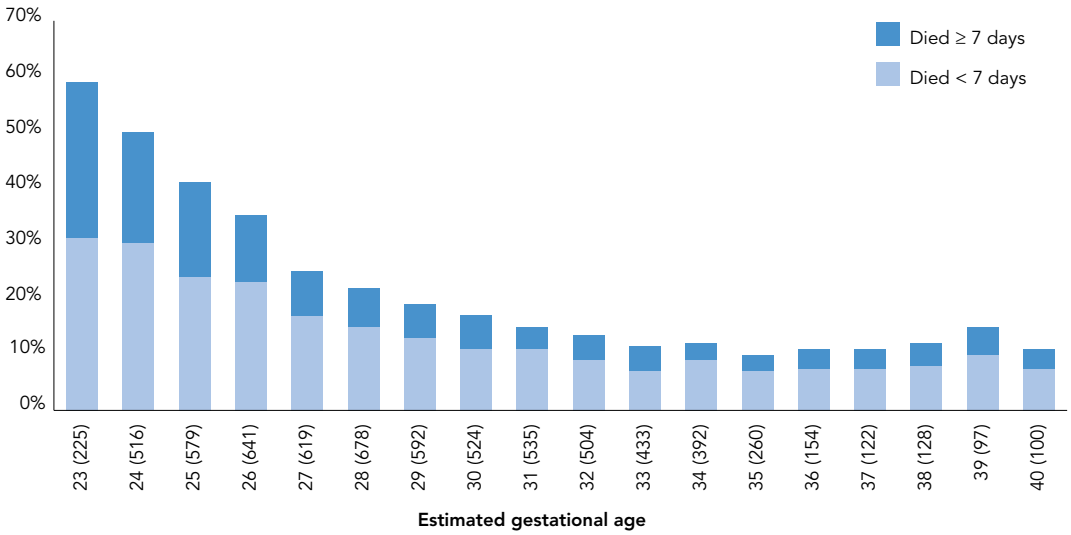


Necrosis of the intestinal tissue (photos from Centers for Disease Control and Prevention, National Center on Birth Defects and Developmental Disabilities)



Occurrence of NEC by estimated gestational age[1)]

1) Clark RH, Gordon P, Walker WM, et al. Characteristics of patients who die of necrotizing enterocolitis. J Perinatol. 2012;32:199-204.



The disease has a higher rate of mortality in the younger and less mature infants. Mortality in infants who had a diagnosis of NEC by estimated gestational age as set forth in the table above.[1)]

The number listed outside parentheses in the table above is estimated gestational age in weeks. The number listed within parentheses represents the number of patients with NEC within each gestational age group.

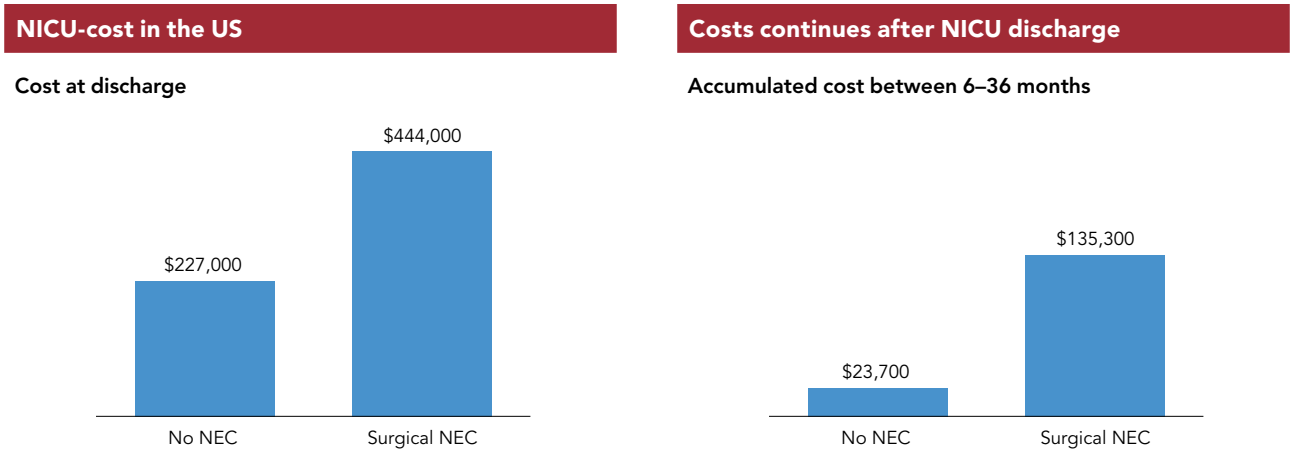
The long-term clinical consequences for infants who survive NEC are variable and include short bowel syndrome, parenteral nutrition-associated cholestasis, abnormal growth, and adverse neurodevelopmental outcomes, including cerebral palsy, cognitive impairment, visual impairment, and hearing impairment.

Medical needs and expenditures

There has been little or no progress in recent years in improving outcomes for infants that are affected by NEC once the disease is underway. Nor is there definitive treatment that modifies the underlying risk factors for the disease. Approximately 20 to 40 percent of patients with NEC will require surgery.[2)] Thus, NEC prevention strategies are vital and urgently needed but to date none have been successful or generally adopted as the standard of care. Subsequently, a preventive treatment against NEC remains an unmet medical need.

NEC patients require medical care and in many cases also surgical interventions that increase hospital expenditures and prolong length of stay. The economic burden of NEC has been evaluated to be almost 20 percent of the total cost of the initial care of all newborns in the US, and represents approximately USD 5 billion spent annually on NEC.[3)] Moreover, those infants who survive NEC may face serious lifelong sequelae, which eventually decrease their quality of life and generate further costs to the patient and society. In the light of this, a preventive therapy for NEC such as IBP-9414 would therefore be expected to indirectly reduce these healthcare expenses. IBT intends to demonstrate these benefits to support reimbursement for IBP-9414 in the prevention of NEC from caregivers, insurance companies and pharmaceutical authorities.

1) Clark RH, Gordon P, Walker WM, et al. Characteristics of patients who die of necrotizing enterocolitis. J Perinatol. 2012;32:199-204.
2) Maheshwari A, Corbin LL, Schelonka. Neonatal necrotizing enterocolitis. Res Rep Neonatal. 2011;1:39-53.
3) Bisquera JA, Cooper TR, and Berseth CL. Impact of necrotizing enterocolitis on length of stay and hospital charges in very low birth weight infants. Pediatrics. 2002;109:423-428.



Costs for premature infants with NEC and matched control group in the US.[1)]

Market

There are a number of general factors related to the dynamics of the pharmaceutical industry which could influence the future commercialization of IBP-9414. These factors are to a large extent outside the Company's control and may differ materially from what the Company anticipates. In an initial stage, the Company is dependent on the completion of clinical development and market approval, initially in the U.S. and Europe. Following possible drug approvals, the Company intends to request reimbursement status to health insurance national agencies and private carriers. They will determine the degree of reimbursement based on criteria such as medical benefits to patient and benefits over current standard of care.

Two independent healthcare consulting firms, Apex Healthcare Consulting Ltd ("Apex") and ClearView Healthcare Partners LLC ("ClearView"), were commissioned by IBT in November 2014 and September 2016, respectively, to evaluate the market need for the preventative drug IBP-9414 for NEC (the "Apex Report" and the "ClearView Report").

Apex interviewed 30 neonatologist key opinion leaders ("KOLs") in the US, France, Germany and the UK; five US hospital pharmacists and five EU payers.

The Apex report established that there is a clear unmet medical need to reduce the incidence of NEC in very premature infants. The expressed need referred to effective but also safe prevention therapies. Respondents pointed out the lack of pharmaceutical grade quality and the lack of supporting evidence for the use of dietary supplements for the prevention of NEC in premature infants.

ClearView completed 31 interviews with neonatologists and hospital Pharmacy and Therapeutics ("P&T") committee members in the US.

The Clearview report established that neonatologists perceive NEC to represent a key priority despite its low incidence. The neonatologists nearly unanimously stated a need for improved prevention of NEC to relieve both the clinical and economic burdens.

Clearview also reports that the vast majority of neonatologists do not prescribe dietary supplements to prevent NEC given safety and efficacy concerns.

In the Apex Report from 2014, it is estimated that the number of premature infants eligible to receive prophylaxis for NEC is over 50,000 infants in the US and over 100,000 infants in EU5 (France, Germany, Italy, Spain, and the UK). In the ClearView Report from 2016 it is estimated that the number of premature infants eligible to receive prophylaxis for NEC is over 56,000 infants in the US.

A target product profile ("TPP") was presented to interviewees in the interviews conducted by Apex and Clearview.

The Apex Report has shown that based on the IBP-9414 TPP, the majority of respondents were in favor of the use of IBP-9414 to address the unmet medical need associated with NEC and that, if the development is successful, IBP-9414 would meet the unmet medical need. On the basis of certain assumptions, such as a fixed price of USD 10,000 per six-week treatment course, Apex estimates an average 16 percent market penetration for the US and EU5 markets, and peak annual sales of USD 175 million in the US and USD 70 million in EU5. The analysis considered the early mortality,

1) Ganapathy 2011, 2013, based on costs in California and Texas. All costs have been adjusted to 2017 dollars.

proportion of infants currently managed prophylactically for NEC, prescribers' price sensitivity, and physician statement.

The ClearView Report has shown that when presented with the TPP of IBP-9414, neonatologists reacted positively and expressed a strong willingness to use IBP-9414 in their clinical practice (78 percent of Physician Preference Share), and a majority of P&T members expressed willingness to adopt the product on hospital formulary. In the Clearview Report, an adapted age dependent price range was tested. Assuming a price of USD 2,000 to USD 3,000 per week of treatment until the infant reaches 34 weeks PMA, Clearview estimates 48 percent market penetration and sales to be between USD 240 million to 360 million per year depending on the tested price. The analysis considered number of addressable patients, physician preference scores, formulary inclusion and protocol access.

Competitive landscape

Competitors are identified in this section as companies developing a drug to prevent NEC in premature infants.

Apart from IBT there are, to the best of the Company's knowledge, two other companies which are in the process of developing a drug candidate for prevention of NEC.

According to clinicaltrials.gov, Leadiant Biosciences, Inc. ("Leadiant Biosciences") is developing the product STP-206 for the prevention of NEC in premature infants. Leadiant Biosciences have completed a phase I study in healthy adults and is currently conducting a phase I/II study to assess safety and tolerability of STP-206 in premature infants. According to information from clinicaltrials.gov, Leadiant Biosciences expects to complete its phase I/II study in December 2019. Leadiant Biosciences received orphan drug designation from the FDA in March 2015 (IBT received its orphan drug designation from FDA in August 2013 and from the European Commission in February 2015).

In December 2013, Societa Laboratorio Farmaceutico S.I.T. Srl ("Societa Laboratorio Farmaceutico") received orphan drug designation for a combination of bacterial strains for the prevention of NEC in premature infants. According to ClinicalTrials.gov, Societa Laboratorio Farmaceutico has not published any clinical data for the prevention of NEC.

Based on the competitors' progress listed above, it is reasonable to derive that IBP-9414 is currently in the most advanced stage of clinical development compared to competitors' drug candidates, and that IBP-9414, if successful results are derived from the planned pivotal phase III study, will be the first preventive therapy for NEC to enter the market.

GASTROSCHISIS

Gastroschisis is a rare, life-threatening and debilitating birth abnormality in late preterm infants where the infant is born with externalized intestines. The defect is typically on the right side of the umbilicus and can in most cases be detected by mid-trimester ultrasound.[1] It occurs equally often in boys and girls and the gestational age at delivery for a baby with gastroschisis is on average around 36 weeks with an average birth weight of 2.5 kg.[2] Gastroschisis has an estimated prevalence of 1,222 cases each year in the EU.[3]

Current surgical strategies for the correction of gastroschisis involve reduction of the viscera back into the abdominal cavity.[4] The exteriorization of the gut in the infant with gastroschisis leads to specific damage to the intestine, which is manifested in the severely reduced intestinal motility[5], which represents an area of significant unmet medical need with no definitive treatment available. Post-operative management of gastroschisis is largely aimed at overcoming the significant morbidity related to the reduction in gut motility and consequent feeding intolerance necessitating the prolonged requirement for parenteral nutrition. Infants suffering from gastroschisis have a greatly increased risk of sepsis and liver cholestasis. It is common for neonates born with gastroschisis to have typically an extended hospital stay of 1–5 months thereby causing significant burden to the healthcare system.

There are currently no pharmacological interventions available to enhance gut motility in gastroschisis infants. Thus, improved medical methods for treatment of gastroschisis to reduce time on parenteral nutrition, morbidity and mortality are urgently needed. IBT is currently in the early planning stages of developing a drug to treat gastroschisis.

1) Friedman et al, 2016.
2) Overcash et al, 2014; Yousseff et al, 2016.
3) Orphanet, 2016. Eurocat, 2014. Eurostat, 2015.
4) Owen et al, 2010.
5) Langer, 2003.

Business description

INTRODUCTION AND BACKGROUND

IBT is a pharmaceutical company with its registered office in Stockholm with a vision to develop drugs influencing the human infant microbiome, and thereby prevent or treat rare diseases affecting premature infants. IBT is currently developing its lead drug candidate IBP-9414, to prevent NEC, in premature infants. IBP-9414 contains the active compound *Lactobacillus reuteri*, which is a human bacterial strain naturally present in breast milk. IBT is further pursuing a second rare disease program IBP-1016 for the treatment of an unmet medical need in gastroschisis, a severe disease in infants. By developing these drugs, IBT has the potential to fulfil unmet needs for diseases where there are currently no prevention or treatment therapies available.

Prior to his current assignment, Eamonn Connolly, Chief Scientific Officer at IBT, extensively developed the research around *Lactobacillus reuteri* at BioGaia for 15 years. Over the years, he noted increasing demands and interests of clinicians around the world in the use of *Lactobacillus reuteri* in premature infants for the prevention of NEC. BioGaia's products are however not intended for premature infants nor are they drugs indicated for a specific disease. When Staffan Strömberg (CEO of IBT) joined BioGaia, he and Eamonn Connolly saw the opportunity with their extensive pharmaceutical experience to answer this particular unmet medical need with a pharmaceutical approach and more specifically an orphan drug. Together with Staffan Strömberg and Eamonn Connolly, BioGaia commenced the operations of a BioGaia subsidiary, namely IBT, in 2013 which would focus exclusively on the development of drugs for premature infants, thereby differentiating from its former parent company BioGaia.

In December 2015, the Investigational New Drug ("IND") became effective, allowing IBT to conduct clinical trials in the US. Furthermore, IBT received approval from the Swedish Medical Products Agency (Sw: *Läkemedelsverktet;* the "MPA") to conduct a clinical trial in Sweden.

On 18 March 2016, BioGaia resolved on a separation of IBT through a distribution of all of BioGaia's shares in IBT to the shareholders of BioGaia, applying the so called Lex ASEA rules. On 29 March 2016, IBT's series B shares were admitted to trading on Nasdaq First North.

In June 2016, IBT commenced the randomized, double blind, parallel-group, dose escalation placebo-controlled multicenter study to investigate the safety and tolerability of IBP-9414 administered in preterm infants. On 11 September 2017, IBT reported the preliminary results from this safety and tolerability study. This study included 120 premature infants in total, with birth-weight ranging from 500 to 2,000 grams. The results demonstrate a similar safety and tolerability profile in the active group as in the placebo group.

In September 2017, The Paediatric Committee (PDCO) at the EMA adopted a positive opinion on the Paediatric Investigation Plan (PIP) proposed by IBT for the development of IBP-9414 for the prevention of NEC. The PIP is a prerequisite for IBT to move forward with the clinical development plan for IBP-9414. Compliance to an agreed PIP adds a two-year extension to the 10-year market exclusivity awarded to an orphan designated product (such as IBP-9414) at market approval in the EU.

KEY EVENTS IN THE DEVELOPMENT OF LACTOBACILLUS REUTERI FOR THE PREVENTION OF NEC

1990–2007

- *Lactobacillus reuteri* is isolated by Dr. Ivan Casas from human breast milk
- Extensive use of *Lactobacillus reuteri* in humans (including premature infants) leads to published safety track records

2007–2013

- First investigator uses *Lactobacillus reuteri* in a study in premature infants. The study shows clear clinical signal that *Lactobacillus reuteri* could decrease the incidence of NEC[1)]
- Further investigators uses *Lactobacillus reuteri* in a retrospective cohort study in premature infants, which shows statistically significant benefit of *Lactobacillus reuteri* in the prophylaxis of NEC[2)]

IBT'S HISTORY

2013

- IBT is founded as a subsidiary to BioGaia and commences 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
- FDA provides scientific input to IBT development plans

2014

- Pharmaceutical development defining IBP-9414 formulation and manufacturing process
- EMA provides scientific input to IBT development plans

2015

- IBT is granted Orphan Drug Designation by the European Commission for IBP-9414 including *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 the safety and tolerability study
- Active IND obtained from FDA for start of Safety and Tolerability clinical trial in 2016
- IBT received approval from the MPA to conduct a clinical trial in Sweden

2016

- Separation of IBT from BioGaia
- Listing on Nasdaq First North
- IBT receives Rare Pediatric Disease Designation from FDA for IBP-9414
- IBT adds new indication for Gastroschisis IBP-1016

2017

- IBT's share of series B is traded on First North Premier
- IBT completes IBP-9414 safety and tolerability trial and announces that top line data demonstrate similar safety and tolerability profile in the active and placebo groups
- EMA adopts a positive opinion on the Paediatric Investigational Plan proposed by IBT for the development of IBP-9414 for the prevention of NEC

1) Rojas et al, 2012.
2) Hunter et al, 2012; Dimaguila et al, 2013.

IBT DEVELOPMENT PROJECT: IBP-9414

The development plan for IBO-9414

The development plan for IBP-9414 consists of two clinical trials: the completed safety and tolerability study followed by the planned pivotal phase III study. The Safety and Tolerability study, has been completed on time in Q4 2017. The subsequent Pivotal Phase III study is expected to be initiated in the beginning of 2018.

IBP-9414 development plan

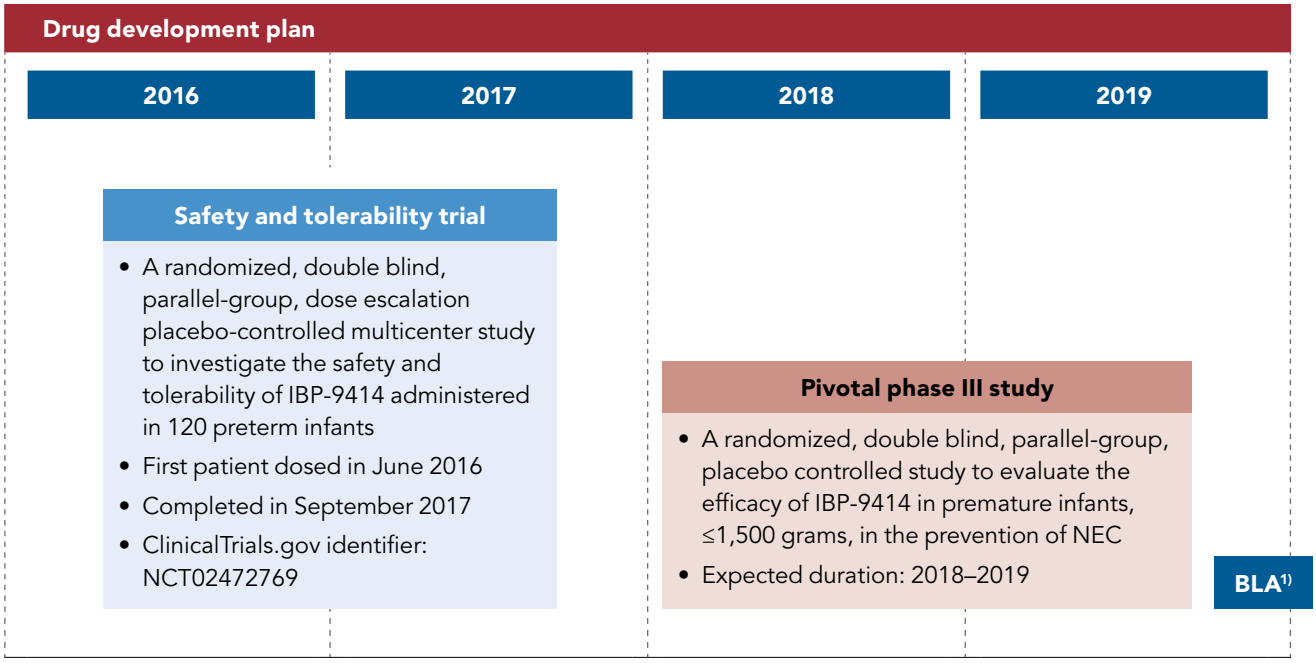
	Safety and tolerability study	Pivotal phase III study
Timeline	**2016–2017**	**2018–2019**
Status	**Completed**	**Planned**
Clinical trial details	• A randomized, double blind, parallel-group, dose escalation, placebo-controlled multicenter study to investigate the safety and tolerability of IBP-9414 administered in premature infants ≤2,000 grams birth weight • 15 sites in the US • Concluded with similar safety and tolerability profile in the active and placebo groups	• A randomized, double blind, parallel-group, placebo-controlled multicenter study to evaluate the efficacy of IBP-9414 in premature infants ≤1,500 grams birth weight in the prevention of NEC • Approximately 100 sites in North America and Europe

The first study was a randomized, double blind, parallel-group, dose escalation placebo-controlled multicentre study to investigate the safety and tolerability of IBP-9414 administered in premature infants[1]. The study included 120 premature infants, defined as a gestational age ≤32 weeks and birth-weight ranging from 500 to 2,000 grams, recruited and randomized to receive either IBP-9414 or placebo. The first dose of study drug was administered within 48 hours of birth and continued daily for a period of 14 days. Follow-up assessments were occasionally made up to six months after the last dose of the study drug. The primary outcome in this trial was safety and tolerability. This Safety and Tolerability study has been completed on time in Q4 2017. The study demonstrated that treatment with IBP-9414 leads to presence of *Lactobacillus reuteri* in the feces on the day of the last dose and that 30 days after the last dose, the bacteria have been washed out. The safety and tolerability study concluded that IBP-9414 was safe and well-tolerated in premature infants with birth weights between 500–2,000 grams, with high compliance to treatment with the study drug and that there was no evidence of cross-contamination with IBP-9414 in placebo treated infants. With these results in hand, the IBP-9414 clinical development program is now moving forward into the planned pivotal phase III study.

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

Given the urgency to provide an effective preventative therapy to this unmet medical need, IBT plans to utilize the available FDA and EMA expedited programs to reach the market as soon as possible. Market approval for IBP-9414 is targeted to be in 2020.

1) ClinicalTrials.gov identifier: NTC02472769.



1) Biologics License Application

The design of the development plan for IBP-9414

IBT's clinical development plan for IBP-9414 includes two clinical studies and has been designed with input from US and EU KOLs. Further, IBT has discussed the program with both FDA and with EMA in 2013 and 2014, respectively, and adapted to include and accommodate their respective input.

During the design of the clinical program, IBT has organised advisory meetings with KOLs. The list includes, but is not limited to, the following:

- Aideen Moore, The Hospital for Sick Children, Toronto, Canada
- Alexandre Lapillonne, Necker Hospital for Sick Children, Paris, France
- Andreas Repa, Medical University of Vienna, Austria
- Hans van Goudoever, VU University Medical Center and Emma Children's Hospital, Amsterdam, the Netherlands
- Jae Kim, University of California San Diego, CA
- Josef Neu, University of Florida College of Medicine, Gainesville, FL
- Kara Calkins, University of California Los Angeles School of Medicine, CA
- Lawrence Moss, Nationwide Children's Hospital, Columbus, OH
- Mario Rojas, University of Wake Forest University School of Medicine, NC
- Mark Underwood, University of California Davis Children's Hospital, CA
- Michael Caplan, North Shore Research Institute, Chicago, IL
- Miguel Sáenz de Pipaon, University Hospital "La Pa", Madrid, Spain
- Robert White, Memorial Hospital, South Bend MI
- Teresa del Moral, University of Miami School of Medicine, FL
- Thomas Abrahamsson, Linköping University Hospital, Sweden
- Walter Mihatsch, Harlaching Hospital, Munich, Germany

IBT has requested input from regulatory agencies in order to align clinical development strategy with regulatory requirements:

FDA

- September 2013: pre-IND type B FDA meeting
- August 2013: FDA approval of Orphan Drug Designation
- December 2015: IND becomes effective
- March 2016: FDA grants Rare Pediatric Disease product status

EMA

- December 2014: EMA contributes with scientific advice to IBT's development plans
- February 2015: The European Commission grants IBT with an orphan drug designation for IBP-9414 with *Lactobacillus reuteri* for NEC in premature infants
- September 2017: PDCO adopts a positive opinion on the PIP suggested by IBT

Swedish Medical Products Agency

- December 2015: IBT receives an approval from the MPA to conduct a clinical trial in Sweden.

APPROVAL AS ORPHAN DRUG DESIGNATION

Drugs intended to treat rare diseases with a major medical need, can apply to be classified as a so called orphan drug by regulatory authorities around the world.

The development of orphan drugs was initially incentivized through the US Orphan Drug Act of 1983[1]. The act was set up to provide financial incentives for drug companies developing drugs to prevent, diagnose or treat so-called rare diseases that affect less than 200,000 individuals in the US[2] and where it would normally not be financially profitable for companies to develop pharmaceutical products targeting such diseases. Within the EU, the procedure for designation of orphan medicines is governed by the European Parliament's regulation on orphan medicinal products on 16 December 1999. According to the regulation, an orphan disease designation can be granted for drugs targeting diseases or conditions affecting not more than 5 in 10,000 European citizens with no satisfactory method of diagnosis, prevention or treatment.

The benefits that orphan drug designation entails include market exclusivity in seven and ten years in the US and the EU, respectively, assistance in clinical research study designs from the FDA and the EMA, tax credits for the costs of clinical research, fee reductions and eligibility for FDA and EMA grants.

In addition, there are other programs that can supplement the orphan drug designation to accelerate the development of pharmaceuticals with a large medical need. FDA has several options to accelerate the review process of the pharmaceutical product. This includes fast track status, accelerated approval, breakthrough therapy and priority review.

CLINICAL EXPERIENCE AND PROOF-OF-CONCEPT

Since 2012, eight published clinical trials that enrolled more than 1,700 infants has indicated proof-of-concept of the clinical potential of *Lactobacillus reuteri* to prevent NEC. Two of the trials were placebo-controlled, randomised, double-blind trials, and indicated a reduction of NEC incidence by *Lactobacillus reuteri* of up to 40 percent in the study populations.[3] Three trials were retrospective cohort studies which indicated a reduction of NEC incidence in premature infants at risk of NEC of at least 50 precent after introduction of *Lactobacillus reuteri*.[4] Two further trials provide indications of significant effects of *Lactobacillus reuteri* on NEC.[5] None of these studies raised any safety concerns for the use of *Lactobacillus reuteri* in premature infants. Results suggest that prophylactic use of *Lactobacillus reuteri* will provide a major contribution to the clinical armamentarium to prevent NEC.

The table on the next page shows a summary of studies using *Lactobacillus reuteri* showing clear clinical signal for the reduction in NEC incidence.

1) Reagan R., Statement on signing the Orphan Drug Act, 1983 , available at: http://www.presidency.ucsb.edu/ws/?pid=40583.
2) U.S. Food and Drug Administration, Orphan Drug Act, Federal Regulation, available at: http://www.fda.gov/regulatoryinformation/legislation/federalfooddrugandcosmeticactfdcact/significantamendmentstothefdcact/orphandrugact/default.htm.
3) Rojas et al, 2012; Oncel et al, 2014.
4) Hunter et al, 2012; Dimaguila et al, 2013; Jerkovic Raguz et al, 2016.
5) Shadkam et al, 2015; Hernandez-Enriquez et al, 2016.

Study	Number of patients	Reduction in NEC incidence
Rojas et al. (2012)	• 750 patients	• 40% in the total study population • 37% in infants ≤ 1,500g
Oncel et al. (2014)	• 400 patients	• 20% in the total study population • 38% in infants ≤ 1,000g
Hunter et al. (2012) & Dimaguila et al. (2013)	• 354 patients	• 89% in the total study population
Alvarado et al. (2017)	• 225 patients	• 83% in the total study population
Jerkovic Raguz et al. (2016)	• 100 patients	• 50% in the total study population
Shadkam et al. (2015)	• 60 patients	• 82% in the total study population
Hernandez-Enriquez et al. (2016)	• 44 patients	• 92% in the total study population

In addition, a meta-analysis by Athalye-Jape et al (2015) reviewed several clinical studies on *Lactobacillus reuteri*.[1] The review concluded that *Lactobacillus reuteri* has the potential to reduce the risk of NEC in premature infants and that larger adequate trials are needed to confirm these findings.

Lactobacillus reuteri has been shown in clinical research to be well-tolerated in humans, with no evidence of any adverse effects on the cardiovascular, central nervous or respiratory systems. The extensive published clinical literature of studies of *Lactobacillus reuteri* in over 4,600 humans indicates the safe use of *Lactobacillus reuteri* in humans at doses ranging from 106 to 1011 CFU/day, including premature infants at risk for NEC. In addition, there is a large body of published peer reviewed clinical literature in which *Lactobacillus reuteri* was administered to over 2,400 infants, including preterm (<37 weeks GA) and full-term infants at risk for NEC, which provides substantial safety experience to support the proposed clinical development plan.

CMC DEVELOPMENT

Drug manufacturers must develop CMC processes according to pharmaceutical regulations to ensure drug quality. This includes formulation development, controlled manufacturing processes, drug defined specifications, analytical procedures, validation of analytical procedures, batch analyses, control of drug product and excipients, and stability.

IBT has undertaken extensive discussions with FDA and EMA in regard of the CMC process for IBP-9414. Advice has been incorporated and reflected in the present IBP-9414 powder for oral suspension. It is a lyophilized powder provided in a single use clear-glass vial containing *Lactobacillus reuteri* and excipients. The excipients have been chosen with concern for the premature population.

The IBP-9414 powder is developed for enteral administration through a feeding tube, but can also be given by mouth. The drug product will be reconstituted with sterile water before administration. IBP-9414 has been shown to be compatible with this delivery system used in NICU.

IBT has developed, formulated and manufactured IBP-9414. The manufacture follows 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.

Given the vulnerability of the targeted paediatric patient population, the quality control processes are stringent and follow advices from regulatory agencies and appropriate pharmaceutical guidelines.

REGULATORY STATUS

FDA and the European Commission granted IBT orphan drug status for *Lactobacillus reuteri* for the prevention of NEC on 1 August 2013 and 12 February 2015, respectively. Further, in March 2016, IBT was awarded Rare Pediatric Disease Designation for IBP-9414 by FDA, meaning that IBT may be awarded a priority review voucher following market approval. Such a voucher may be used for another product candidate or be divested.

1) Athalye-Jape G, Rao S, and Patole S. *Lactobacillus reuteri* DSM 17938 as a probiotic for preterm neonates: A strain-specific systematic review. JPEN J Parenter Enteral Nutr. 2015.

IBT DEVELOPMENT PROJECT: IBP-1016

IBT is in the early planning stages of developing a drug to treat gastroschisis (refer to the section "Market overview – Gastroschisis" for detailed description of gastroschisis) using its live bacterial technology based on *Lactobacillus reuteri*.

Lactobacillus reuteri has been shown to have strain- and region-specific, rapid onset action on gut motility in an established ex vivo mouse model.[1] In randomized controlled clinical trials, *Lactobacillus reuteri* has been shown to have therapeutically beneficial effects on infant intestinal motility.[2] Further, *Lactobacillus reuteri* has been shown to significantly reduce feeding intolerance in preterm infants.[3] Based on these known effects of *Lactobacillus reuteri* and building on its knowledge from NEC, IBT believes *Lactobacillus reuteri* may have significant benefits in the treatment of gastroschisis.

IBT has received advice from the UK Medicines and Healthcare Products Regulatory Agency ("MHRA") in regard of the clinical development program of IBP-1016. Information and advice given by MHRA will be used for preparation of the start of the clinical development program.

ORGANIZATION

IBT's key executive directors consist of Chief Executive Officer Staffan Strömberg, Chief Scientific Officer Eamonn Connolly and Chief Financial Officer Daniel Mackey.

Other key personnel at the Company include Vice President Clinical Development Agneta Heierson, Chief Operating Officer Anders Kronström, Chief Commercial Officer Sanjiv Sharma and Business Development Analyst Christine Nguy.

In the end of 2014, 2015 and 2016, IBT had 4, 4 and 5, respectively, full time employees.

BUSINESS MODEL AND STRATEGY

Business model

The Company's current business focus is the development of the lead drug candidate IBP-9414 for the prevention of NEC in premature infants. However, IBT plans to broaden in the future its research and development activities towards other unmet medical needs of premature infants, such as IBP-1016 for the treatment of gastroschisis.

IBT does not currently have in-house research or manufacturing sites. Instead, research is conducted through collaborations with external leading academic research groups and organizations, and product development takes place in co-operation with external service providers and CMOs, that carry out small- and large-scale quality-assured production for clinical trial supply.

Evaluations of market potential and unmet medical needs are carried out by IBT personnel or external consultants.

Evaluations of the regulatory conditions for IBT activities are carried out on an as-needed basis by IBT personnel or by external consultants with specific expertise.

Strategy

Vision

Premature infants are the most vulnerable beings on the planet and for them to survive, grow and thrive they need intensive and specialized care. Although advances in medical care and handling over the last 30 years have improved survival and well-being of these sensitive infants, both in the immediate post-natal period and in their subsequent lives, current drugs and therapies are mostly designed for adults and are not adapted to this specific and vulnerable patient population. Specific treatment and prophylactic therapy are thus underdeveloped and there is an urgent demand for drugs designed for the unique needs of the premature baby.

IBT has a vision to become an internationally recognized and leading company in the development of therapies to prevent or treat diseases of the premature infants.

Mission

IBT develops, and intends to market and sell safe and efficacious therapies well adapted to its purpose that affects infants' microbiome and thereby prevent or treat rare diseases that affects premature infants. IBT seeks to remain close to the needs expressed by healthcare providers and parents to provide satisfactory therapeutic solutions and continuously improve its offering.

Research strategy

Even though IBT's current focus is on developing the drug candidate IBP-9414 for prevention of NEC, additional projects such as IBP-1016, may be developed in the future which can be based on the same active substance *Lactobacillus reuteri* or new active substances in other therapeutic applications. IBT will seek collaborations with leading research groups and organizations in relevant fields for future therapeutic exploratory research.

1) Wu et al, 2013.
2) Indrio et al, 2008; 2011; 2014; Coccorullo et al, 2010.
3) Oncel 2014a, b; Rojas 2012.

IBT intends to keep close relationships with leading research institutes and clinics in the academic fields of interest to the Company's business. Key experts and KOLs in both the US and Europe are approached for their expertise and knowledge necessary for optimal product development. Sanjiv Sharma, IBT's Chief Commercial Officer based in the US, is in close contact with these scientists in order to establish high awareness of IBT's activities and if suitable to develop close collaborations with IBT.

Development and production strategy

IBT's drug development consists of engaging in promising pre-clinical and clinical established opportunities, following standard pharmaceutical development, with the purpose to demonstrate that IBT's drug candidates are safe and effective in order to obtain market approval.

Pre-clinical development primarily involves experiments in various cell and animal models which are carried out in order to study the mechanisms of action, desired effects and initial safety of the drug candidate. Experiments could be carried out in-house (which is currently not the case for IBT) or by external research groups or organizations.

The management of clinical studies will be carried out by a CRO or academic groups selected for their experience and expertise in conducting clinical trials. Under the supervision of IBT, they will select the suitable clinical sites to engage in the clinical trials and establish the process for patient recruitment. IBT can supervise clinical operations and drug safety management in-house or delegate those tasks to the CRO.

Regulatory interactions regarding the drug candidate and development plans are managed by IBT personnel with the help of external consultants as necessary. Sofus Regulatory Affairs AB, headquartered in Stockholm, Sweden has assisted IBT in regulatory interactions with the EMA and Cardinal Health, Inc., headquartered in Dublin, Ohio, US, assists in interactions with the FDA.

To guarantee an effective and safe drug, both the quality of the manufacturing process and supply chain must follow pharmaceutical regulations. The production of a drug candidate takes place by different means depending on the stage of the development of the drug candidate. The production of a drug candidate for use in clinical trials currently involves CMOs with required manufacturing technology and expertise, adequate production capacity and quality-assured facilities and processes (in accordance with GMP, Good Manufacturing Practice. Production for subsequent commercialization may take place either with a CMO or if it is deemed cost effective or otherwise favourable for IBT, the Company may acquire its own manufacturing facilities.

Commercialization strategy

Upon a potential market approval, IBT intends to make its drugs available worldwide. Commercialization is intended to take place through market introduction by the Company itself or through appropriate marketing and distribution partners through out-licensing in exchange for different types of compensation in the form of advance payments, milestone compensations and royalties. Desirable partners may be a pharmaceutical company with a focus on children or orphan drugs, with experience in clinical trials, reimbursement, pricing and marketing in its respective market.

Financing strategy

As the Company's drug candidate IBP-9414 achieves important milestones in the drug development, additional possibilities are opened up for financing. As a public, listed company in Sweden, the Company can issue shares with pre-emptive rights for its shareholders. Other possible financing alternatives include sublicensing of specific rights of the drug candidate to pharmaceutical partners and directed share issues to new investors. Debt financing is not considered an appropriate form of financing for IBT, other than on a temporary basis, before the Company has achieved profitability and positive cash flow.

The purpose of the Offer is to secure the required capital to conduct the planned pivotal phase III study of IBP-9414 through to market approval and to fund the ongoing operations (including continued development and preparations of manufacturing of clinical trial material). The Company believes, based on its current development plan, that a working capital of SEK 545 million is required for the development of IBP-9414 and submission for regulatory approval. Hence, the Company expects that the proceeds from the Offer together with the Directed Issue (as defined in the section "Share capital and ownership structure") carried out in November 2017, will be sufficient to finance the Pivotal Phase III study. However, further financing could be necessary to cover potential new indications and to commercialize IBP-9414.

PATENTS, INTELLECTUAL PROPERTY RIGHTS AND ORPHAN DRUG DESIGNATIONS

Patents

IBT has and intends to apply for patent protection for innovations for the purpose of securing a sufficient and efficient protection of IBT's current and future commercial position and interests. Patent applications regularly cover the US, the EU, Japan and China, but also other markets where it is justified for the interest of the Company. The documentation of the patent applications is prepared by the Company and, if applicable, in co-operation with academic research groups and other inventors or rights holders. The formalization and registration of patent applications is carried out through international patent agents. IBT currently uses the services of Synergon AB, a patent strategy agency headquartered in Gothenburg, Sweden. After a patent is granted, regular monitoring of the validity of the patent is carried out as well as any possible infringement of the patent protection and monitoring of possible competing patent applications from other parties. In addition to its own patent applications, IBT will analyse the possibilities to license or acquire rights to other parties' patents if deemed to be of commercial value.

IBP-9414 is protected by already approved patents on *Lactobacillus reuteri*, held by BioGaia. IBT has been granted from BioGaia an exclusive royalty-free license to use *Lactobacillus reuteri* in IBT's areas of interest. The license is valid for the duration of the patent term.

The main patent protection for IBP-9414 is the product claim for the use of a specific strain of *Lactobacillus reuteri*. This is a claim-type which is often referred to as "unlimited product protection" similar to that used for new chemical entities in the relation to small-molecules based products in the pharmaceutical industry. Patents including a product claim for the strain are issued in the most important markets. The patent protection granted in the US is valid until 2026 and in Europe, China and Japan until 2027, after those years patent term extensions are possible in certain areas of the world which could provide additional patent protection of the innovation.

IBT has also filed for further patent protection relating to the improvement of the formulation of IBP-9414. The patent is currently pending and aims to further protect IBP-9414 until 2036.

For more information of IBT's patents, refer to the section "Legal considerations and supplementary information – Intellectual property rights".

Other intellectual property and orphan drug designations

As per drug regulations, drugs can benefit from data exclusivity protection which refers to the period of time during which a competing company cannot cross-refer to the data in support of another marketing authorization, i.e. generics, hybrids, biosimilars. At market approval, FDA currently provides a 12-year data exclusivity for biological products such as IBP-9414, whereas EMA provides a 10-year protection (8 years data exclusivity + 2 years market protection) prior to any generics or biosimilar launch.

In connection with the commercialization of IBP-9414, the Company intends to seek protection for trademarks to be used for marketing the drug.

Granted patents and patent applications with possible extensions, orphan drug protection, data exclusivity protection and other legal protection possibilities, will, according to the Company's assessment, provide a strong protection for the development, use and marketing of the final drug.

Selected financial information

This section presents selected financial information for IBT for the period 1 January–30 September 2017 with comparative figures for the equivalent period 2016, and for the fiscal years 2016, 2015 and 2014. The information for the period 1 January–30 September 2017 with comparative figures for the equivalent period 2016 derives from the Company's reviewed interim report for the first three quarters 2017, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act, (Sw. Årsredovisningslagen).

IBT's financial statements are prepared in accordance with the Annual Accounts Act and the recommendations issued by the Council for Financial Reporting (Sw. Rådet för Finansiell Rapportering), RFR 2, accounting for legal entities. Application of RFR 2 means that IBT applies International Financial Reporting Standards ("IFRS"), as adopted by the EU to the extent possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (Sw. Tryggandelagen) and in consideration of the relation between accounting and taxation.

The information for the fiscal year 2016 is derived from the Company's audited annual report for 2016, which has been prepared in accordance with the Annual Accounts Act and RFR 2. The information for the fiscal years 2015 and 2014 derives from the Company's audited annual reports for 2015 and 2014, which have been prepared in accordance with the Swedish Accounting Standards Board's accounting principles for group companies K3 (Sw. Bokföringsnämnens allmänna råd, koncernredovisning K3) (BFNAR 2012:1) and the Annual Accounts Act.

In connection with the Company's conversion to RFR 2, the financial statements for 2015 were restated, whereby no effects requiring any adjustments to the figures were identified. Moreover, the Company has analysed whether there are any differences between K3 and RFR 2 in relation to the financial statements for 2014, whereby no differences were identified. However, the restated figures have not been audited or reviewed by the Company's auditor.

For comments to the following information, please refer to section "Operational and financial overview". For additional information regarding the principles for preparing the financial information in this section please refer to the complete annual reports and interim report which are incorporated by reference and are an integral part of this Prospectus (for further information, see section "Legal considerations and supplementary information–Documents incorporated by reference").

INCOME STATEMENT

SEK thousands	2017 Jan–Sep[1]	2016 Jan–Sep[2]	2016 Jan–Dec[3]	2015 Jan–Dec[4]	2014 Jan–Dec[5]
Net sales	238	49	162	–	–
Selling expenses	–	2,543	2,543	–2,600	–
Research and development expenses	–27,320	–26,570	–40,795	–17,974	–6,592
Other operating expenses	–	–	–	– 41	–
Operating loss	**–27,082**	**–23,978**	**–38,090**	**–20,615**	**–6,592**
Result from financial items	,		,		
Interest income and similar profit/loss items	–	–	–	–	1
Interest expense and similar profit/loss items	–15	–23	–16	–9	–157
Result after financial items	**–27,097**	**–24,001**	**–38,106**	**–20,624**	**–6,747**
Appropriations					
Group contribution	–	–	–	20,601	6,730
RESULT FOR THE PERIOD*	**–27,097**	**–24,001**	**–38,106**	**–22**	**–17**

1) Reviewed, unaudited.
2) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
3) Audited.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.

* Result for the period equals total comprehensive income.

BALANCE SHEET

SEK thousands	30 Sep 2017[1)]	30 Sep 2016[2)]	31 Dec 2016[3)]	31 Dec 2015[4)]	31 Dec 2014[5)]
ASSETS					
Non-current assets					
Intangible non-current assets					
Activated development expenses	14,802	16,225	15,414	16,225	6,075
Shares in subsidiary	50	–	–	–	–
Total non-current assets	**14,852**	**16,225**	**15,414**	**16,225**	**6,075**
Current assets					
Current receivables					
Accounts receivable	–	–	53	–	–
Receivable from parent company	–	–	–	20,420	6,956
Other receivables	754	365	708	535	346
Prepaid expenses and accrued income	224	1,046	148	952	106
Total current assets	**978**	**1,411**	**909**	**21,907**	**7,408**
Cash and cash equivalents	67,176	108,046	93,786	44,411	1,054
Total current assets	**68,154**	**109,457**	**94,695**	**66,318**	**8,462**
TOTAL ASSETS	**83,006**	**125,682**	**110,109**	**82,543**	**14,537**
Equity and liabilities					
Equity					
Restricted equity					
Share capital	1,500	1,500	1,500	500	50
Unrestricted equity					
Share premium reserve	141,357	140,473	140,473	52,350	–
Accumulated losses	–36,747	1,359	1,359	21,981	10,998
Net loss for the period	–27,097	–24,001	–38,106	–22	–17
Total equity	**79,013**	**119,331**	**105,226**	**74,809**	**11,031**
Liabilities					
Current liabilities					
Accounts payable	668	3,876	1,116	518	492
Other current liabilities	216	–	167	137	131
Accrued expenses and prepaid income	3,109	2,475	3,600	7,079	2,883
Total current liabilities	**3,993**	**6,351**	**4,883**	**7,734**	**3,506**
TOTAL EQUITY AND LIABILITIES	**83,006**	**125,682**	**110,109**	**82,543**	**14,537**

1) Reviewed, unaudited.
2) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
3) Audited.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.

STATEMENT OF CASH FLOWS

SEK thousands	2017 Jan–Sep[1]	2016 Jan–Sep[2]	2016 Jan–Dec[3]	2015 Jan–Dec[4]	2014 Jan–Dec[5]
Operating activities					
Operating profit/loss	–27,082	–23,978	–38,090	–20,615	–6,592
Financial items, net	–15	–23	–16	–9	–155
Adjustment for non–cash flow affecting items	–	–	–	–	–
(depreciation production process)	612	–	811	–	–
Cash flow from operating activities before changes in working capital	**–26,485**	**–24,001**	**–37,295**	**–20,624**	**–6,747**
Cash flow from changes in working capital					
Increase (–)/Decrease (+) in operating receivables	–69	–202	578	–628	–290
Increase (+)/Decrease (–) in operating liabilities	–890	–1,285	–3,031	4,228	3,265
Cash flow from operating activities	**–27,444**	**–25,488**	**–39,748**	**–17,024**	**–3,772**
Investment activities					
Acquisition of immaterial assets	–	–	–	–10,150	–6,075
Acquisition of subsidiary	–50	–	–	–	–
Financing activities					
Conditional shareholder contributions	–	–	–	11,000	10,000
Group contribution	–	–	–	6,731	–
Share issue	–	89,123	89,123	52,800	–
Warrants	884	–	–	–	–
Cash flow from financing activities	**834**	**89,123**	**89,123**	**70,531**	**10,000**
Cash flow for the period	**–26,610**	**63,635**	**49,375**	**43,357**	**153**
Cash and cash equivalents at the beginning of the year	93,786	44,411	44,411	1,054	901
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**67,176**	**108,046**	**93,786**	**44,411**	**1,054**

1) Reviewed, unaudited.
2) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
3) Audited.
4) The comparative figures for the fiscal year 2015 have not been audited, but are included as comparative figures in the audited annual accounts for the fiscal year 2016.
5) The comparative figures for the fiscal year 2014 have not been audited, but derives from the Company's internal accounts.

KEY INFORMATION DATA[1)]

SEK thousands	2017 Jan–Sep[2)]	2016 Jan–Sep[3)]	2016 Jan–Dec	2015 Jan–Dec[4)]	2014 Jan–Dec[5)]
Net sales	238*	49*	162	–	–
Net operating profit/loss	–27,082*	–23,978*	–38,090	–20,615	–6,592
Result after tax	–27,097*	–24,001*	–38,106	–22	–17
Total assets	83,006*	125,682*	110,109	82,543	14,537
Cash flow for the period	–26,610*	–63,635*	49,375	43,357	153
Cash flow for the period per share (SEK)	–4.83*	17.74*	10.91*	24*	3.06*
Cash	67,176*	108,046*	93,786	44,411	1,054
Earnings per share, weighted average, before and after dilution (SEK)	–4.92*	–6.69*	–8.42	–0.01[6)]*,	–0.01[6)]*,
Equity per share (SEK)	14.36*	21.68*	19.12*	831.21*	220.62*
Equity ratio (%)	95%*	95%*	96%*	91%*	76%*

1) Audited, unless stated otherwise.
2) Reviewed, unaudited.
3) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2 whereby no differences were identified.
6) Restated for split.

*Unaudited.

The table above includes key information which are not defined by IFRS. The table below presents the calculation method for this key information.

Deduction of certain key figures[1)]

	2017 Jan–Sep[2)]	2016 Jan–Sep[3)]	2016 Jan–Dec	2015 Jan–Dec[4)]	2014 Jan–Dec[5)]
Cash flow per share					
Cash flow for the period, SEK thousands	–26,610	63,635	49,375	43,357*	153*
Average number of shares	5,503,638	3,587,557	4,525,213	1,806,382*	1,794,546*
Cash flow per share (SEK)	–4.83	17.74	10.91*	24.00*	0.09*
Equity per share					
Equity, SEK thousands	79,013	119,331	105,226	74,809	11,031
Number of shares at end of period	5,503,638	5,503,638	5,503,638	90,000	50,000
Equity per share (SEK)	14.36	21.68	19.12*	831.21*	220.62*
Equity ratio					
Equity, SEK thousands	79,013	119,331	105,226	74,809	11,031
Total equity and liabilities, SEK thousands	83,006	125,682	110,109	82,543	14,537
Equity, %	95%	95%	96%*	91%*	76%*

1) Unaudited, unless stated otherwise.
2) Reviewed, unaudited.
3) The comparative figures for the period 1 January–30 September 2016 have not been audited or reviewed but have been derived from the interim report for the equivalent period 2017.
4) The comparative figures for the fiscal year 2015 have been recalculated by the Company in accordance with RFR 2, but correspond to the information in the Company's audited annual accounts for the fiscal year 2015, prepared in accordance with K3.
5) The comparative figures for the fiscal year 2014, which in the audited annual accounts for the fiscal year 2014 were prepared in accordance with K3, have been analysed by the Company in accordance with RFR 2, whereby no differences were identified.

*Unaudited.

FINANCIAL DEFINITIONS

KEY RATIOS	DEFINITION	MOTIVE
Average number of shares	Average number of shares during the reporting period (split in 2016 restated for comparative figures)	Relevant in calculating income and cash flow per share
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 shareholder's equity allocated to one share
Shareholder's equity/ share	Total shareholder's equity divided by the number of shares at the end of the period	Measure to describe shareholder's equity per share
Equity ratio	Total shareholder's equity as a percentage of total assets	Measure to evaluate the Company's ability to meet its financial obligations

Operating and financial review

The information below should be read along with section "Selected financial information". The information below contains forward looking statements which are subject to risks and uncertainties. Actual results for the Company may deviate significantly from these forward-looking statements due to various factors, among which but not limited to those described in sections "Important information–Forward looking statements" and "Risk factors".

FACTORS AFFECTING OPERATING RESULTS

Financial results for IBT have been affected by a number of factors, of which some are beyond the Company's control, both at present and in the future. This section includes the key factors which IBT deem to have affected operational and financial results during the period contained in the financial information in the Prospectus and factors which may continue to do so in the future. Factors deemed by IBT to have the largest effect on its operational results are listed below.

- Research and development
- Foreign exchange rate exposure
- Regulatory conditions
- Intellectual property rights

Research and development

IBT's operations are comprised of development of new medicines which address medicinal needs of patients focused on its leading pharmaceutical candidate, IBP-9414, for prevention of NEC. Consequently, the Company's ability to successfully develop new products may have considerable impact on the Company's long-term results and ability to generate returns for its shareholders.

Concurrently with the Prospectus, IBT has the intention to initiate a pivotal phase III study for IBP-9414 post receipt of top line results in a completed safety and tolerability study. Continued development of IBP-9414 contains several risks, including, but not limited to, delays in development, cost overruns and unsatisfactory results from clinical trials. Development of IBP-9414 has historically been financed by shareholder contributions and new share issues. For additional information regarding risks in connection with IBT's research and development operations, see section "Risk factors–Risks related to IBT and its operations".

The Company's costs for research and development relate to the planned clinical program including, among other, costs for development, production and staff. During the first nine months of 2017 the total costs for research and development amounted to SEK 12.7 million compared to SEK 17.9 million in 2016, equivalent to a reduction by 29 percent. These were comprised of among other things, costs for pharmaceutical development and production, consultants, staff and analyses of patient samples by contracted research sites. Costs for research and development amounted to 47 and 67 percent, respectively, of operational costs during the first nine months of 2017 and 2016, respectively.

Total costs to finalize IBTs clinical program depend on several factors, including, but not limited to, the Company's ability to conduct the development according to plan and to obtain required approvals by the relevant regulatory authorities. The costs for the development program may be unevenly allocated over its duration and may exceed estimated costs. It is common for clinical trial programs to be subject to delays and cost overruns and consequently the inherent risk should be considered high. Due to the above factors, it is not possible to exactly ascertain the costs to finalize development of IBP-9414.

Regulatory conditions

IBT conducts its operations in the pharmaceutical industry which to a high degree is subject to laws and other regulations. Such rules contain significant requirements regarding, among other things, clinical trials, permits, market approvals, manufacturing, marketing, distribution, packaging, product labelling, safety, efficacy and quality. If the Company fails to meet such regulatory requirements it may negatively affect the Company's profitability.

Amendments in the judicial regulations governing the Company's operations may negatively affect the Company's potential income and profitability. Typical amendments relate to common practice by authorities and stricter regulation.

Intellectual property rights

IBT's operations are dependent upon the Company's ability to protect its products and innovations. It is thus crucial for the Company to maintain patents and other intellectual property rights in its possession and which it may possess in the future. IBP-9414 is covered by patents in the US, EU and other major markets. The Company has obtained orphan drug designation for IBP-9414 for treatment of NEC in the US and the EU. If the prerequisites for orphan drug designation are not met at the time of receipt of market approval, IBT, in addition to exclusivity based on patents, will not be granted market exclusivity for seven and ten years, respectively, in the US and the EU. Further, there is risk that prerequisites for orphan drug status are not met during the period of exclusivity and that it therefore may be shortened. For further information regarding the Company's intellectual property rights, see section "Business description – Patents".

IBT's ability to maintain effective intellectual property rights protecting its products and methods are crucial for the Company's long-term success. If the Company fails to maintain effective protection for IBP-9414, it may negatively affect IBT's ability to generate income and returns for the shareholders. The Company may in the future be exposed to claims related to infringement of third party intellectual property rights, which could negatively affect the Company's income and financial position. For additional information regarding risks related to IBTs intellectual property rights, see section "Risk factors – Risks relating to legal considerations and tax".

Foreign exchange rate exposure

As a consequence of IBT's foreign operations, the Company's results and financial position are exposed to currency risks generated by exchange rate fluctuations in USD and EUR in relation to SEK. Development costs for IBP-9414 are mainly payable in USD and EUR. A depreciation of SEK versus these currencies could negatively affect results.

In accordance with the Company's policy for financial risks the Company may enter into hedging contracts amounting to 100 percent of each currency exposure according to the Company's financial plan. Upon commercialization of IBP-9414, income will likely be generated mainly in USD and EUR. The Company has historically not entered into hedging contracts regarding costs.

AUDIT PRINCIPLES

In May 2017, the subsidiary IBT Baby AB was established. As the subsidiary was established with a share capital amounting to 50 KSEK and only incurred marginal establishment costs, the consolidated income statement and balance sheet are, in all material aspects, equal those of IBT and therefore no consolidation has been made, supported by the Annual Accounts act, (Sw. *Årsredovisningslagen*) chapter 7, section 3a.

INCOME STATEMENT ITEMS

Other external costs

Other external costs are mainly comprised of project costs related to the development of IBP-9414, including for example production of clinical trial material and conducting clinical trials. All costs related to research are charged to income and reported in the R&D section in the income statement.

Personnel costs

Personnel costs are mainly comprised of salaries and other compensation, social costs and pension costs for employees of the Company.

Intangible non-current assets

Activated development costs, SEK thousands	30 Sep 2017	30 Sep 2016	31 Dec 2016	31 Dec 2015	31 Dec 2014
Opening accumulated costs	16,225	16,225	16,225	6,075	–
Activated costs	–	–	–	10,150	6,075
Total cost	**16,225**	**16,225**	**16,225**	**16,225**	**6,075**
Opening accumulated depreciation	–811	–	–	–	–
Depreciation	–612	–	–811	–	–
Total accumulated depreciation	**–1,423**	**0**	**–811**	**0**	**0**
Carrying amount at end of the period	**14,802**	**16,225**	**15,414**	**16,225**	**6,075**

Activated development costs refer to the production process of the pharmaceutical candidate IBP-9414. Period of use is based on the underlying useful life of the patent of 20 years. Depreciation is linear from 2016 and is reported in the R&D-function in the income statement.

The criteria according to IAS 38 and IAS 36, respectively, require testing the immaterial fixed assets for impairment whenever events or changed circumstances indicate that the reported value may not be recovered. Assessment has been made regarding activated costs regarding the production process.

The possibility to transfer the technology has been confirmed by a third party. Two independent companies, Apex and ClearView have evaluated the market potential in 2014 and 2016, respectively, for IBP-9414 in the US. Their assessment of the market potential amounted to an interval of USD 240 million to USD 360 million per annum. The total assessment is that the criteria in IAS 38 are met.

COMPARISON BETWEEN THE PERIOD JANUARY – SEPTEMBER 2017 AND JANUARY – SEPTEMBER 2016

Results

The operational result amounted to SEK −27,082 (−23,978) thousands and result after financial items amounted to SEK −27,097 (−24,001) thousands. Result after appropriations and tax amounted to SEK −27,097 (24,001) thousands. Result per share amounted to SEK 4.92 (−6.69).

Operational costs amounted to SEK 27,320 (26,570) thousands of which costs for the ongoing IBP-9414 clinical trial amounted to SEK 12,681 (17,906) thousands.

Personnel costs amounted to SEK 10,095 (5,080) thousands.

Other external costs amounted to SEK 4,544 (3,584) thousands.

The differences were mainly due to recruitment, and payment of bonus to the Company's personnel for which the total cost amounted to SEK 2.4 million and increased cost for external communication. Costs related to the clinical safety and tolerability study are lower than during the equivalent period the previous year as the study during the third quarter of 2017 was in its final stage.

Financial position

Cash flow for the period amounted to SEK −26,610 (63,635) thousands. Cash flow for the comparative period includes a new share issue amounting to SEK 89.1 million.

Cash flow from operations is in line with the equivalent period the previous year. The Company's cash balance on 30 September 2017, amounted to SEK 67,176 thousands compared to SEK 108,046 thousands on 30 September 2016. The difference was mainly due to negative results during the period.

The Company's shareholder's equity on 30 September 2017, amounted to SEK 79,013 thousands compared to SEK 119,331 thousands on 30 September 2016. Shareholder's equity per share amounted to SEK 14.36 compared to SEK 21.68 on 30 September 2016. The difference was mainly due to negative results during the period.

The Company's equity ratio amounted to 95 percent compared to 95 percent on 30 September 2016.

The Company's financial resources are sufficient to document the completed safety and tolerability study and to prepare the next stage for regulatory approval.

COMPARISON BETWEEN THE FULL YEAR 2016 AND FULL YEAR 2015

Results

Operational result amounted to SEK −38,090 (−20,615) thousands and result after financial items amounted to SEK −38,106 (−20,624) thousands. Result after appropriations and tax amounted to SEK −38,106 (−22) thousands. Result per share amounted to SEK −8.42 (−0.01) before and after dilution restated for split (no dilution effects exist). The difference was mainly a result of the Company's safety and tolerability study which during the spring of 2016 started recruitment of patients which led to significantly increased costs compared to 2015.

Operational costs amounted to SEK 40,795 (20,615) thousands of which costs for the ongoing IBP-9414 clinical trial amounted to SEK 26,658 (9,243) thousands. Balanced development costs amounted to SEK 0.0 (10,150) thousands. Variance was mainly a result of the Company's safety and tolerability study which during the spring of 2016 started recruitment of patients which led to significantly increased costs compared to 2015. Activated development costs were lower than in 2015 as the development activities regarding the production process of IBP-9414 were completed in 2015.

Personnel costs amounted to SEK 7,167 (6,315) thousands. Other external costs amounted to SEK 6,970 (5,057) thousands. Share issue costs amounted to SEK 11.0 (0.0) million which was charged to shareholder's equity. The differences were mainly due to increased costs related to external communication and consulting fees.

Financial position

Cash flow for the period amounted to SEK 49,375 (43,357) thousands. Cash flows included a share issue amounting to SEK 89,123 (52,800) thousands. The Company's cash balance on 31 December 2016, amounted to SEK 93,786 thousands compared to SEK 44,411 thousands on 31 December 2015. The difference was mainly due to the new share issue.

The Company's shareholder's equity on 31 December 2016 amounted to SEK 105,226 thousands compared to SEK 74,809 thousands on 31 December 2015. Shareholder's equity per share amounted to SEK 19.12 compared to SEK 831.21 on 31 December 2015. The difference was mainly due to the new share issue.

The Company's equity ratio amounted to 96 percent compared to 91 percent on 31 December 2015.

COMPARISON BETWEEN THE FULL YEAR 2015 AND FULL YEAR 2014

Results

Operational result amounted to SEK −20,615 (−6,592) thousands and result after financial items amounted to SEK −20,624 (−6,747) thousands. Result after appropriations and tax amounted to SEK −22 (−17) thousands. Result per share amounted to SEK −0.01 (−0.01) before and after dilution restated for split (no dilution effects exist). The difference was mainly a result of the Company's preparations for safety and tolerability study during 2015 which led to significantly increased costs for regulatory- and CMC/CTM (clinical trial material) compared to 2014.

Operational costs amounted to SEK 20,615 (6,592) thousands of which costs for the ongoing IBP-9414 clinical trial amounted to SEK 9,243 (1,439) thousands. Balanced development costs amounted to SEK 10,150 (6,075) thousands. The differences were mainly a result of the Company's preparations for safety and tolerability study during 2015 which led to significantly increased costs for regulatory- and CMC/CTM compared to 2014. Activated development costs were higher than in 2014 and related to the development activities regarding the production process of IBP-9414, which were completed in 2015.

Personnel costs amounted to SEK 6,315 (4,314) thousands. Other external costs amounted to SEK 5,057 (839) thousands. The differences were mainly due to increased sales costs.

Financial position

Cash flow for the period amounted to SEK 43,357 (153) thousands. Cash flow included a new share issue amounting to SEK 52,800 (0.0) thousands and a conditional shareholder's contribution amounting to SEK 0.0 (10,000) thousands. The Company's cash balance on 31 December 2015, amounted to SEK 44,411 compared to 1,054 thousands on 31 December 2014. The differences were mainly due to the new share issue.

The Company's shareholder's equity on 31 December 2015, amounted to SEK 74,809 thousands compared to SEK 11,031 thousands on 31 December 2014. Shareholder's equity per share amounted to SEK 831.21 compared to SEK 220.62 on 31 December 2014. The difference was mainly due to the new share issue.

The Company's equity ratio amounted to 91 percent compared to 76 percent on 31 December 2014.

Capital structure, indebtedness and other financial information

SHAREHOLDER'S EQUITY AND LIABILITY

The tables in this section set forth IBT's capitalization and debt as of 30 November 2017. See section "Share capital and ownership structure" for additional information regarding the Company's share capital and shares, including changes related to the Offer. The tables in this section shall be read along with section "Operational and financial overview" and the Company's financial information, with accompanying notes, incorporated in the Prospectus by reference.

Capitalization

SEK thousands	30 Nov 2017
Current liabilities	
Without pledges, securities or collateral	6,831
Total current liabilities	**6,831**
Long-term debt	**–**
Total long-term debt	**–**
Shareholder's equity	
Share capital	1,800
Other capital contributions	241,541
Total capitalization	**243,341**

On 30 September 2017, the accumulated losses amounted to SEK –36,747 thousands and the net loss for the period (January–September) amounted to SEK –27,097 thousands.

Net debt

SEK thousands		30 Nov 2017
(A)	Cash	–
(B)	Bank deposits	166,317
(C)	Liquid holdings	–
(D)	**Total liquidity (A)+(B)+(C)**	**166,317**
(E)	**Current financial receivables**	**346**
(F)	Current bank debt	–
(G)	Current portion of long term debt	–
(H)	Other current debt (non-interest bearing)	6,831
(I)	**Total current liabilities (F)+(G)+(H)**	**6,831**
(J)	**Net current financial debt (I)–(E)–(D)**	**–159,832**
(K)	Long-term bank loans	–
(L)	Issued bonds	–
(M)	Other long-term debt	–
(N)	**Long term financial debt (K)+(L)+(M)**	**–**
(O)	**Financial net debt (J)+(N)**	**–159,832**

CREDIT REQUIREMENTS AND FINANCING STRUCTURE

The Company's operations have been financed by its shareholders and new share issues and is planned to be further financed by the Offer. Thus, there are no credit requirements in the operations.

WORKING CAPITAL STATEMENT

IBT believes that the existing net working capital is sufficient to meet the Company's needs over the next twelve month period.

HISTORICAL INVESTMENTS

The table below sets forth IBTs total investment during fiscal years 2014–2016.

SEK thousands	2016	2015	2014
Activated development costs	–	10,150	6,075
Total cost	**–**	**10,150**	**6,075**

PENDING AND FUTURE INVESTMENTS

At the time of the Offer, the Company has no significant pending investments and has not entered into any commitments regarding significant future investments in fixed or intangible non-current assets.

TAX SITUATION

Since the Company was founded in 2012 until the end of 2016, IBT has accumulated taxable losses amounting to SEK 49.1 million. Deferred tax receivables are reported to the extent it is likely that future taxable income will be available against which the temporary differences may be claimed. No deferred tax receivables have been reported in the Company's financial statements.

SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2017

On 23 November 2017, the Company's board of directors resolved, based on the authorization from the shareholders' meeting, on a directed share issue of approximately SEK 105 million to Swedish and international institutional investors. For more information of the directed issue, refer to section "Share capital and ownership structure – Directed issue".

On 11 December 2017, data from the completed safety and tolerability study regarding the Company's pharmaceutical candidate IBP-9414 were presented at Hot Topics in Washington, D.C.

Apart from what is set out above, no events of material importance to the Company's financial position or position on the market have occurred since 30 September 2017.

Board of directors, executive management and auditor

BOARD OF DIRECTORS

As per the date of the Prospectus, IBT's board of directors consists of six ordinary members, including the chairman of the board, all of whom are elected for the period up until the end of the annual shareholders' meeting 2018. The table below shows the members of the board, the date they were first elected to the board and whether or not they are independent of the Company and its management and/or major shareholders.

			Independent of	
Name	**Position**	**Member since**	**The Company and its management**	**Major shareholders**
Peter Rothschild	Chairman of the board	2011	No	No
Jan Annwall	Board member	2014	Yes	No
Anders Ekblom	Board member	2014	Yes	Yes
Margareta Hagman	Board member	2015	Yes	No
Eva Idén	Board member	2017	Yes	Yes
Anthon Jahreskog	Board member	2017	Yes	Yes

PETER ROTHSCHILD

Born 1950. Chairman of the board since 2011.

Education: Master of Business Administration from Stockholm School of Economics.

Other current assignments: Chairman of the board of BioGaia Production AB, Looft Industries AB, CapAble AB, MetaboGen AB, Nefor Holding AB, Voranco Holding AB, BioGaia Pharma AB and Annwall & Rothschild Investments AB. Board member of TriPac AB and Glycom A/S. Founder and president of the BioGaia group. Limited partner of Argoinvest Kommanditbolag.

Previous assignments (last five years): CEO of BioGaia AB (publ) until 2016. Chairman of the board of TriPac AB until 2015. Board member of Moberg Pharma AB (publ) until 2014.

Shareholding in the Company: 222,198 series A shares and 241,458 series B shares through Annwall & Rothschild Investments AB, a company co-owned with Jan Annwall.

JAN ANNWALL

Born 1950. Board member since 2014.

Education: Business Administration degree from Stockholm University.

Other current assignments: Board member and CEO of Annwall & Rothschild Investments AB. Founder and board member of BioGaia AB (publ) and board member of Konglomeratet Aktiebolag. Deputy board member of Looft Industries AB. Limited partner of Argoinvest Kommanditbolag.

Previous assignments (last five years): None.

Shareholding in the Company: 222,198 series A shares and 241,458 series B shares through Annwall & Rothschild Investments AB, a company co-owned with Peter Rothschild.

ANDERS EKBLOM

Born 1954. Board member since 2014.

Education:	Certified physician and dentist, specialist in anesthesia and intensive care. Medical Doctor and Associate Professor in Physiology at the Karolinska institute.
Other current assignments:	Chairman of the board of Karolinska University Hospital and TFS International AB. Board member of Mereo BioPharma Group Plc., the Swedish Research Council, Medivir Aktiebolag, AnaMar AB, Alligator Bioscience AB and NxtScience AB.
Previous assignments (last five years):	Chairman of the board of AstraZeneca AB and AstraZeneca Holding AB and board assignments and executive positions of a number of companies within the AstraZeneca group. Board member of SwedenBio Service AB, Viscogel AB, RSPR Pharma AB, Pharmanest AB and Sällheten Invest AB until 2017 and in Albireo AB until 2014.
Shareholding in the Company:	27,519 series B shares through the wholly-owned company NxtScience AB.

MARGARETA HAGMAN

Born 1966. Board member since 2015.

Education:	Master of Business Administration from Örebro University.
Other current assignments:	CFO and deputy CEO of BioGaia AB (publ). Board member of BioGaia Production AB and CapAble AB. Deputy board member of TriPac AB and JOJE AB.
Previous assignments (last five years):	Deputy board member of Annwall & Rothschild Investments AB until 2017.
Shareholding in the Company:	2,100 series B shares.

EVA IDÉN

Born 1966. Board member since 2017.

Education:	Chemical engineering degree from Chalmers University of Technology.
Other current assignments:	Chairman of the board of Better & Beyond AB.
Previous assignments (last five years):	Key assignments within the AstraZeneca group.
Shareholding in the Company:	30 shares of series B.

ANTHON JAHRESKOG

Born 1980. Board member since 2017.

Education:	B.Sc. in management and systems, City University London. Master of Science in Financial Management at the University of Cape Town.
Other current assignments:	Board member of BioGaia AB (publ), SparkHub Ltd and Hamilton Park Consulting Ltd.
Previous assignments (last five years):	None.
Shareholding in the Company:	None.

EXECUTIVE MANAGEMENT

STAFFAN STRÖMBERG

Born 1967. CEO since 2013.

Education:	Master of Science in chemical engineering and Ph.D. in organic chemistry from the Royal Institute of Technology in Stockholm.
Other current assignments:	Board member of Eteboxagu AB and BioGaia Pharma AB.
Previous assignments (last five years):	None.
Shareholding in the Company:	76,728 shares of series B and 70,000 warrants and 45,864 shares of series B through the wholly-owned company Eteboxagu AB.

DANIEL MACKEY

Born 1974. CFO since 2017.

Education:	Business Administration degree from State University of New York, Plattsburgh, New York
Other current assignments:	None.
Previous assignments (last five years):	None.
Shareholding in the Company:	3,513 shares of series B and 50,000 warrants.

EAMONN CONNOLLY

Born 1957. Chief Scientific Officer since 2013.

Education:	Ph.D., University of Manchester Institute of Science and Technology and B.sc. (Hons) Biochemistry, First class, University of Manchester
Other current assignments:	None.
Previous assignments (last five years):	Vice president research of BioGaia AB (publ) until 2014.
Shareholding in the Company:	56,864 shares of series B and 50,000 warrants.

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

None of the members of the board or the executive management has any family ties to another board member or senior executive. There are no conflicts of interest or potential conflicts of interest between, on the one hand, the duties of the members of the board or the executive management towards IBT or its subsidiaries and, on the other hand, their private interests and/or other duties. However, as shown above, some members of the board and of the executive management own shares in the Company and therefore have financial interests in the Company.

During the last five years, none of the members of the board or the executive management has been convicted of fraudulent offences or been party to or involved in any bankruptcy, compulsory liquidation or receivership in their role as a member of the board or the executive management of a company.

During the last five years, none of the members of the board or the executive management has been the subject of incrimination and/or sanction by any authorities, professional association or similar bodies, nor been served with a ban on engaging in business or otherwise been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company, or from holding a managerial or general position in a company.

There are no special agreements on remuneration for members of the board or the executive management once their term of office or employment ends.

All members of the board and the members of the executive management are available at the Company's main office at Bryggargatan 10, SE-111 21 Stockholm, Sweden.

AUDITOR

Grant Thornton Sweden AB was the Company's auditor from 2011 until the annual shareholders' meeting on 5 May 2015, at which time Deloitte AB was elected as the Company's auditor with Birgitta Lööf (born 1960) as the auditor in charge. Deloitte AB was re-elected at the annual shareholders' meeting 2017 until the end of the annual shareholders' meeting 2018. Birgitta Lööf is an authorized public accountant and a member of FAR (professional institute for authorized public accountants). Deloitte AB's office address is Rehnsgatan 11, SE-113 79 Stockholm, Sweden. Deloitte AB replaced Grant Thornton Sweden AB as the Company's auditor due to corresponding auditor change in IBT's former parent company BioGaia.

Corporate governance

IBT is a Swedish public limited liability company. Corporate governance in the Company is based on Swedish law, internal rules and regulations and First North's Rule Book for Issuers. Since IBT's shares of series B were listed on First North Premier in March 2017, the Company has also applied the Swedish Corporate Governance Code (the "Code") (Sw. *Svensk kod för bolagsstyrning*). Except for a resolution to issue a bonus payment to all employees in the Company in June 2016, which was justified by the Company's successful completion of all patient treatments in the completed safety and tolerability study with IBP-9414, IBT has not deviated from any of the rules established in the Code.

SHAREHOLDERS' MEETING

According to the Swedish Companies Act (2005:551) (Sw. *aktiebolagslagen*), the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual shareholders' meeting must be held within six months from the end of the financial year. In addition to the annual shareholders' meeting, extraordinary shareholders' meetings may be convened. According to the articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice, information regarding the notice shall be published in Svenska Dagbladet.

Right to participate in shareholders' meetings

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day occurring five business days prior to the meeting, and notify the Company of their participation no later than on the date indicated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares held by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the shareholders' meeting.

BOARD OF DIRECTORS

The board of directors is the second-highest decision-making body of the Company after the shareholders' meeting. According to the Swedish Companies Act, the board of directors is responsible for the organization of the company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the Company's financial condition and earnings as well as evaluating the operating management. The board of directors is also responsible for ensuring that the annual report and the interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO of the Company.

Members of the board of directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting. According to the Company's articles of association, the members of the board of directors elected by the shareholders' meeting shall be not less than three and not more than ten with no deputy members.

The board of directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts the instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual

predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition, the chairman of the board of directors and the CEO continuously discuss the management of the Company.

Currently, the Company's board of directors consists of six ordinary members, who are presented in the section "Board of directors, executive management and auditor".

Audit and remuneration committee

A separate audit and remuneration committee has not been established and instead, the full board performs the duties of the audit and remuneration committee, the background to this being that neither the size of the Company nor the size of the board of directors warrants having separate committees. Issues are dealt with on ordinary board meetings. Further, the full board meets with the auditor at least once a year without the presence of the Company's CEO or any other member of the executive management.

THE CEO AND OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CFO is responsible for the financial reporting in the Company and consequently must ensure that the board of directors receives adequate information for the board of directors to be able to evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and executive management are presented in the section "Board of directors, executive management and auditor".

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS, CEO AND OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

Remuneration to the members of the board of directors

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved by the shareholders' meeting. At the annual shareholders' meeting held on 4 May 2017, it was resolved that the fee to the chairman of the board of directors should be SEK 200,000 per year and that the fee to the other members of the board of directors not employed by the Company should be SEK 100,000 per member and year. On the meeting, it was further resolved that the chairman shall receive an additional SEK 400,000 in the capacity of working chairman. The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board.

Remuneration to the CEO and other members of the executive management

Remuneration paid during the 2016 financial year

The table below presents an overview of remuneration to the Company's CEO and other members of the executive management during the 2016 financial year, which at the time comprised two persons, CEO Staffan Strömberg and the Chief Scientific Officer Eamonn Connolly.

Name/title	Salary and benefits, SEK thousands	Variable remuneration, SEK thousands	Pension costs, SEK thousands[1)]	Total
Staffan Strömberg, CEO	1,580	100	409	2,089
Eamonn Connolly, CSO	1,445	75	317	1,837
Total	**3,015**	**175**	**726**	**3,926**

1) The Company has no accrued or prepaid pension costs.

Current employment agreements for the CEO and other executive management

Decisions as to the current remuneration levels and other conditions for employment for the CEO and the other members of the executive management have been resolved by the board of directors.

Except for the Company's Chief Financial Officer, who was employed in January 2017 and has a mutual notice period of one month, the members of the executive management domiciled in Sweden are entitled to a mutual notice period of three months, unless a longer notice period is provided by applicable Swedish law. The CEO is entitled to severance pay in the amount of nine months' salary in addition to the salary set out above during the period of notice when notice is given by the Company.

Further, in 2016, the CEO and the Chief Scientific Officer have received bonus payments from the Company of SEK 100,000 and 75,000, respectively, following recruitment of the first patient in the first clinical trial (i.e. the safety and tolerability study) and are entitled to further bonus payments of SEK 200,000 and SEK 150,000, respectively, after the end of the safety-and tolerability-meeting with FDA and following recruitment of the first patient to the pivotal phase III study, and of SEK 500,000 and 300,000, respectively, following market authorization in the US for an IBT drug relating to NEC and SEK 300,000 and SEK 200,000, respectively, following market authorization in Europe for an IBT drug relating to NEC.

AUDITING

The auditor shall review the Company's annual reports and accounting, as well as administration of the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the annual shareholders' meeting.

Pursuant to the Company's articles of association, the Company shall have one auditor and no deputy auditors. The Company's auditor is Deloitte AB, with Birgitta Lööf as auditor in charge. The Company's auditor is presented in more detail in the section "Board of directors, executive management and auditor".

Share capital and ownership structure

GENERAL INFORMATION

Pursuant to the Company's articles of association, the Company's share capital must not be less than SEK 1,500,000 and not more than SEK 6,000,000, and the number of shares may not be less than 5,000,000 and not more than 20,000,000. Shares may be issued in two series, series A and series B shares. As at the date of the Prospectus, the Company has issued a total of 6,603,638 shares, of which 222,198 are series A shares and 6,381,440 are series B shares. The shares are denominated in SEK and the quota value of each share is approximately SEK 0.27. On 29 March 2016, IBT's series B shares were listed on First North. On 14 March 2017, the same shares were listed on First North Premier. In November 2017, and in accordance with what the Company previously has announced, IBT applied for listing of the Company's series B shares on Nasdaq Stockholm's main market.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable. The shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year.

CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

The rights attached to the shares in the Company may only be changed in accordance with the procedures set out in the Swedish Companies Act.

Voting rights

Each series A share in the Company entitles the holder to ten votes at shareholders' meetings and each series B share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to cast votes for all shares held by the shareholder in the Company.

Pre-emptive rights to new shares, etc.

If the Company issues new shares of series A or B in a cash issue or a set-off issue, shareholders shall, as a general rule, have pre-emptive rights to subscribe for new shares of the same series of shares *pro rata* to the number of shares previously held (primary pre-emptive right). Shares which are not subscribed for by those shareholders entitled to subscribe pursuant to primary pre-emptive rights shall be offered to all shareholders (subsidiary pre-emptive rights).

In an issue of warrants and convertibles, shareholders shall as a general rule have pre-emptive rights in accordance with what is stated above.

Rights to dividends and balances in case of liquidation

All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividend are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also the section "Tax issues in Sweden".

With regard to IBT's financial position and negative results, the Company has, so far, not paid any dividends to the shareholders. The Company's board of directors does not intend to propose any dividends during the next few years. The Company's financial assets will mainly be used to finance the Company's research projects.

ISSUE AUTHORIZATION

At the annual shareholders' meeting on 4 May 2017, it was resolved to authorize the board of directors, for the period up to the next annual shareholders' meeting, to adopt decisions, whether on one or several occasions and whether with or without pre-emptive rights for the shareholders, to issue new shares of series B, whereby the share capital must not be increased with more than

twenty percent in relation to the share capital when the authorization for the new issue is first utilized by the board of directors.

Share issues under the authorization shall be made on market terms. The board shall have the right to determine the conditions of issues under the authorization as well as who has the right to subscribe for shares.

The reason for the potential deviation from the shareholders' pre-emptive rights is to enable the board to raise capital for the Company through directed share issues. Except for what is stated below regarding the share issue, no part of the authorization has been utilized as of the date of the Prospectus.

DIRECTED ISSUE

On 23 November 2017, the board of directors resolved, based on the share issue authorization described above, on a directed share issue of 1,100,000 series B shares (the "Directed Issue"). The Directed Issue was subscribed for by Swedbank Robur Fonder, Third Swedish National Pension Fund, Second Swedish National Pension Fund, Unionen, Sectoral, Alto Invest, Norron and Nordic Cross. The subscription price in the Directed Issue was SEK 95 per share, which corresponds to the share price in the Offer. Through the Directed Issue, IBT received approximately SEK 105 million, before issue expenses. The reasons for the deviation from the shareholders' pre-emptive rights were to broaden the institutional shareholder base and to secure financing of the upcoming pivotal phase III study, including obtaining guarantee commitments for the Offer.

CENTRAL SECURITIES REGISTER

The Company's shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479) (Sw. *lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). This register is managed by Euroclear Sweden which registers the shares to each person. No share certificates have been issued for the Company's shares.

SHARE CAPITAL DEVELOPMENT

The below table shows historical changes in the Company's share capital since the formation of the Company in 2011, and the changes in the number of shares and the share capital which will be made in connection with the Offer, provided that the Offer is fully subscribed.

		Change in number of shares			No. of shares after transaction			Share capital	
Time	Event	Ordinary shares[1]	Series A shares[2]	Series B shares[3]	Ordinary shares[4]	Ordinary series A shares	Ordinary series B shares	Change	Total
2011-11-22	Formation	50,000	–	–	50,000	–	–	50,000	50,000
2015-09-15	New share issue[5]	40,000	–	–	90,000	–	–	40,000	90,000
2015-09-15	Bonus issue	–	–	–	90,000	–	–	410,000	500,000
2016-02-12	Split and re-classification	–	74,066	1,760,480	–	74,066	1,760,480	–	500,000
2016-04-26	New share issue[6]	–	148,132	3,520,960	–	222,198	5,281,440	1,000,000	1,500,000
2017-11-23	New share issue[7]			1,100,000		222,198	6,381,440	299,801.69	1,799,801.69
2017-11-23	The Offer		155,538	4,467,008		377,736	10,848,448	1,259,861.02	3,059,662.71

1) Refers to shares prior to the issue of shares of series A and B.
2) One share of series A entitles to ten votes at shareholders' meetings.
3) One share of series B entitles to one vote at shareholders' meetings.
4) Refers to shares prior to the issue of shares of series A and B.
5) The subscription price amounted to SEK 1,320 per share, which corresponds to SEK 64.76 recalculated following split of the Company's shares.
6) The subscription price amounted to SEK 27.30 per share.
7) The subscription price amounted to SEK 95 per share.

INCENTIVE PROGRAM

At the annual shareholders' meeting held on 4 May 2017, it was resolved to implement an incentive program based on warrants. The warrants were issued gratuitously to a subsidiary of the Company established for this purpose, which was also granted to transfer the warrants to the participants of the incentive program. Such transfer shall be made on market terms to a price determined based on a calculated market value of the warrants at the time of the transfer. The right to participate in the incentive program vests in the Company's CEO, members of the executive management and employees, or companies wholly owned by such persons. As of the date of this Prospectus, 200,000 warrants have been allocated

to participants. The remaining 80,000 warrants have been reserved for future employees.

Each warrant entitles to subscription of one new share of series B in the Company at a subscription price of SEK 300 and may be exercised during the period 3 April 2022 until 3 May 2022. The warrant holders have entered into a pre-emption agreement with the subsidiary under which the holders are obliged to, under certain conditions, offer the Company to acquire the warrants, or a portion thereof.

If the maximum number of warrants is exercised for subscription of series B shares, the Company's share capital will increase by approximately SEK 76,313.16 and, based on the number of shares following the Offer and that the Offer is fully subscribed for, result in a dilution of approximately 2.43 percent of the shares and approximately 1.88 percent of the votes of the Company. The total cost for the incentive program is estimated to not exceed more than SEK 100,000 during the term of the program and refers to a valuation statement regarding the warrants and a warrant agreement that was entered between the Company and the holders.

OWNERSHIP STRUCTURE AND OWNERSHIP

The table below sets forth IBT's ownership structure as of 30 November 2017.

	Number of shares		Percent	
Shareholder	**Series A shares**	**Series B shares**	**Share capital**	**Votes**
Annwall & Rothschild Investments AB	222,198	241,458	7.02	28.63
Öhman Bank S.A.	0	669,580	10.14	7.78
Swedbank Robur Microcap		418,644	6.34	4.87
Fourth Swedish National Pension Fund	0	305,259	4.62	3.55
Third Swedish National Pension Fund	0	300,000	4.54	3.49
AMF Smallcap Fund	0	295,050	4.47	3.43
Försäkringsaktiebolaget, Avanza Pension	0	179,467	2.72	2.09
Bank of Åland Plc (as nominee)	0	168,887	2.56	1.96
Clearstream Banking S.A., W8IMY	0	165,930	2.51	1.93
CBNY- Norwegian Central Bank	0	156,000	2.36	1.81
Total ten largest shareholders	**222,198**	**2,900,275**	**47.28**	**59.54**
Other shareholders	0	3,481,165	52.72	40.46
Total	**222,198**	**6,381,440**	**100.00**	**100.00**

LISTING

On 29 March 2016, IBT's shares of series B were listed on First North. On 14 March 2017, the shares were listed on First North Premier. The shares are traded under the short name IBT B. Trading in the shares of series B that will be issued as a result of the Offer is expected to commence on First North Premier on or around 14 February 2018. In November 2017, and in accordance with what the Company previously has announced, the Company applied for listing of the Company's series B shares on Nasdaq Stockholm's main market.

SHAREHOLDERS' AGREEMENTS ETC.

As far as the Company is aware, there are no shareholders' agreements or other agreements between shareholders in the Company for the purpose of exercising joint influence over the Company. The Company is further not aware of any agreements or similar arrangements which can result in a change of control of the Company. Nevertheless, the Company's main shareholders will, through their holdings, continue to have a material influence of the matters that are brought before the shareholders' meeting for approval. The Company has not taken any measures in order to ensure that the control is not abused. However, the provisions protecting minority shareholders in the Swedish Companies Act as well as First North Premier's rules regarding, *inter alia*, information, constitute a protection against majority holders' potential abuse of the control over a company.

DILUTION

Shareholders of series B shares who choose not to participate in the Offer may experience dilution of their shareholding by up to 4,622,546 shares, corresponding to approximately 41 percent of the total number of shares, but will have the opportunity to compensate for the economic dilution by selling their subscription rights.

Articles of association

§ 1 Name

The company's name is Infant Bacterial Therapeutics AB. The company is a public limited liability company (publ).

§ 2 Registered office

The board of directors' has its registered office in the Stockholm Municipality, Stockholm County.

§ 3 Business

The company shall directly or through subsidiaries or other forms of partnerships or co-operations develop, produce, market and sell pharmaceuticals, medical devices and conduct business compatible therewith.

§ 4 Share capital

The share capital shall be not less than SEK 1,500,000 and not more than SEK 6,000,000.

§ 5 Series of shares

Shares may be issued in two series: series A carrying ten votes per share and series B carrying one vote per share. Shares of each series may be issued in a number corresponding to the total number of shares in the Company.

If the company resolves to issue new series A and series B shares through a cash issue or an issue with payment by way of set-off of claim, owners of series A and series B shares shall enjoy pre-emption rights to subscribe for new shares of the same series *pro rata* to the number of shares previously held by them (primary pre-emption right). Shares that have not been subscribed for pursuant to the primary pre-emption rights shall be offered to all shareholders (secondary pre-emption right). If the shares thus offered are not sufficient for the subscription pursuant to the secondary pre-emption rights, the shares shall be allocated between the subscribers *pro rata* to the number of shares previously held and, to the extent such allocation cannot be effected, by the drawing of lots.

If the company resolves to issue only series A or series B shares through a cash issue or an issue with payment by way of set-off of claim, where payment is not to be made in kind, all shareholders shall, irrespective of whether their shares are series A or series B shares, have pre-emption rights to subscribe for new shares *pro rata* to the number of shares previously held by them.

If the company resolves to issue warrants or convertibles through a cash issue or an issue with payment by way of set-off of claim, the shareholders shall have pre-emption rights to subscribe for warrants as if the issue applied to the shares that may be subscribed for pursuant to the right of option and pre-emption rights to subscribe for convertibles as if the issue applied to the shares that the convertibles may be converted to, respectively.

The above shall not limit the right to resolve upon a cash issue or an issue with payment by way of set-off of claim with deviation from the shareholders' pre-emption rights.

If the share capital is increased by a bonus issue, new shares shall be issued in relation to the number of shares of the same series already issued. In such cases, old shares of a specific series shall entitle to new shares of the same series. Following a requisite amendment in the Articles of Association, the aforementioned stipulation shall not infringe on the possibility to issue shares of a new series by a bonus issue.

§ 6 Number of shares

The number of shares shall be not less than 5,000,000 and not more than 20,000,000.

§ 7 Board of directors

The board of directors shall consist of not less than 3 and not more than 10 members.

§ 8 Auditor

The company shall have one auditor. As auditor an authorized public accountant or a registered public accounting firm shall be elected.

§ 9 Notice of shareholders' meeting

Notice of shareholders' meetings shall be published in the Swedish Official Gazette and on the company's website. An announcement that the notice has been issued shall be published in Svenska Dagbladet. Shareholders must notify the company if the shareholder and any counsels are to participate in the shareholders' meeting not later than on the day specified in the notice convening the meeting.

§ 10 Annual shareholders' meeting

At annual shareholders' meetings, the following business shall be addressed:

1. Election of a chairman of the meeting;
2. Preparation and approval of the voting list;
3. Election of one or two persons who shall approve the minutes of the meeting;
4. Approval of the agenda;
5. Determination of whether the meeting was duly convened;
6. Presentation of the annual report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group;
7. Resolutions regarding
   a) adoption of the income statement and the balance sheet and, when applicable, the consolidated income statement and the consolidated balance sheet;
   b) allocation of the company's profits or losses in accordance with the adopted balance sheet;
   c) discharge of the members of the board of directors and the managing director from liability;
8. Determination of fees for members of the board of directors and auditor;
9. Election of the members of the board of directors and auditor;
10. Other matters, which should be resolved by the meeting according to the Swedish Companies Act.

§ 11 Financial year

The company's financial year shall be the calendar year.

§ 12 CSD-provision

The company's shares shall be registered in a securities register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

Adopted at the extraordinary shareholders' meeting on 8 January 2018.

Legal considerations and supplementary information

LEGAL GROUP STRUCTURE

Infant Bacterial Therapeutics AB (publ) (corporate registration number 556873-8586) is a Swedish public limited liability company which was founded on 22 November 2011 and registered with the Swedish Companies Registration Office on 30 November 2011. The ticker for the Company's share of series B on First North Premier is IBT B. The Company's registered office is Stockholm. As of the date of the Prospectus, the Company is the parent company to the wholly-owned Swedish subsidiary IBT Baby AB.

MATERIAL AGREEMENTS

License agreement with BioGaia

In 2016, IBT entered into a license agreement with BioGaia under which IBT, during the term for which BioGaia's underlying patent is valid (currently until 2026 in the US and until 2027 in Europe, China and Japan), has obtained an exclusive right to IBP-9414 for the purpose of developing a new pharmaceutical candidate and to utilize the active ingredient IBP-9414 in a potential approved drug designed for pharmaceutical prevention and treatment of premature infants, including, but not limited to, for example NEC and other gastrointestinal conditions. If IBT has not launched a drug on the market as of 31 December 2022, at the latest, the license agreement with BioGaia automatically expires in its entirety on 1 January 2023.

Further, IBT has, through a separate agreement, provided BioGaia with a cross-licensing agreement under which BioGaia is permitted to utilize IBP-9414 and IBT's current and potential future intellectual property rights outside the area currently licensed from BioGaia to IBT.

No licenses under the agreements are subject to any royalty payments.

CMO agreements

In 2015, IBT entered into a framework agreement with a contract manufacturing organization (CMO) regarding process development and manufacturing of the active ingredient in IBP-9414. In accordance with the framework agreement, IBT transferred the production of the ingredient assigned for the pivotal phase III study of IBP-9414 in September 2017. The agreement is annually renewed at 31 December, unless any party has given notice of termination of the agreement no later than three months prior to the renewal date.

In 2014, IBT entered an agreement with an additional CMO regarding manufacturing and storage of the cell bank to IBP-9414. The term of the agreement is five years.

CRO agreements

In connection with the performance of clinical studies, IBT enters into co-operation agreements with different CROs (contract research organizations). For example, Premier Research International LLC, Cardinal Health Regulatory Sciences and Sofus Regulatory Affairs were contracted for the completion of the safety and tolerability study of IBP-9414, which has now been completed. Even though negotiations regarding the implementation of IBT's pivotal phase III study are currently pending, there are, however, as of the date of the Prospectus, no agreements in force between the Company and any CRO.

INTELLECTUAL PROPERTY RIGHTS ETC.

BioGaia currently holds patent protection of *Lactobacillus reuteri* on all the Company's relevant markets, including Europe, the U.S., China and Japan. BioGaia has granted IBT an exclusive license to utilize *Lactobacillus reuteri* (refer to the section "Material agreements–License agreement with BioGaia" above). The patent protection granted in the US is valid until 2026 and the patent protection in Europe, China and Japan is valid until 2027. The patent protection may thereafter, subject to certain conditions, be extended with additional five years. In addition, IBT currently has ongoing applications for additional patent protection, aiming to protect IBP-9414 until 2036. Finally, IBT is the registered owner of the domain name ibtherapeutics.com.

In addition to the intellectual property rights, IBP-9414 is eligible for market exclusivity by its orphan drug designations, in the US and in the EU for seven and ten years, respectively, from the time of a potential market approval.

IBT is not aware of any third party patents or patent applications that could obstruct the Company's future ability to use IBP-9414 and the Company estimates that the intellectual property protection the Company is dependent upon is sufficient.

DISPUTES

IBT has not been involved in any material legal or arbitration proceedings (including such that are pending or that IBT is aware of could arise) over the past twelve months.

INSURANCES

IBT holds a property insurance which includes, *inter alia*, goods, machinery, equipment and losses due to interruptions in the operations. In addition, the Company has liability insurances in place for the board of directors and the management, and insurances for, *inter alia*, personnel, legal protection and business travels. It is IBT's opinion that the insurances are adequate in view of the risks generally associated with the Company's operations and there are no material insurance claims against the Company.

SUBSCRIPTION UNDERTAKINGS AND GUARANTEE COMMITMENTS

The Offer is covered by declarations of intent, subscription undertakings and gratuitous guarantee commitments corresponding to approximately 89 percent (approximately SEK 391 million) of the Offer. Some of the Company's largest shareholders, Annwall & Rothschild Investments AB, Sebastian Jahreskog, Fourth Swedish National Pension Fund and AMF, have issued subscription undertakings for their respectively *pro rata* parts covering approximately 20 percent of the Offer.[1] Certain other current shareholders have also issued subscription undertakings and declarations of intent corresponding to approximately 12 percent of the Offer. Additionally, the participants in the Directed Issue (as defined in the section "Share capital and ownership structure") issued subscription undertakings, declarations of intent and guarantee commitments corresponding to 57 percent of the Offer.[2]

The table below sets forth the maximum amounts of the received declarations of intent, subscription undertakings and guarantee commitments. In the event the Offer is not fully subscribed, the allocation between the guarantors will be made *pro rata* in relation to each guarantor's guaranteed amount. Neither the guarantees nor the subscription undertakings or the declarations of intent are secured. All guarantee commitments were made on 23 November 2017 and the guarantors can be reached through the Company's office at Bryggargatan 10, SE-111 21 Stockholm, Sweden.

Shareholder	Declaration of intent, SEK million	Subscription undertaking, SEK million	Guarantee commitment, SEK million	Subscription undertaking and guarantee commitment, part of the Offer	Declarations of intent, subscription undertaking and guarantee commitment, part of the Offer
Swedbank Robur funds*	48.4	27.6	–	6.3%	17.3%
Third Swedish National Pension Fund	–	19.9	48.4	15.6%	15.6%
Second Swedish National Pension Fund	–	10.3	25.0	8.0%	8.0%
Sebastian Jahreskog	16.5	16.5	–	3.7%	7.5%
Annwall & Rothschild	–	30.8	–	7.0%	7.0%
Unionen	–	8.0	19.4	6.2%	6.2%
Sectoral Asset Management	–	6.0	14.5	4.7%	4.7%
Fourth Swedish National Pension Fund	–	20.3	–	4.6%	4.6%
AMF	–	19.6	–	4.5%	4.5%
Alto Invest	–	5.7	13.7	4.4%	4.4%
Norron AB	–	9.5	4.8	3.3%	3.3%
David Dangoor	–	10.4	–	2.4%	2.4%
Keel Capital (fund)	10.2	–	–	0.0%	2.3%
Nordic Cross Asset Management	–	1.3	3.2	1.0%	1.0%
Scandinavian Supplier AB	–	1.0	–	0.2%	0.2%
Total	**75.2**	**186.9**	**129.2**	**72.0%**	**89.1%**

*The Investor is by legal reasons unable to undertake to subscribe for shares in addition to its *pro rata* share of the Offer, but has expressed a strong intent to make such subscription.

1) The shareholder Sebastian Jahreskog's commitment covers 50 percent of his *pro rata* part of the Offer, although he has expressed an intention to subscribe for his full *pro rata* part. The subscription undertakings from the other mentioned shareholders cover their respective full *pro rata* parts of the Offer.
2) Swedbank Robur Funds has committed to subscribe for their *pro rata* part on certain terms and expressed an intention to subscribe for additional shares above *pro rata*, whereas the other participants in the Directed Issue have undertaken to subscribe for their respective *pro rata* parts and have also issued guarantee commitments in addition to their respective *pro rata* parts.

RELATED PARTY TRANSACTIONS

All transactions between parties within the Company are carried out on customary terms and conditions. Until 22 March 2016, IBT was a subsidiary of BioGaia. At the annual general meeting of IBT in 2016, it was resolved on repayment of SEK 20.6 million conditional shareholder contributions (Sw. *villkorat aktieägartillskott*) to BioGaia by way of set off against the received group contributions in 2015. In 2016, BioGaia also provided a guarantee commitment to the rights issue of IBT, which was carried out in May 2016, for which the Company paid a guarantee fee of approximately SEK 1.3 million. In addition, IBT has during 2015 acquired certain services from BioGaia, including economy and payroll functions. Further, IBT has during 2015 reimbursed BioGaia for BioGaia's payment of certain pension contributions for employees. The payments to BioGaia amounts to, in total, approximately SEK 700,000. During the same year, the Company's CFO of the time, Michael Owens, was not employed by IBT but was working on the basis of a consultancy agreement under which IBT has been invoiced approximately SEK 100,000. BioGaia has also granted IBT an exclusive license to use *Lactobacillus reuteri* (see the section "Material Agreements – Licensing agreement with BioGaia" above).

In addition to above, there have been no significant transactions with related parties during the period covered in the historical financial information in the Prospectus.

INTERESTS OF THE ADVISORS

SEB is financial advisor to IBT in connection with the Offer. SEB has provided, and may in the future provide, a variety of banking, financing and investment services as well as commercial and other similar services to IBT for which SEB has received, and may receive, compensation.

COSTS RELATED TO THE OFFER

If fully subscribed, the Offer will generate proceeds to IBT amounting to approximately SEK 440 million. From the issue proceeds, deduction will be made for issue costs relating to remuneration to financial and legal advisors and other estimated transaction costs relating to the Offer, amounting to approximately SEK 10 million. The net proceeds from the Offer are expected to amount to approximately SEK 430 million.

DOCUMENTS INCORPORATED BY REFERENCE

Documents as below are incorporated by reference and constitute part of the Prospectus. IBT's annual reports for the financial years 2014, 2015 and 2016 have been reviewed by the Company's auditors Grant Thornton Sweden AB (2014) and Deloitte AB (2015 and 2016). The Company's interim report for the period January – September 2017 has been reviewed by the Company's auditor Deloitte AB. The audit reports and the reviews contain no remarks. The documents incorporated by reference are, during the validity period of the Prospectus, held available free of charge on IBT's website, www.ibtherapeutics.com.

i. The Company's audited annual report for the financial year 2014, including the audit report (pages 2–4 and 6–7);
ii. The Company's audited annual report for the financial year 2015, including the audit report (pages 3–8 and 8–10);
iii. The Company's audited annual report for the financial year 2015, including the audit report (pages 11–23 and 25–27); and
iv. The Company's interim report for the period January – September 2017 (pages 7–15).

Parts of the documents that is not expressly referred to are either not relevant for an investor or are found elsewhere in the Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

The Company's articles of association, the Prospectus, such historical financial information referred to in the Prospectus, including audit reports, as well as other information made available by IBT and referred to in the Prospectus, is available electronically on the Company's website, ibtherapeutics.com. Copies of the above mentioned documents are available for inspection during office hours at the Company's head office at Bryggargatan 10 in Stockholm, Sweden.

Tax issues in Sweden

Below is a summary of certain Swedish tax issues related to the Offer for private individuals and limited liability companies that are residents of Sweden for tax purposes (unless otherwise stated) and that hold shares of series B or subscription rights in the Company. The summary is based on current legislation and is only intended to provide general information regarding shares and subscription rights during the period when the securities are traded on First North Premier.

The summary does not cover:

- *Shares of series A in IBT;*
- *situations where securities are held as current assets in business operations (for tax purposes);*
- *situations where securities are held by a limited partnership or a partnership;*
- *situations where securities are held in an investment savings account (Sw. investeringssparkonto);*
- *the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares or subscription rights in the Company that are deemed to be held for business purposes (for tax purposes);*
- *the special rules that may in certain cases apply to shares in companies that are or have been considered as closely held for tax purposes (Sw. fåmansföretag) or shares acquired on the basis of such shares,*
- *the special rules that may be applicable to private individuals who make or reverse a so called investor deduction (Sw. investeraravdrag);*
- *foreign companies conducting business through a permanent establishment in Sweden; or*
- *foreign companies that have been Swedish companies.*

Further, special tax rules apply to certain categories of companies, for example, investment companies and insurance companies. The tax consequences for each individual security holder depend on the holder's particular circumstances. Each holder of securities is advised to consult an independent tax advisor as to the tax consequences relating to the holder's particular circumstances that could arise from the Offer, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties. The summary below is based upon the assumption that the shares in the Company are considered quoted for tax purposes (should the shares not be considered to be quoted other rules will partially be applicable). Any guarantee that the shares in the Company are considered quoted is not provided.

GENERAL

Private individuals

Capital gains taxation

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 percent.

The capital gain or the capital loss is computed as the difference between the consideration, less selling expenses, and the acquisition value.[1)] The acquisition value for all shares of the same series and type shall be added together and computed collectively in accordance with the so-called average method (Sw. *genomsnittsmetoden*). In this context, it should be noted that BTAs are not regarded as being of the same series and type as the existing shares in the Company that entitled the shareholder to the preferential right in the Offer until the resolution concerning the new issue has been registered with the Swedish Companies Registration Office. As an alternative, the so-called standard method (Sw. *schablonmetoden*) may be used at the disposal of listed shares. This method means that the acquisition value may be determined as 20 percent of the consideration less selling expenses.

Capital losses on listed shares and other listed securities taxed as shares (such as subscription rights and BTAs) may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not mutual funds, Sw. *värdepappersfonder*, or hedge funds, Sw. *specialfonder*, containing

1) For shareholders participating in BioGaia AB's share dividend of shares in Infant Bacterial Therapeutics AB FY 2016, please see SKV A 2016:10.

Swedish receivables only, Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss that does not exceed SEK 100,000 and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years.

Dividend taxation

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Limited liability companies

Capital gains and dividend taxation

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and dividends, is taxed as income from business operations at a rate of 22 percent. Capital gains and capital losses are calculated in the same way as described for private individuals above.

Deductible capital losses on shares and other securities taxed as shares may only be offset against taxable capital gains on such securities. A net capital loss on shares and other securities taxed as shares that cannot be utilized during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies and insurance companies.

EXERCISE OF RECEIVED SUBSCRIPTION RIGHTS

If shareholders in the Company exercise their received subscription rights to acquire new shares, no tax is levied. The acquisition cost for shares received is the issue price.

SALE OF RECEIVED SUBSCRIPTION RIGHTS

Shareholders that do not wish to make use of their pre-emption right to participate in the Offer can sell their subscription rights. At the disposal of subscription rights the taxable capital gain shall be calculated. Subscription rights deriving from the holding of shares in the Company are deemed to be acquired for SEK 0. The standard method may not be used to determine the acquisition value in this situation. The entire consideration less selling expenses is thus liable to taxation. The acquisition value of the original shares is not affected. A subscription right that is not exercised or sold and therefore expires is deemed to be disposed of for SEK 0. Since subscription rights received in the aforementioned manner, are deemed to be acquired for SEK 0, neither a capital gain nor a capital loss will arise.

ACQUIRED SUBSCRIPTION RIGHTS

The amount payable by anyone buying or similarly acquiring subscription rights in the Company constitutes the acquisition value of the same. No tax is levied if these subscription rights are exercised to subscribe for shares. The acquisition value of the subscription rights shall be included when calculating the acquisition value of the shares. If the subscription rights on the other hand are sold, capital gains taxation is triggered. The tax basis for subscription rights is calculated in accordance with the average method. The standard method may be used for listed subscription rights acquired in the aforementioned manner. If the subscription right is not exercised or sold and therefore expires, the subscription right is deemed to be disposed of for SEK 0.

SHAREHOLDERS AND HOLDERS OF SUBSCRIPTION RIGHTS NOT RESIDENT IN SWEDEN FOR TAX PURPOSES

Withholding tax on dividends

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company for example payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain series. The tax rate is 30 percent. The tax rate is, however, generally reduced through tax treaties. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. Sweden's tax treaties generally admit reduction of the withholding tax in accordance with the treaty's tax rate directly at the time of distribution provided that Euroclear Sweden or the nominee have received the required information about the person entitled to the distribution. Investors who are entitled to a reduced tax rate according to a tax treaty can claim a refund from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution if the tax at source has been withheld with a higher tax rate. The receipt of subscription rights does not give rise to any obligation to pay withholding tax.

Capital gains taxation

Shareholders and holders of subscription rights not resident in Sweden for tax purposes are normally not liable for capital gains taxation in Sweden upon disposals of shares or subscription rights. Shareholders and holders of subscription rights, respectively, may however be subject to taxation in their state of residence. According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares and subscription rights in the Company, if they have been residents of Sweden due to a habitual abode or stay for more than six consecutive months in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty.

Glossary and definitions

TERM	DEFINITION
Biosimilar	A biological medicinal product that is highly similar to and has no clinically meaningful differences from an existing approved reference medicinal product.
Cerebral palsy	A disability resulting from damage to the brain before, during, or shortly after birth and outwardly manifested by muscular incoordination and speech disturbances.
CFU	Colony-forming unit, a measure of the number of bacteria (colonies of viable cells) present in a product, the environment, or on the surface of an aseptic processing room.
CMC (Chemistry, Manufacture and Control)	Part of the pharmaceutical development that considers identity, potency, quality, purity of drugs. It includes requirements on the manufacturing processes and quality control of drugs.
Cohort	A group of patients with at least one common defining characteristic, typically who experience a common event in a selected period in a clinical trial.
Contract Research Organization (CRO)	A company providing research and development services and support to pharmaceutical, biotechnology and medical device companies.
Contract Manufacturing Organization (CMO)	A company contracted to provide drug development and/or manufacturing services. Services may include synthesis, formulation development, or stability studies.
Ex vivo	Experimentation or measurements done in or on tissue from an organism in an external environment with minimal alteration of natural conditions.
Generics	A medication created to be the same as an already marketed brand-name drug in dosage form, safety, strength, route of administration, quality, performance characteristics and intended use.
Gestational age	Pregnancy is the period between conception and birth. Gestational age is the common term used to during pregnancy to describe how far along the pregnancy is. It is measured in weeks, from the first day of the woman's last menstrual cycle to the current date. A normal pregnancy can range from 38 to 42 weeks.
Gut motility	Stretching and contractions of the muscles in the gastrointestinal (GI) tract.
IBP-1016	IBT's pharmaceutical drug candidate for the treatment of gastroschisis, a severe birth defect in infants.
IBP-9414	IBT's pharmaceutical drug candidate for the prevention of NEC in premature infants.
IND application (Investigational New Drug)	A request for authorization from the FDA to administer an investigational drug or biological product to humans.
Lactobacillus reuteri	*Lactobacillus reuteri* bacteria are classified within the class Bacilli, order Lactobacillales, and family Lactobacillaceae. *Lactobacillus reuteri* is a live bacteria which naturally exists in human breast milk and the stomach and intestine.
Key Opinion Leaders (KOLs)	Experts in their field recognized by their peers for their original research leading to disease understanding and new therapies.

TERM	DEFINITION
Liver cholestasis	A condition where bile cannot flow from the liver to the duodenum.
Lyophilization	Freeze drying process utilized to preserve biologically active substances.
Microbiome	The collection of all the microorganisms living in association with the human body.
Morbidity	Another term for illness. A person can have several co-morbidities.
Necrotizing Enterocolitis (NEC)	NEC is an acquired inflammatory often fatal disease of the newborn bowel in which portions of the bowel undergo tissue death.
Neonatal Intensive Care Unit (NICU)	An intensive care unit specialized in providing medical care to premature infants.
Orphan drug	Drug approved for a rare disease.
Parenteral nutrition	Nutrition through either central or peripheral venous catheter.
Parenteral nutrition associated colestesis	Liver complication in which the flow of the bile (fluid made and released by the liver) is slowed or blocked due to prolonged parenteral nutrition.
Paediatric Investigation Plan (PIP)	A paediatric investigation plan (PIP) is a development plan aimed at ensuring that the necessary data are obtained through studies in children, to support the authorisation of a medicine for children. As part of European regulations, pharmaceutical companies must submit a PIP, as an agreed PIP is a prerequisite for filing for marketing authorization for any new medicines in Europe. Compliance to an agreed PIP adds a two-year extension to the 10-year market exclusivity awarded to an orphan designated product at market approval in the European Union.
Pivotal study	A study, usually phase III, which presents the data used by regulatory agencies to decide whether to approve a drug for commercialization.
Placebo	A substance that does not contain active ingredients and is made to be physically indistinguishable from the actual drug being studied.
PMA	Gestational age plus chronological age, which is the time elapsed from birth.
Probiotic	Non-pharmaceutical grade product containing live bacteria.
Prophylactic therapy	A therapy preventing the occurrence or the spread of a disease or infection.
Rare Pediatric Disease designation	A pharmaceutical designation granted by the FDA for rare diseases that affect individuals aged from birth to 18 years, through which a so-called "priority review voucher" may be awarded.
Sepsis	A severe blood infection that can lead to organ failure and death.
Safety and tolerability study	Clinical trial assessing the toxicity of the studied drug, i.e. risk of the occurrence of potential side effects after exposure to the active substance and the threshold dose inducing these adverse events.
Target Product Profile; TPP	A format for a summary of a drug development program described in terms of labelling concepts.

DEFINITIONS

TERM	DEFINITION
EMA	European Medicines Agency
EUR	Euro
Euroclear Sweden	Euroclear Sweden AB
FDA	United States Food and Drug Administration
First North Premier	The alternative stock market operated by Nasdaq Stockholm AB
IBT or the Company	Infant Bacterial Therapeutics AB (publ)
MHRA	Healthcare Products Regulatory Agency
The Prospectus	This prospectus
SEB	Skandinaviska Enskilda Banken AB
SEK	Swedish Krona
USD	United States Dollar

Addresses

THE COMPANY

Infant Bacterial Therapeutics AB (publ)
Bryggargatan 10
SE-111 21 Stockholm
Sweden
www.ibtherapeutics.com

FINANCIAL ADVISER

Skandinaviska Enskilda Banken AB
SEB Corporate Finance
Kungsträdgårdsgatan 8
SE-106 40 Stockholm
Sweden

AUDITOR

Deloitte AB
Rehnsgatan 11
SE-113 57 Stockholm
Sweden

LEGAL ADVISER TO THE COMPANY

Advokatfirman Vinge KB
Östergatan 30
SE-203 13 Malmö
Sweden