

The Board of Directors' proposal for resolution on the adoption of an incentive program via a directed issue of warrants to a subsidiary company and the approval of transfer of warrants to participants in the program (item 15 on the agenda)

Background information

The Board of Directors in Infant Bacterial Therapeutics AB (publ), corp. reg. no 556873-8586, proposes that the Annual General Meeting (AGM) resolves to adopt an incentive program for the company's employees via i) a directed issue of warrants to the company's wholly owned subsidiary IBT Baby AB, org.nr 559110-7353 (the "**Subsidiary**"), and ii) approval of transfer of warrants from the Subsidiary to participants in the incentive program. Each warrant entitles to subscription of one (1) new B-share in the company.

The Board of Directors believes that it is important and in the interest of all shareholders that the employees, who are deemed to be important for the company's further development, have a long-term interest in a good value increase of the company's shares. A personal long-term ownership commitment can be expected to contribute to an increased interest in the company's operations and earnings and raise the participants' motivation and connection with the company and its shareholders.

Based on the existing number of shares in the company, the dilution resulting from the proposed incentive program, assuming that all warrants are exercised for subscription of new B-shares, will be approximately 3.2 percent of the shares and approximately 2.5 percent of the votes. The percentage dilution in respect of the shares has been calculated according to the following formula: $1 - (\text{existing number of shares} / \text{new number of shares})$, and in respect of the votes according to the following formula: $1 - (\text{existing number of votes} / \text{new number of votes})$. This calculation does not take into account already outstanding warrants in the incentive program that was implemented in 2017. The dilution is expected to have a limited effect on the company's key performance indicators.

This proposal has been prepared by the remuneration committee and thereafter by the Board of Directors in consultation with external advisors.

Directed issue of warrants to the Subsidiary

The Board of Directors proposes that the AGM resolves on a directed issue of a maximum of 375,000 warrants on the following terms:

1. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, belong to the Subsidiary.
2. The reason for the deviation from shareholders' preferential rights is that the issue is a part of the implementation of the incentive program, with which the company's employees are given the opportunity to take part in a positive development in the company. The existence of such a program is expected to increase the company's ability to attract and retain qualified employees.
3. Subscription of the warrants shall be made through subscription on a subscription list no later than 30 June 2020. The Board of Directors shall be entitled to extend the subscription period.
4. The warrants are issued free of charge to the Subsidiary.

5. Each warrant will entitle the holder to subscribe for one (1) new B-share in the company at a subscription price of 400 SEK.
6. Subscription of B-shares by exercise of warrants shall be made in accordance with the terms of the warrants from 1 July 2024 up to and including 30 September 2024.
7. If all warrants are exercised for subscription of B-shares, the company's registered share capital will increase by approximately 102,205.12 SEK (given current par value and provided that no recalculation is carried out pursuant to the warrant terms).
8. B-shares issued as a result of subscription shall entitle to dividends on the dividend record date occurring after the share capital is registered with the Swedish Companies Registration Office (Sw: Bolagsverket) and B-shares have been recorded in the share register kept by Euroclear Sweden AB.
9. The warrants are covered by the terms and conditions as set out in Appendix A.

Approval of transfer of warrants from the Subsidiary to participants in the incentive program

The Board of Directors proposes that the AGM resolves to approve that the Subsidiary transfers a maximum of 375,000 warrants to the company's CEO, senior executives and other employees, or to companies wholly owned by such persons, according to the following principles.

- Category A - CEO: The CEO may be allotted a maximum of 50,000 warrants.
- Category B – other senior executives: participants in this category may be allotted a maximum of 200,000 warrants collectively and each participant in the category may be allotted a maximum of 40,000 warrants individually.
- Category C – other employees: participants in this category may be allotted a maximum of 125,000 warrants collectively and each participant may be allotted a maximum of 25,000 warrants individually.

Transfer can also be made to future employees, or to companies wholly owned by such persons. The principles for different categories set out above shall be applied also in relation to such transfers.

The warrants shall be transferred on market terms at a price established on the basis of an estimated market value of the warrants at the time of the transfer by applying the Black & Scholes valuation model (option premium). Calculation of the option premium shall be performed by an independent valuation expert.

In addition, a so-called pre-emption agreement shall be entered into, pursuant to which the warrant holder shall be obliged to offer the company or the Subsidiary to acquire the warrants, or a portion of them, under certain conditions.

Transfer of warrants to participants in the incentive program requires that such transfer may be lawfully made and that it, according to the Board of Directors' assessment, may be made to reasonable administrative costs.

The employees who are entitled to acquire warrants must notify their intention to acquire warrants from 1 July 2020 up to and including 30 September 2020. However, the Board of Directors shall have the right to extend the time for such notification and to resolve on

a new notification period for employees whose acquisitions occur after the initial acquisition period has ended.

Costs for the incentive program

The incentive program has been prepared in consultation with external legal and financial advisers and the costs for this guidance is estimated to amount to a maximum of SEK 80,000.

In addition to the advisory costs, the Board of Directors deems that the incentive program will cause certain administrative costs in connection with registration, transfer and share subscription by exercise of warrants.

Other outstanding share-related incentive programs in the company

On 4 May 2017, the AGM decided on an incentive program by a directed issue of warrants to the Subsidiary. The number of issued warrants is 280,000.

In June 2017, 200,000 warrants were transferred to employees. Thereafter, 50,000 warrants have been transferred to employees. The transfers have been carried out on market terms at a price determined at the time of the transfers by applying the Black & Scholes method of valuation.

The holder of warrants may, during the period from 3 April 2022 up to and including 3 May 2022, for each warrant subscribe for one and one tenth (1.1) new B-share in the company at a subscription price per share amounting to SEK 272,41 (a recalculation of the terms has taken place due to a share issue).

There are no other share-based incentive programs in the Company.

Majority requirements

The resolutions above are conditional on each other and are therefore to be adopted jointly. A valid resolution requires approval of shareholders representing at least nine tenths (9/10) of both the votes cast and the shares represented at the meeting.

Other

The managing director, or any other person appointed by the Board of Directors, shall have the right to take those smaller measures that may be required in order to register and implement the resolution.
