

The Board of Directors' complete proposal regarding a long-term incentive program 2021 (LTI 2021) and the issue of warrants

The purpose of LTI 2021

The purpose of LTI 2021 is to connect a larger share of the employees in Xspray Pharma's remuneration with Xspray Pharma and Xspray Pharma's long term value creation and thus align the employees' interests with those of the shareholders. LTI 2021 will be a significant program for Xspray Pharma to motivate and keep the best talents, which is important for Xspray Pharma to reach long-term value creation for the shareholders.

Issue of warrants / allocation of warrants

The Board of Directors proposes the meeting to resolve on an issue of a maximum of 195,725 warrants, entailing an increase of the share capital, at full exercise, of maximum SEK 195,725. Each warrant shall entitle to subscription for one (1) share.

LTI 2021 includes not more than 26 persons. The company's board members shall not be included in LTI 2021. The right to subscribe for warrants shall, by way of deviation from the preferential right of the shareholders, be vested in the certain senior executives and other persons who are employed by the company or has entered into employee agreements with Xspray Pharma during the subscription period.

Category	Maximum number of warrants per person/category
1. CEO and CFO (2 persons)	38,000 / 38,000
2. Executive management (6 persons)	27,000 / 81,000
3. Other employees (18 persons)	8,525 / 76,725

In case of over-subscription within a category, the number of warrants shall be reduced pro rata based upon the number of warrants each respective participant has subscribed for. However, no participant shall receive more warrants than the warrants per person/category stated above.

The reason for deviating from the shareholders' preferential right is to implement an incentive program and thereby a remuneration structure which connects the remuneration for the key employees of Xspray Pharma to Xspray Pharma and its long-term value creation and thus also align the employees' interests with those of the shareholders. LTI 2021 will be a significant program for Xspray Pharma to motivate and keep its key persons, which is important to Xspray Pharma to reach long-term value creation for the shareholders.

Subscription of warrants shall be made on a subscription list until and including 24 May 2021. Payment shall be made in connection with the subscription. The Board of Directors have the right to extend the subscription period and the payment period.

Each warrant shall entitle to subscription for one (1) share in the company. Subscription for shares in accordance with the terms of the warrants is possible during the period from and including 3 June 2024 up to and including 15 July 2024.

The subscription price per share shall correspond to 170 per cent of the volume-weighted average price for the company's share during the time period of five trading days immediately preceding the offer to subscribe for warrants, rounded to the nearest full ten cents (Sw. öre) whereby five cents shall be rounded up. However, the subscription price shall not be less than the share's quota value. The subscription price and number of shares in which each warrant carries an entitlement to shall be recalculated in the event of split or reversed split of shares, new issue of shares etc. in accordance with market practice.

Shares subscribed for by exercise of the warrants shall entitle to dividend for the first time on the first record date for dividend which occurs after the subscription of shares, by exercising the warrants, is executed.

The Board of Directors, or the person appointed by the Board of Directors, is proposed to be authorised to make minor adjustments to the resolution mentioned above, as may be required in connection with the registration of the resolution with the Swedish Companies Registration Office (Sw. *Bolagsverket*).

Terms and conditions

The warrants shall be subscribed for on market terms at a price (premium) established on the basis of a market value of the warrants calculated by an independent valuation institute using the Black & Scholes valuation model. The value has preliminary been calculated to SEK 7.32 per warrant based on a subscription price per share of SEK 147.3.

The company will partly subsidize the participant's acquisition of warrants. The subsidy shall be paid in connection to the allotment of warrants to the participants. The total subsidy, prior to any payroll tax and including social security contributions on the subsidy, shall correspond to the participants' investment. The total cost for the subsidy, based on the above preliminary value of the warrants, is calculated to amount to up to approximately KSEK 1,433 including social security contributions, for the entire term of the warrant program of three years. Accrued payroll taxes due to the bonus shall be paid by each participant. As a result of the scheme for the subsidy, Xsray Pharma's negative cash flow for paid subsidies and for social contributions on paid subsidies is expected to correspond to the positive cash flow in the form of payment of option premiums from the participants.

In order to be eligible for the subsidy, the participant shall, at the time of the payment of the bonus, be employed by the company and, with certain exceptions, remain employed in the company during three years (the subsidy will otherwise be prorated) and not have transferred the participants' warrants.

In addition hereto, the terms and conditions set out in [Appendix A](#) and [Appendix B](#) shall apply.

Pre-emption and termination of employment

A condition for a participant to be offered to subscribe for warrants, is that these persons have previously entered into a pre-emption agreement in which the participant shall be obligated to offer all warrants to the company, or in partial, if the employment is terminated or if the warrants shall be transferred or disposed to a third party.

Dilution

Based on the number of shares in Xspray Pharma as of the date of the notice to the annual general meeting, the dilution effect due to LTI 2021 will amount to approximately 1.02 per cent. Based on the same assumption and taking into account the number of shares that may be added pursuant to the nomination committee's proposal for Chairman of the Board LTI 2021 (item 16), the dilution effect due to Chairman of the Board LTI 2021 and LTI 2021 may together amount to a maximum of approximately 1.08 per cent. Also considering the number of shares that may be issued pursuant to previous implemented incentive programs in Xspray Pharma, Chairman of the Board LTI 2021 and LTI 2021 the maximum dilution amount to approximately 2.56 per cent.

Impact of financial ratios and costs for the company etc.

LTI 2021 is expected to have a marginal impact on the company's financial ratios. The costs before taxes for the company associated with LTI 2021, including the subsidy, includes administrative costs and costs relating to social security fees. The total cost of LTI 2021, assuming full participation, is expected to amount to approximately KSEK 1,433 during a period of three years. As a result of the scheme for the subsidy, Xspray Pharma's negative cash flow for paid subsidies and for social contributions on paid subsidies is expected to correspond to the positive cash flow in the form of payment of option premiums from the participants.

Preparation of the matter

The principles of LTI 2021 have been prepared by the Board of Directors of the company. The proposal has been prepared with the assistance of external advisors and after consultation with shareholders.

Other share-related incentive programs etc.

For a description of the company's other long-term incentive programs, please see note 7 in Xspray Pharma's annual report 2020 and the company's website, www.xspraypharma.com.

Majority requirements

A resolution in accordance with the proposal above requires approval of at least nine tenths (9/10) of the shares represented and votes cast at the general meeting.

N.B. The English text is an in-house translation.

Bilaga A / Appendix A

Beslut om emission av teckningsoptioner Resolution to issue warrants

Styrelsen föreslår att bolagsstämman beslutar om emission av högst 195 725 teckningsoptioner.
The board of directors proposes that the general meeting resolves to issue not more than 195,725 warrants.

1. Rätt att teckna teckningsoptioner ska, med avvikelse från aktieägarnas företrädesrätt, tillkomma högst 26 anställda.
With deviation from the shareholders' pre-emptive rights, not more than 26 employees shall be entitled to subscribe for warrants.
2. Varje teckningsoption ger rätt att teckna en ny aktie i Xspray Pharma AB (publ) under tiden från och med den 3 juni 2024 till och med den 15 juli 2024, till en teckningskurs motsvarande 170 procent av den volymvägda genomsnittskursen för bolagets aktie under den närmaste perioden om fem handelsdagar omedelbart före erbjudandet om teckning av teckningsoptionerna, dock som minimum aktiens kvotvärde. Den del av teckningskursen som överstiger aktiernas kvotvärde ska avsättas till den fria överkursfonden. Vid fullt utnyttjande av teckningsoptionerna kommer aktiekapitalet att öka med 195 725 kronor.
Each warrant shall entitle the holder to subscribe for one new share in Xspray Pharma AB (publ) during the period commencing on 3 June 2024 and up to and including 15 July 2024, at an exercise price equal to 170 percent of the volume-weighted average price of the company's share during the period of five trading days falling immediately before the offer for subscription of the warrants, however as a minimum the quota value of the share. The part of the subscription price which exceeds the shares' quota value shall be allocated to the free share premium reserve. If the warrants are completely exercised the share capital will increase by SEK 195,725.
3. Teckning av teckningsoptioner ska ske senast den 24 maj 2021. Styrelsen ska dock ha rätt att förlänga teckningstiden.
The subscription for warrants shall be made no later than 24 May 2021. However, the board of directors shall have the right to extend the subscription period.
4. Priset per teckningsoption ska motsvara ett beräknat marknadsvärde med tillämpning av Black & Scholes värderingsmodell beräknat av ett oberoende värderingsinstitut. Betalning för teckningsoptionerna ska ske senast den 31 maj 2021. Styrelsen ska dock ha rätt att förlänga betalningstiden.
The price per warrant shall correspond to a calculated market price based on the Black & Scholes valuation method, calculated by an independent valuation firm. Payment for the warrants shall be made no later than 31 May 2021. However, the board of directors shall have the right to extend the payment period.
5. För teckningsoptionerna ska i övrigt gälla de villkor som framgår av Bilaga B.
The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix B.

Teckningskursen för teckningsoptionerna liksom antalet aktier som varje teckningsoption ger rätt att teckna kan bli föremål för justering enligt vad som framgår av punkt 8 i villkoren för teckningsoptionerna.

The exercise price upon exercise of warrants and the number of shares to which each warrant provides an entitlement to subscribe may be adjusted in accordance with section 8 of the terms and conditions for warrants.

Skälet för avvikelser från aktieägarnas företrädesrätt är att implementera ett incitamentsprogram för ledande befattningshavare och övriga personer som är anställda i bolaget, eller som under teckningstiden ingått avtal om anställning i Xspray Pharma.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive program for senior executives and other persons who are employed by the company or has entered into employee agreements with Xspray Pharma during the subscription period.