



Remuneration report 2023

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Introduction

This report describes how the guidelines for executive remuneration of Xspray Pharma AB, adopted by the annual general meeting 2022, and has continued to apply in 2023. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Stock Market *Self Regulation Committee's Remuneration Rules*.

Further information on executive remuneration is available in note 7 (Employees and personnel costs) on pages 69-72 in the annual report 2023. Information on the work of the remuneration committee in 2023 is set out in the corporate governance report available on pages 34-35 in the annual report 2023.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 7 on page 69 in the annual report 2023.

Key developments 2023

The CEO summarizes the company's overall performance in his statement on page 6-7 in the annual report 2023.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. They may be individualized, quantitative or qualitative objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on pages 45-47 in the annual report 2023. During 2023, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on xspray-pharma.com/en/investors/corporate-governance/compensation/. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the company have resolved to implement long-term share-related incentive plans.

Table 1 - Total CEO remuneration in 2023 (SEK thousand)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary ¹⁾	Other benefits ²⁾	One-year variable ³⁾	Multi-year variable	Extraordinary items	Pension expense ⁴⁾	Total remuneration	Proportion of fixed and variable remuneration ⁴⁾
Per Andersson (CEO)	2,640	72	396	-	-	635	3,743	71/29

¹⁾ Including holiday pay.

²⁾ Company car and health care allowance

³⁾ Variable remuneration refers to bonuses related to 2023 of 396 kSEK, which will be paid out in 2024.

⁴⁾ Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration

Share-based remuneration

Outstanding share-related and share price-related incentive programmes

Xspray Pharma has four warrant programs outstanding as of 31 December 2023 (2021/2024, 2021/2026, 2022/2025 and 2023/2026) for employees and certain key individuals.

The warrants were subscribed on market terms at a price (premium) determined on the basis of computed market value if the warrants by an independent valuation institute applying the Black & Scholes valuation model. The warrant programs are subject to three-five years vesting periods and are exercisable during the third/fifth year after the grant.

Input data for each program is presented in Table 2 and refers to the valuation at the time of allocation. The expected volatility is based on historical volatility calculated based on the weighted average remaining term of the stock options, adjusted for any expected changes in future volatility due to officially available information. The expected term of the warrant has been determined taking into account the expected subscription before the end of the respective program's subscription period and has been assumed to amount to 3-5 years. Expected maturity has been calculated using historical data on how early people in different staff categories have exercised their warrants.

Completed incentive programmes

Warrant program (LTIP 2020/2023)

The warrant program LTIP 2020 was decided by the general meeting on 26 March 2020 and included 79,074 warrants. The warrant program thus could be exercised during April 1 2023 and May 14 2023. None of the outstanding warrants were exercised and they have therefore been forfeited during 2023.

Table 2- Fair value and assumptions at the time of granting warrants

	Incentive program				
	2020/2023*	2021/2024	2021/2026*	2022/2025	2023/2026
<i>Fair value at grant date</i>					
Share price (SEK)	52.4	88.95	88.95	59.66	77.50
Volume weighted share price at the exercise price (SEK)	52.41	87.57	85.97	60.10	44.99
Exercise price (SEK)	89.10	148.90	129.00	132.20	90.00
Expected volatility (%)	35	35	35	45	45
Share option term (years)	3.1	3.1	5.1	3.15	3.16
Expected dividend	0	0	0	0	0
Risk-free interest rate (%)	-0.30	-0.15	-0.04	1.41	2.68

*The CEO is not included in program LTIP 2020/2023 and program LTIP 2021/2026

Xspray Pharma has issued one new warrant program during 2023, LTIP 2023/2026. The program was resolved at the Annual General Meeting on May 16, 2023. The program encompasses 94,576 warrants, and 204,152 employee stock options, pegged to the company's growth in value for the purpose of creating a stronger link between employee and shareholder interests.

During the second half of the year, 5,118 warrants and 10,236 employee stock options, from program LTIP2023-2026 were returned due to termination of employment, all warrants have been deregistered.

The increase in the Company's share capital may, upon full exercise of the outstanding warrants, amount to a maximum of SEK 647 122 (assuming the current quota value and that no conversion has taken place according to the terms), which as of December 31, 2023, corresponds to a dilution of approximately 2.1 percent of the shares. In Xspray Pharma, calculated on the number of outstanding shares per year-end.

See Appendix 1 for further information on each program.

Table 3 - Overview of warrant programmes (CEO)

Name of director (position)	The main conditions for the warrant programmes							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Name of plan	Performance period	Award date	Vesting date	End of retention period	Exercise period	Exercise price (SEK)	Warrants held at beginning of year	Warrants awarded	Warrants vested	Warrants subject to performance condition	Warrants awarded and unvested	Warrants subject to retention period
Per Andersson (CEO)	2021/2024	2021-2024	2021-05-18	2024-06-03	2024-07-15	2024-06-03 2024-07-15	148.90	19,000	-	-	-	19,000	N/A
	2022/2025	2022-2025	2022-05-19	2025-06-15	2025-07-15	2025-06-15 2025-07-15	132.20	-	42,186*	-	-	42,186	N/A
	2023/2026	2023-2026	2023-05-16	2026-06-15	2026-07-15	2026-06-15 2026-07-15	90.00	-	113 490	-	-	113,490	N/A
Total								19 000	155 676	-	-	174,490	

* A total of 113,490 warrants were allocated, of which 37,830 consist of subscription warrants and 75,660 of employee warrants.

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives, and short-term and long-term business priorities for 2023 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values. The criteria may be linked to the development of the company's share price and / or the development and progress of the company's product candidates. They can also consist of individually tailored quantitative or qualitative goals.

When the measurement period for meeting the criteria for payment of variable cash compensation has ended, it must be assessed / determined to what extent the criteria have been met. The Remuneration Committee is responsible for the evaluation of remuneration to senior executives, including the CEO. Regarding financial targets, the assessment shall be based on the most recently published financial information by the company.

Table 4 - Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3
			a) Measured performance and b) actual award/ remuneration outcome
Per Andersson (CEO)	Go to Market	70%	a) 44% b) 348 KSEK
	Projects	30%	a) 6% b) 48 KSEK
		100%	a) 50% b) 396 KSEK

Comparative information on the change of remuneration and company performance

Table 5 - Changes of remuneration and company performance over the last five reported financial years (RFY) (kSEK)

Since this is Xspray Pharma's third remuneration report, the information in the table below pertains only to the 2020, 2021, 2022 and 2023 financial years.

(kSEK)	RR-1 vs RR-2	RR vs RR-1	RR 2023
CEO remuneration	-623 (+21%)	+332 (+9%)	3,743
Group operating profit	-33 717 (+34%)	-48 014 (+36%)	-179,684
Average remuneration on a full time equivalent basis of employees ¹⁾ of the parent company	+11 (+4%)	+14 (+1%)	962

¹⁾ Excluding members of the group executive management. The remunerations consists of base salary, other benefits, variable remuneration and pension expense, which is equal as the remuneration to CEO (Table 1). The average remuneration has been calculated by dividing the total remuneration with the average number of full-time employees in the parent company, excluding the group executive management.

Appendix 1

Warrant program

The Company has issued five incentive programs targeting all employees and certain key individuals with the aim of creating greater unity between employees at shareholders' interests.

Warrant program (LTIP 2020/2023)

The program was resolved at an Extraordinary General Meeting on March 26, 2020 and comprised 79,074 warrants linked to the Company's value growth, to create a stronger link between employees and shareholders interest. LTI 2020 involved five persons, including the CFO. The warrants were subscribed on market terms at a price determined on the basis of an estimated market valuation (Black & Scholes) by an independent valuation institute. The value of the warrant was calculated at SEK 4.86 based on a subscription price per share of SEK 89.10. The program provides a maximum dilution effect of 0.42% on the current number of shares. The warrants can be exercised in the period 1 April 2023 to 4 May 2023. The Company subsidized the participants' premium with an amount corresponding to the premium paid, which has been reported as personnel costs in 2020. If the warrant holder's employment ends during the program's term, warrant will be redeemed proportionately based on the remaining term in relation to the program's original terms. During 2021, 6,589 warrants have been returned and deregistered.

Warrant program (LTIP 2021/2024)

The warrant program encompasses 24 persons, including the company's CEO. The program involved 195,725 warrants and was subscribed under market terms at a price established by an independent appraisal institute using the Black & Scholes model. The value per option was calculated to be SEK 7.55 and the subscription price per share was calculated to be SEK 148.90. The warrant program runs for three years. The warrants can be exercised in the period 3 June 2024 to 15 July 2024. The Company subsidized the participants' premium with an amount corresponding to the premium paid, which has been reported as personnel costs in 2021. If the warrant holder's employment ends during the program's term, warrant will be redeemed proportionately based on the remaining term in relation to the program's original terms. During 2021, 6,589 warrants have been returned and deregistered.

Warrants program (LTIP 2021/2026)

The Chairman LTIP program included the Company's new Chairman of the Board. The value per warrant was calculated to be SEK 16.38 and the subscription price per share to be SEK 129.00. The program runs for five years and involved 13,214 warrants. The warrants can be exercised in the period 25 May 2026 to 15 June 2026. If the warrant holder's assignment ends during the program's term, warrant will be redeemed proportionately based on the remaining term in relation to the program's original terms. No subsidy was paid.

Warrant program (LTIP 2022/2025)

The program was decided by the annual general meeting on May 19, 2022. The program includes 140,625 warrants and 281,250 share options that can be exercised from June 15, 2025 until July 15, 2025 with a subscription price of SEK 132.20. The program is connected to the company's growth in profits in order to create stronger ties between employees interests with that of shareholders. The share options were issued at market terms and no subsidy was used. In 2022, 8,438 warrants and 16,876 share options were returned and deregistered due to terminated employment. Maximum dilution of 1.7% on the current amount of shares.

Warrant program (LTIP 2023/2026)

The program was decided by the annual general meeting on May 16, 2023. The program includes 94,576 warrants and 189,152 share options that can be exercised from June 15, 2025 until July 15, 2026 with a subscription price of SEK 90.0. The program is connected to the company's growth in profits in order to create stronger ties between employees interests with that of shareholders. The share options were issued at market terms and no subsidy was used. No change has occurred during 2023. Maximum dilution of 0.96% on the current amount of shares. After the end of the fiscal year, 5,118 warrants and 10,236 share options were redeemed due to terminated employment.