

The Board of Directors' proposal to implement a long-term share based incentive program by (A) issuing call options for shares in Bufab, (B) authorising of the Board of Directors to resolve on acquisition of own shares and (C) transferring repurchased shares to participants of the incentive program

The Board of Directors proposes that the Annual General Meeting resolves to adopt a long-term share based incentive program (the "**Program**"). The Program, which is proposed to comprise approximately 30 key employees within the Bufab group, essentially involves that the participants are given the opportunity to acquire, at market price, call options relating to shares in Bufab AB (publ) ("**Bufab**" or the "**Company**") repurchased by the Company and that the participants after three years may receive a subsidy in the form of gross salary additions corresponding to premium paid for the options.

Formally, the Program consists of (A) the issuing call options for shares in Bufab, (B) an authorisation of the Board of Directors to resolve on acquisition of own shares and (C) transfer of repurchased shares to participants of the Program in accordance with following.

(A) Resolution on issuing call options for shares in Bufab

- a) The number of call options to be issued shall not exceed 350,000, corresponding to approximately 0.9 per cent of the total number of shares and votes in the Company. Each call option entitles the holder to acquire one (1) repurchased share in the Company during the period from and including 15 May 2020 to and including 15 November 2020. However, shares may not be purchased during any such period when trading in the Company's shares is prohibited in accordance with regulation (EU) no 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the market abuse regulation) or any other equivalent legislation which applies at any given time.
- b) The purchase price for shares upon exercise of the option shall correspond to 115 per cent of the volume-weighted average price paid for the Company's share on Nasdaq Stockholm during the period from and including 8 May 2017 to and including 12 May 2017.
- c) The right to acquire the call options shall be granted to the CEO of Bufab group, to senior executives and to other key employees within the group who are directly able to influence the group's profit. The CEO shall be offered a maximum of 30,000 call options. Other participants are divided into two categories depending on seniority, each comprising approximately 15 persons, who shall be offered a maximum of 15,000 and 7,500 call options, respectively, per person.
- d) If a participant refrains in full or in part from acquiring offered call options, such un-acquired call options shall be allocated on a pro rata basis between those participants who have, in writing, expressed their interest in acquiring additional call options. Participants are not entitled in this manner to acquire more than an additional 30 percent of the original number of call options offered.
- e) The Board of Directors shall resolve on allocation of call options according to the principles stated in item c) and d) above.
- f) Notice of acquiring call options must be given no later than 22 May 2017.
- g) The premium for the call options shall correspond to the market value of the call options according to an external independent valuation, applying the Black & Scholes model. The measuring period for calculating the option premium shall be based on the volume-weighted average of the price paid for the shares in the Company on Nasdaq Stockholm during the

period from and including 8 May 2017 until and including 12 May 2017.

- h) The issuance of call options to employees outside of Sweden is dependent on tax effects, that there is no legal impediment, and that the Board of Directors determines that such allocation can be carried out with reasonable administrative and financial resources. The Board of Directors shall be entitled to make such minor amendments to the Program as required by applicable foreign legislation and regulations.
- i) The call options are freely transferable.
- j) The number of shares which the call options bring entitlement to acquire, as well as the exercise price, may be recalculated as a result of e.g. bonus issues, revers splits or splits of shares, new share issues, a reduction of the share capital, or similar actions. The time of transfer of shares may be brought forward as a result of any merger or similar actions.
- k) In order to encourage participation in the Program, the Board of Directors is authorised to resolve on a subsidy in the form of gross salary additions, maximum corresponding to the premium paid for each call option. In such cases, the subsidy will be paid in June 2020.
- l) The Company has the right but not the obligation to repurchase such call options that the participant does not wish to exercise, as per the participant's notification to the Company. Repurchase of call options shall be made at a price from time to time corresponding to no more than the market value. However, call options may not be repurchased during any such period when trading in the Company's shares is prohibited in accordance with Article 19 of regulation (EU) no 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) or any other equivalent legislation which applies at any given time.
- m) The Board of Directors shall, within the framework of the above terms and conditions, be responsible for the preparation and management of the Program.

(B) Resolution on authorisation of the Board of Directors to resolve on repurchase of own shares

In order to hedge Bufab's delivery of shares to the participants of the Program, the Board of Directors proposes that the Annual General Meeting resolves to authorise the Board to acquire, during the period until the next Annual General Meeting, a maximum of 350,000 shares in the Company. Acquisition shall be made on Nasdaq Stockholm in accordance with stock exchange regulations at a price within the registered price interval from time to time, which is the interval between the highest purchase price and the lowest sale price. Acquired shares shall be paid in cash and acquisitions may be made on one or several occasions.

(C) Resolution on transfer of repurchased shares to participants of the Program

The Board of Directors' proposal also implies that the Annual General Meeting approves that the Company, with deviation from the shareholders' preferential right, transfer a maximum of 350,000 of the Company's repurchased shares to the participants of the Program at the fixed exercise price (subject to any recalculation). Transfer shall take place during the time the participants have the right to exercise call options to acquire shares in accordance with the terms and conditions for the Program. The reason for deviation from the shareholders' preferential right at transfer of own shares is to enable Bufab to deliver shares in the Company to the participants of the Program.

Dilution, costs and impact on important key ratios

The Program does not cause any dilution for existing shareholders since it is based on call options for shares already issued by the Company.

The costs of the Program consist of the subsidy that during June 2020 may be paid as per the above, the social security charges payable on this subsidy and the financing costs for repurchased shares. The total cost has been estimated to approximately MSEK 3 after corporation tax (calculated based

on the prevailing market conditions on 1 March 2017) over the duration of the Program. To be compared with the subsidy, the option premium which the Company will receive on transfer of the call options corresponds to a total of approximately MSEK 3.

During its duration, the Program will impact the key ratio earnings per share positively through the Company's repurchase of shares and negatively because of the above described cost. The net effect on the key ratio earnings per share will be insignificant during the duration of the Program and will be eliminated completely after its termination. The Program is considered to only result in immaterial impact on other important key ratios.

Reason for the Program and its preparation

The Board of Directors' reason for implementing the Program is that key employees within the Bufab group should be able to benefit from and strive for, through their own investment, an increase in the price of the Company's shares, thus more closely aligning the interests of key employees and the Company's shareholders. The purposes of the Program is also to contribute towards key employees increasing their long-term shareholding in Bufab. The Program is also expected to create conditions for retaining and recruiting competent personnel for the Bufab group, to provide competitive remuneration and to align the interest of the executive management and shareholders. The Board of Directors considers that the Program is reasonable in scope and cost effective. The key employees included in the Program is the group that, in an otherwise heavily decentralised organisation, can create positive effects for the group. On the basis of this, the Board of Directors believes that the implementation of the Program will have a positive effect on the continued development of the Bufab-group, and that the Program will benefit both the shareholders and the Company.

At present, the Company has no existing share based incentive program.

The proposal for the Program has been prepared by the Company's Remuneration Committee in consultation with the Board of Directors of the Company. The Company's management has not been involved in the preparation. The resolution to propose the Program to the Annual General Meeting has been taken by the Board of Directors. Members of the Board of the Company are not included in the Program.

Majority requirement

The Board of Directors' proposal pursuant to items (A) – (C) above shall be resolved on as one resolution with application of the majority rules in Chapter 16 of the Swedish Companies Act, meaning that shareholders representing at least nine-tenths of both the votes cast and shares represented at the meeting must support the resolution.

Värnamo in March 2017
Bufab AB (publ)
The Board of Directors