

**The board of directors' proposal to implement an incentive program via directed issue of new warrants to a subsidiary and approval of the transfer of warrants to participants in the incentive program (item 16 on the proposed agenda).**

---

## **Background**

The board of directors of BioGaia AB (publ), Reg. No. 556380-8723, (the "**Company**") proposes that the general meeting resolves to implement an incentive program for the Company's or its subsidiaries' employees in Sweden through i) a directed issue of warrants to the Company's wholly-owned subsidiary TriPac AB, corporate identity number 556153-2200 (the "**Subsidiary**"), and ii) the approval of transfer of the warrants from the Subsidiary to participants in the incentive program. Each warrant shall entitle the holder to subscribe for one (1) new Class B share in the Company.

The board of directors finds it important and in the interest of all shareholders that persons who contribute to the Company's value development, who are deemed important for the Company's continued development, have a long-term interest in the value development of the Company's share. A personal long-term ownership commitment can be expected to contribute to an increased interest in the Company's operations and earnings development, as well as increase the participants' motivation and affiliation with the Company and its shareholders.

The dilution due to the proposed incentive program equals approx. 1.8 percent of the shares and approx. 1.3 percent of the votes, based on the current number of shares in the company and assuming that all warrants are exercised for share subscription of Class B shares. In case of the shares, the dilution has been calculated according to the formula  $1 - (\text{current number of shares} / \text{new number of shares})$ , and in case of the votes according to the formula  $1 - (\text{current number of votes} / \text{new number of votes})$ . The dilution is expected to have a marginal impact on the Company's key ratio.

This proposal has been prepared by the Remuneration Committee and subsequently by the board of directors in consultation with external advisers.

## **Directed issue of warrants to the Subsidiary**

The board of directors propose that the annual meeting resolves on a directed issue of not more than 365,000 warrants in accordance with below.

1. The right to subscribe for new warrants shall, with deviation from the shareholder's pre-emption rights, belong to the Subsidiary.
2. The reason for deviating from the shareholders' pre-emption rights is that the issue is part of the implementation of the incentive program, whereby employees of the Company or its subsidiaries can take part in a positive development of the Company. The existence of such a program is deemed to increase the possibility to attract and retain qualified employees.

3. Subscription of warrants shall be made on a subscription list no later than 14 May 2021. The board of directors shall have the right to extend the subscription period.
4. The warrants are issued to the Subsidiary free of charge.
5. Each warrant entitles to subscription for one (1) new Class B share in the Company at a subscription price equal to 140 percent of the volume-weighted average price for the Company's Class B share according to Nasdaq Stockholm's official price list during the period ten (10) trading days prior the annual meeting. However, the subscription price cannot be less than the par value.
6. Subscription of Class B shares upon exercise of the warrants shall be made in accordance with the terms and conditions for the warrants during the period from 6 July 2024 up to and including 6 November 2024.
7. If all warrants are used for subscription of Class B shares, the Company's share capital will increase by SEK 365,000 (with regard to the current par value and provided that no recalculation is made according to the terms and conditions for the warrants).
8. A Class B share that has been issued by virtue of a warrant entitles to dividends for the first time on the first record date for dividend that take place after the subscription of new shares has been registered with the Swedish Companies Registration Office and been recorded in the share register kept by Euroclear Sweden AB.
9. Further, the warrants are covered by the terms and conditions in [Appendix A](#).

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

The board of directors propose that the annual meeting resolves to approve the Subsidiary's transfer of not more than 365,000 warrants to the Company's CEO, senior executives and other employees of the Company or its subsidiaries, or companies wholly-owned by such persons, in accordance with the principles set out below.

- Category A – CEO and other senior executives: participants in this category may jointly be granted a maximum of 237,250 warrants and not more than 54,750 warrants per person within the category.
- Category B – other employees: participants in this category may jointly be granted a maximum of 127,750 warrants and not more than 2,000 warrants per person within the category.

If all offered warrants are not acquired by the persons offered to acquire them, the board of directors shall be entitled to offer additional warrants to persons in the above-mentioned categories, however, not more than 3,000 per person (i.e. a maximum of 57,750 warrants to persons belonging to category A and a maximum of 5,000 warrants to persons belonging to Category B).

The warrants shall be transferred on market terms at a price equal to the warrants estimated market value calculated using the Black & Scholes valuation model at the

time of transfer (warrant premium). The calculation of the warrant premium shall be made by an independent valuation expert.

Further, participants in the incentive program shall enter into a pre-emption under which the warrant holder shall be obliged to offer the Company or the Subsidiary to acquire the warrants, in whole or in part, under certain conditions.

Transfer of warrants to participants in the incentive program presupposes that such a transfer is legally possible, and that such participation according to the Company's assessment is possible with reasonable administrative and financial efforts.

Notification of acquisition of warrants from participants in the program shall take place during the period from 10 May 2021 up to and including 10 June 2021. The board of directors may, however, extend the notification period.

### **Financing and bonus offer**

As part of the incentive program, the participant is offered a stay-on bonus in the form of a gross salary payment from the Company corresponding to in total 50 percent of the amount paid by the participant for the warrants. The first bonus payment, corresponding to 15 percent of the price paid by the participant for the warrants, takes place one year after the participant's acquisition of the warrants. The second bonus payment, corresponding to 15 percent of the amount paid by the participant for the warrants, takes place two years after the participant's acquisition of the warrants. The third bonus payment, corresponding to 20 percent of the price paid by the participant for the warrants, takes place three years after the participant's acquisition of the warrants. Payment of bonus presupposes that the participant remains in his/her employment with the Company or a subsidiary at the time of the bonus payment.

The board of directors or a person appointed by the board of directors shall be authorized to offer bonus for granted warrants in the event of changed conditions attributable to the participant, such as death, illness or other distressing circumstances.

The participant is responsible for financing the warrant premium at the purchase of the warrants.

### **Costs for the incentive program**

The market value of a warrant of series 2021/2024 has, according to a preliminary valuation by application of Black & Scholes valuation model, been calculated to SEK 18.89. The calculation is made based on an assumed market value of the underlying share of SEK 424, a risk-free interest rate of 0 percent, an assumed volatility of 30 percent and an assumed annual dividend of SEK 7 per share. The preliminary valuation is based on assumptions. The market value will be determined based on updated assumptions and parameters at the employees' acquisition of warrants.

The Company's cost, including social security contributions, for bonus is at full initial participation and at an assumed market value of SEK 18.89 per warrant, estimated to a maximum of approx. SEK 4,530,000.

The incentive program has been prepared in consultation with external legal and financial advisers and the costs for this advice are estimated to total a maximum of approx. SEK 150,000.

In addition to the above-mentioned costs, the board of directors' asses that the incentive program will incur certain administrative costs in connection with registration, transfer and share subscription by exercise of the warrants.

**Other outstanding share-related incentive programs in the company**

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

**Majority requirements**

The proposal for a resolution pursuant to item 16 above constitutes a combined proposal and shall be made as one resolution. A resolution in accordance with item 16 above requires approval of shareholders representing at least nine-tenths (9/10) of the votes cast and the shares represented at the annual meeting.

**Miscellaneous**

The CEO, or the person appointed by the board, shall be authorized to make any minor adjustments that may be necessary in connection with the registration of the resolution with the Swedish Companies Registration Office.

---