

Press Release, 27 April 2016

IBT announces fully underwritten SEK 100 million rights issue

Summary

- The Board of Directors of Infant Bacterial Therapeutics AB (publ) (“IBT” or the “Company”) has decided on a rights issue with pre-emptive rights for the shareholders of IBT
- The rights issue is guaranteed by subscription undertakings and underwriting guarantees
- Shareholders who, on the record date 4 May 2016, are registered as shareholders of the Company have pre-emptive rights to subscribe for 2 new shares for each share they hold
- The subscription price is SEK 27.30 per share, which corresponds to proceeds of maximum approximately SEK 100 million from the rights issue, before transaction costs
- The proceeds from the rights issue will be used to finance the ongoing operations and to carry out the first planned clinical trial, as well as preparations for the last planned clinical trial in the drug development program of IBT’s drug candidate IBP-9414
- The subscription period commences on 9 May and ends on 23 May 2016
- Trading in subscription rights is estimated to take place from 9 May until 19 May 2016
- IBT’s results for the first quarter of 2016 will be presented in the prospectus prepared for the rights issue. The operating loss amounts to SEK -5.2 million, compared with an operating loss of SEK -3.7 million in the same period last year

Background and reason

In late 2013, BioGaia AB (publ) (“BioGaia”), together with IBT’s current CEO Staffan Strömberg and Head of R&D, Eamonn Connolly, commenced the operations of IBT as a subsidiary to BioGaia. IBT is a pharmaceutical company with a vision to develop drugs to treat rare diseases affecting premature infants. Currently, IBT’s current focus is on developing a drug, IBP-9414, using *Lactobacillus reuteri* to prevent necrotizing enterocolitis (“NEC”), a fatal disease that affects premature infants.

IBT aims to develop an orphan drug to prevent NEC, a leading cause of death among all premature newborns, with an average mortality rate of 20-30 percent. According to the current development plan, IBT expects to run two clinical trials 2016–2019.

Infant Bacterial Therapeutics AB (“IBT”) is a pharmaceutical company based in Stockholm that develops drugs that meet the needs of the premature infants. IBT’s current focus is on clinical development of IBP-9414, a drug candidate containing *Lactobacillus reuteri*, in the prevention of necrotizing enterocolitis (“NEC”), a fatal disease that affects premature infants. IBT is listed on Nasdaq First North with Erik Penser Bankaktieföretag as Certified adviser.

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The first clinical trial, the safety and tolerability trial, is expected to be initiated in 2016. The second clinical trial is expected, depending on the first clinical trial, to begin in 2017. The clinical development plan has been designed with input from the American and European pharmaceutical authorities. FDA and EMA, as well as US/EU key opinion leaders (“KOLs”).

IBT has the potential of providing a drug for a disease to which there are currently no prevention drugs available. As an indication of the clinical need for treatment of NEC, the FDA has assigned IBT-9414 “rare pediatric disease designation”. The time and capital required to complete the clinical trials is by nature uncertain. As is the case with all drug development, the result of the studies to be conducted is uncertain in respect of when and if the drug candidate will reach the market. The Company’s goal is to file for market authorization during 2019.

BioGaia has financed the IBT development project since its start in November 2013 and BioGaia has invested approximately SEK 82 million to finance mainly pharmaceutical formulation and manufacture work of IBP-9414 and preparation of the clinical trials. The extraordinary general meeting in BioGaia, held on 18 March 2016, resolved upon the distribution of the IBT shares to the BioGaia shareholders, and on 29 March 2016, the IBT series B share was admitted to trading on Nasdaq First North. Following completion of the listing on Nasdaq First North, IBT’s aim is to apply for admission to trading of the IBT series B share on the main market of Nasdaq Stockholm within 12 to 18 months, subject to market conditions.

The Company does not have sufficient capital to conduct the two planned clinical trials of IBP-9414. For the purpose of securing the required capital to complete the first planned clinical trial of IBP-9414, which has a budget of approximately SEK 45 million, and to fund its ongoing operations, including preparation for the planned, final trial in the development program, which includes further development and preparation of the manufacturing of clinical trial material for the final study, IBT has resolved to carry out the SEK 100 million rights issue.

The rights issue

The Board of Directors of IBT resolved on 26 April 2016, pursuant to an authorization from the general meeting of IBT, to carry out a rights issue with pre-emptive rights for the Company’s shareholders. The rights issue comprises a maximum of 3,669,092 shares (with a maximum of 148,132 series A shares and 3,529,960 series B shares). The subscription price amounts to SEK 27.30 per share. In the event of full subscription, the issue proceeds will amount to a total of approximately SEK 100 million. IBT estimates that the costs associated with the rights issue will amount to approximately SEK 11.3 million, including underwriting fees of 4 percent of the underwritten amount. At full subscription in the rights issue, the share capital in the Company will increase by approximately SEK 1,000,000 to a total of approximately SEK 1,500,000 and the number of shares in the Company will increase by 148,132 series A shares and by 3,520,960 series B shares (to a total of 3,669,092 shares), corresponding to a dilution effect approximately of 67 percent of the number of shares and votes.

Holders who, on the record date 4 May 2016, are registered as shareholders of the Company have pre-emptive rights to subscribe for 2 new series A shares and 2 series B shares, respectively, for each series A and series B shares they hold, respectively. The subscription period commences on 9 May and ends on 23 May 2016. Newly issued shares that are not subscribed for through the exercise of subscription rights will be available for subscription by shareholders and the general public without subscription rights.

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Subscription undertakings, declarations of intent and underwriting guarantees

Annwall & Rothschild Investment AB, The Fourth Swedish National Pension Fund, David Dangoor, Mingdale Company Ltd., Swedbank Robur Fonder, Caroline Hamilton, Hanvad Invest AB, Sten Irwe and others have undertaken to subscribe for their respective pro-rata share of the rights issue without a fee, which is equivalent to 27.5 percent of the rights issue. In addition, Handelsbanken Fonder, with 2.8 percent of the shares in the Company, and Staffan Strömberg, CEO of IBT, with 2.5 percent of the shares in the Company have indicated that they are positive to the rights issue and that they intend to subscribe for their pro-rata share.

For the share of the rights issue that is not covered by the subscription undertakings indicated above, external parties have issued customary underwriting guarantees. These parties are BioGaia AB (publ), with approximately SEK 38 million, Råsunda Förvaltning, with SEK 10 million, Håkan Roos (through RoosGruppen AB), with SEK 10 million, Tedde Jeansson, with SEK 5 million, Martin Bjäringer, with SEK 5 million, Karl Perlhagen with SEK 5 million and Carl Rosvall with SEK 5 million.

The rights issue is covered in full through subscription undertakings and underwriting guarantees.

Prospectus

A prospectus relating to the rights issue will be available on IBT's and Carnegie Investment Bank's webpages www.ibtherapeutics.com and www.carnegie.se, respectively before the start of the subscription period. The prospectus can also be ordered from IBT by telephone +46 8 410 145 55.

Indicative time table for the rights issue

3 May 2016	IBT's series B share is traded excluding pre-emptive right to participate in the rights issue
4 May 2016	Record date for participation in the rights issue, i.e. shareholders who are registered in IBT's share ledger on this day will receive subscription rights for participation in the rights issue
9-19 May 2016	Trading in subscription rights
9-23 May 2016	Subscription period
26 May 2016	Announcement of the preliminary outcome of the rights issue

Financial and legal advisors

Carnegie Investment Bank is financial advisor and Advokatfirman Vinge is legal advisor to IBT.

For additional information please contact

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IBT discloses this information in accordance with Swedish Securities Market Act. The information was provided for publication at 8.00 AM on 27 April 2016.

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IMPORTANT INFORMATION

This press release is not a prospectus or an offer to subscribe for shares in IBT and an investor shall not subscribe for or purchase any securities, except on the basis of information provided in the prospectus.

This press release may not be made public, released or distributed, directly or indirectly, in or into the United States, Australia, Hong Kong, Japan, Canada, Singapore, South Africa or New Zealand or in any other jurisdiction in which the distribution of this press release would be unlawful. Further, this press release does not constitute an offer to sell new shares, paid subscribed for shares ("BTA") or subscription rights to any person in any jurisdiction in which it is unlawful to make such offer to such person or where such action would require additional prospectuses, registration or other measures other than those pursuant to Swedish law. The prospectus, application forms and other documents associated with the rights issue may not be distributed in or to any country where such distribution or the rights issue would require such measures set forth in the preceding sentence or be in violation of the regulations of such country.

The new shares, BTAs and subscription rights have not been recommended by a United States federal or state securities commission or regulatory authority. No new shares, BTAs, subscription rights or other securities issued by IBT have been or will be registered under the U.S. Securities Act of 1933, as amended, or under the securities legislation in any state of the United States or any province in Canada. Accordingly, no new shares, BTAs, subscription rights or other securities issued by IBT may be transferred or offered for sale in the United States or Canada, other than in such exceptional cases that do not require registration. The securities issued in the rights issue will not be offered to the public in the United States.

IBT has not authorized any offer of securities to the public in any country in the European Economic Area ("EEA") other than Sweden. In other member states in the EEA which have implemented the Directive 2003/71/EC (the "Prospectus Directive") (each, a "Relevant Member State"), no action has been undertaken and will not be undertaken to make an offer of securities to the public requiring publication of a prospectus in any Relevant Member State. As a result, the securities may only be offered in Relevant Member States to (a) any legal entity which is a qualified investor as defined in the Prospectus Directive; or (b) any person falling within Article 3(2) of the Prospectus Directive.

The rights issue is only directed at (i) persons who are outside the United Kingdom or (ii) 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) Order 2005 (the "Order") and (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). The securities issued in the rights issue will only be available to and will only be engaged with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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