

Comprehensive proposal from the board of directors of Cyber Security 1 AB (publ) for resolution on incentive program 2022 for employees and issue and transfer of warrants

Background and reasons

The board of directors (board) proposes that the general meeting resolves to implement a long-term incentive program for current and future employees within the Company group ("LTI 2022 Staff"). The proposal has been put forward as the board determines that it is in the interest of all shareholders to create even greater participation for above participants with regard to the group's development. It is also important to be able to attract new talent over time, and to encourage continued employment. In light of the above, the board proposes that the general meeting resolves to implement LTI 2022 Staff in accordance with items (a)–(b) below. The resolutions under items (a)–(b) below shall be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution.

Item (a) - Proposal regarding the adoption of LTI 2022 Staff

LTI 2022 Staff comprises one series of stock options which will be granted to employees within the Company group.

The board proposes that the general meeting resolves to issue not more than 88,750,000 warrants. The right to subscribe for the warrants shall vest in the Company in order to secure delivery of shares upon exercise of stock options in LTI 2022 Staff. Each warrant entitles the holder to subscribe for one (1) share in the Company. The warrants shall be issued without consideration to the Company.

Below is a description of the terms and conditions for LTI 2022 Staff.

Stock options with warrants as hedging arrangement

Each stock option entitles the participant to acquire one (1) share in the Company in accordance with the following terms and conditions:

- The stock options will be granted without consideration.
- Stock options may be granted to employees of the Company group.
- There are no defined performance conditions that need to be fulfilled in order to be granted stock options. However, the stock options are subject to both performance and time-based vesting requirements as set out below.
- Provided that the holder's employment agreement with the Company group has not been terminated as of a vesting date, and that the applicable Performance Condition (defined below) has been satisfied as of the applicable vesting date, the stock options will vest on and become exercisable soon after each of the first three (3) anniversaries of the date of grant (each a "Sub-Vesting Period") where 1/3 of the total stock options granted vests at each such Sub-Vesting Period. The total vesting period, after which all granted stock options have vested, is thus three (3) years from the date of grant.
- In order for the stock options to vest, the Company's consolidated adjusted EBITDA per share must, during a measurement period of in total twelve (12) calendar quarters, divided into three (3) sub-periods of four (4) calendar quarters each, have increased by an average of certain minimum percentage point where the change is measured as the relative change in consolidated adjusted EBITDA per share compared to the consolidated adjusted EBITDA during the four (4) calendar quarters immediately preceding the sub-period in question (the "Performance Condition"). Notwithstanding the above, should the Performance Condition applicable to the last sub-period referred to above be met, full vesting of all stock options shall occur, provided that the employee's employment within the Company group has not ended before the end of the last Sub-Vesting Period ("Comeback Vesting"). The Performance Condition will be applicable from the calendar quarter ongoing at the date of grant and end on the last day of the calendar quarter immediately preceding the vesting date.

- Subject to Comeback Vesting, if the applicable Performance Condition relating to the relevant sub-period is not satisfied on a vesting date, the stock options concerned will remain unvested and will immediately be deemed forfeited without consideration.
- Each stock option entitles the holder to acquire one (1) share in the Company at an exercise price corresponding to a per cent as set out below of the volume-weighted average price for the Company's share on Nasdaq First North during the period from and including 11 May 2022 up to and including 25 May 2022 ("VWAP") as set out below, where the exercise price may not be less than the share's quota value (currently EUR 0.000262) and days without price quotation shall not be included in the calculation.

First Sub-Vesting Period: 100 per cent of VWAP.

Second Sub-Vesting Period: 125 per cent of VWAP.

Third Sub-Vesting Period: 150 per cent of VWAP.

- Upon vesting, unless the employee's employment within the Company group ends sooner, stock options remain exercisable for a period of two (2) months from the vesting date for each Sub-Vesting Period and, for Comeback Vesting, two (2) months from the last vesting date.

Recalculation due to split, consolidation, new share issue etc.

The exercise price for stock options determined as set out above, shall be rounded to the nearest EUR 0.0001 whereby EUR 0.00005 shall be rounded upwards. The exercise price and the number of shares that stock option entitles to subscription of shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with customary re-calculation terms.

Allocation of stock options

The participants' right to be granted stock options is differentiated as below:

Category A – Group Management

Category B – Local Management (subsidiaries)

Category C – Other personnel

The following allocation principles apply to the grant of stock options within each of the categories set out above.

	Maximum number of stock options per participant	Total number of stock options within the category
Category A – Group Management (not more than 7 people)	1,700,000	11,900,000
Category B – Local Management (not more than 6 people)	1,500,000	9,000,000
Category C – Other personnel (not more than 220 people)	600,000	67,850,000
TOTAL		88,750,000

In the event that all stock options within a category are not granted after the initial notification period, such non-granted stock options may be offered to employees in another category. The maximum

number of stock options per individual within each category as set out above may however not be exceeded for any individual.

Item (b) - Proposal regarding issue of warrants

The board proposes that the Company shall issue not more than 88,750,000 warrants, whereby the Company's share capital may be increased by not more than EUR 23,252.50 at full exercise of the warrants for subscription of shares.

The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, only vest in the Company, with the right and obligation to dispose of the warrants as described further above. Each warrant entitles the holder to subscribe for one (1) share in the Company during the period from and including the date when the warrants have been registered with the Swedish Companies Registration Office (Sw. Bolagsverket) up to and including 31 March 2026, at an exercise price equal to the shares' quota value (currently EUR 0.000262). The warrants shall be issued to the Company without consideration.

In order to fulfil the commitments arising from LTI 2022 Staff, the board proposes that the general meeting authorizes that the Company may assign warrants to a third party, or in another way dispose over the warrants, in accordance with the above.

Detailed resolution proposal for the issue of warrants, including complete terms and conditions for the warrants, are set out in [Appendix A](#) (including sub-appendices).

Costs

The stock options are expected to incur accounting costs (accounted for in accordance with the accounting standard IFRS 2) as well as social security costs during the term of the stock options. According to IFRS 2, the stock option costs shall be recorded as a personnel expense in the income statement during the vesting period. The total costs for stock options, calculated in accordance with IFRS 2, are estimated to amount to approximately EUR 0.33m during the term of the program (excluding social security costs). The estimated costs have been calculated based on, inter alia, the following assumptions: (i) a market price of the Company's share of EUR 0.022 at the time of grant, (ii) an estimated future volatility in respect of the Company's share during the term of the stock options of 40 per cent, (iii) that the maximum number of stock options encompassed by this resolution proposal are granted to participants and (iv) that all granted stock options will vest and be exercised. Social security costs, which are expected to arise primarily in connection to the exercise of stock options, are estimated to amount to approximately EUR 0.00m during the term of the program, based on inter alia the assumptions set out under items (i)–(iv) above as well as an average social security rate of 0.64 per cent and an annual increase in the market price of the Company's share of 20 per cent during the vesting period.

Other costs related to LTI 2022 Staff, including inter alia expenses related to fees to external advisors, external appraiser and administration of the incentive program, are estimated to amount to approximately EUR 85k during the term of the program.

Dilution

Upon exercise of all stock options within LTI 2022 Staff, up to 88,750,000 new shares (with reservation for any re-calculation) may be issued, equivalent to a maximum dilution of approximately 11.10 per cent of the shares and votes of the Company as of the day of this proposal and a maximum dilution of approximately 7.64 per cent of the shares and votes of the Company taking into account the maximum of 361,911,829 new shares that can be issued upon full exercise of 361,911,829 warrants (TO1) that the Company issued in 2021, with exercise period July / August 2022.

Motivation in respect of stock options vesting and exercise conditions

According to recommendations laid down by the Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), the vesting period in incentive programs such as LTI 2022 Staff shall as a general rule not be shorter than three (3) years. As set out further above, vesting of stock options will start on the first anniversary of the date of grant of the stock options, and before the third anniversary of the date of grant, up to 2/3 of the stock options granted to a participant may have vested and been exercised (provided that all applicable vesting conditions have then been fulfilled, including the Performance Conditions). The reason for applying such terms, which are diverting from the recommendations set out above, is that the board deem such terms to be in line with market practice for stock option programs in most of the countries where the intended participants in LTI 2022 Staff are operative. It is therefore, in the opinion of the board, in the best interest of the Company and its shareholders to apply such terms in order to fulfil the objectives of LTI 2022 Staff.

Preparation of the proposal

This proposal in respect of LTI 2022 Staff has been prepared by the board in consultation with external advisers.

The reason for the deviation from the shareholders' preferential rights

The reason for the deviation from the shareholders' preferential rights is to implement LTI 2022 Staff.

Majority requirement

A resolution to approve the present proposal is valid only when supported by shareholders holding not less than nine-tenths (9/10) of the votes cast as well as the shares represented at the general meeting.

Authorization

It is proposed that the board, or a person appointed by the board, shall be authorized to make such minor adjustments to this resolution that may be required for the registration with the Swedish Companies Registration Office (Sw. Bolagsverket) and Euroclear Sweden AB.

LTI 2022 Staff – ISSUE OF WARRANTS

The board of directors proposes an issue of not more than 88,750,000 warrants on the below terms.

- The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, only vest in the Company.
- The warrants will be issued without consideration (Sw. *vederlagsfritt*).
- The subscription for warrants shall be made up to and including 15 June 2022. The board of directors shall be entitled to prolong the subscription period.
- Upon exercise of all warrants, up to 88,750,000 shares (with reservation for any recalculation) may be issued. Upon full exercise of the warrants, the Company's share capital will increase with a maximum of EUR 23,252.50.
- The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix 1.A.

The reason for the deviation from shareholders' preferential right is to implement LTI 2022 Staff.

It is proposed that the board, or a person appointed by the board, shall be authorized to make such minor adjustments to this resolution that may be required for the registration with the Swedish Companies Registration Office (Sw. *Bolagsverket*) and Euroclear Sweden AB.