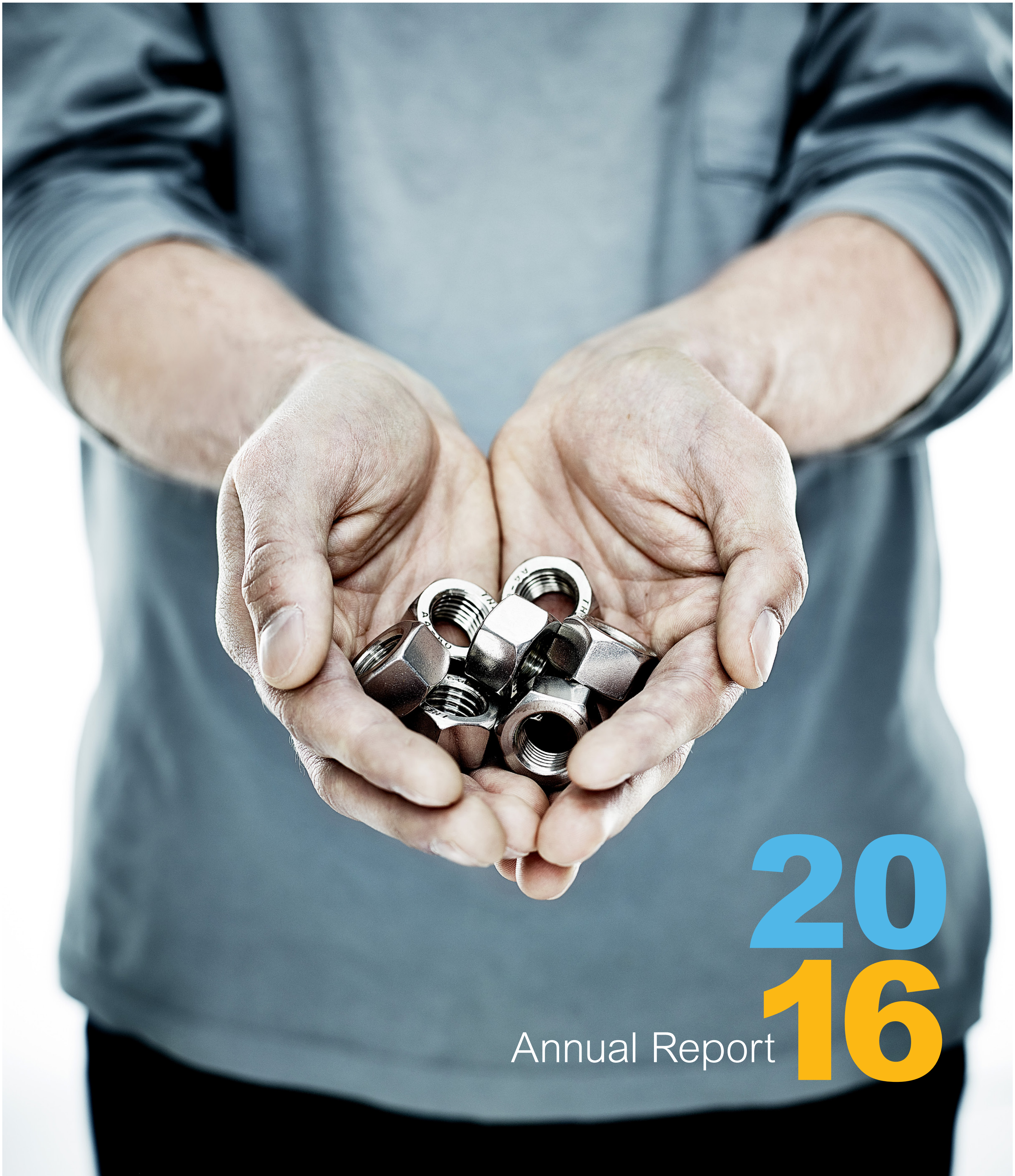
BUFAB



Annual Report 2016

This is Bufab

Bufab is a trading company that offers its customers a full-service solution as a Supply Chain Partner for sourcing, quality control and logistics for C-Parts. Bufab's customer offering, Global Parts Productivity™, aims to enhance the productivity of the customer's C-Parts value chain, thus reducing their total costs. Bufab has a diversified customer base in several geographies and sectors within the manufacturing industry.

Bufab was founded in 1977 in Småland, Sweden and over time has developed into a multinational corporation with operations in 24 countries. The company, headquartered in Värnamo, has approximately 1,000 employees who work mainly in sales, sourcing, quality and logistics.

As a complement to its trading activities, Bufab also manufactures particularly technically demanding C-Parts in-house at two facilities in Sweden and one in the UK.

Contents

The Year in Brief	1
Message from the CEO	2
Board of Directors' Report	4
Consolidated Financial Statements	8
Notes to Consolidated Financial Statements	13
Parent Company Financial Statements	33
Notes to Parent Company Financial Statements	37
Audit Report	44
Corporate Governance Report	46
Auditors	51
Board of Directors	52
Group Management	53
Five-Year Summary	54
Bufab on the Stock Exchange	55
Definitions of Key Figures	56

The Year in Brief

- Net sales rose by 16 per cent to SEK 2,847 million (2,458). Organic growth was 4 per cent.
- Order intake was higher than net sales.
- Operating profit rose to SEK 272 million (197) and the operating margin to 9.5 per cent (8.0).
- Earnings per share increased to SEK 4.29 (3.27) and adjusted earnings per share to SEK 4.92 (3.27).
- Net sales, operating profit and profit after tax were all the highest on record for Bufab.
- The Board of Directors proposes raising the dividend for 2016 to SEK 2.00 (1.70) per share

"Continued healthy growth in 2016 and Bufab's best result ever."

Key figures

SEK million	**2016**	2015	Change in %
Order intake	**2,887**	2,463	17
Net sales	**2,847**	2,458	16
Gross margin, %	**29.1**	27.5	
Operating profit	**272**	197	38
Operating margin, %	**9.5**	8.0	
Profit after tax	**163**	125	30
Adjusted profit after tax	**187**	125	50
Earnings per share, SEK	**4.29**	3.27	31
Adjusted earnings per share, SEK	**4.92**	3.27	50
Dividend, SEK	**2.00***	1.70	18

*Proposed by Board of Directors. See page 56 for definitions.

2016 was an exciting and successful year for Bufab. We achieved good growth due to acquisitions, grew our market shares and were able to create a substantial increase in profitability. We completed two solid acquisitions and the companies acquired in 2015 performed well. As proof of this, we also reported Bufab's best earnings ever in 2016. And most important of all: we made Bufab stronger. We move into 2017 with stronger customer relations, an improved supplier base, a better team and substantially enhanced processes and systems.

Another year of good growth

Bufab grew by 16 per cent in 2016. This is the fourth consecutive year of good growth. The growth is no accident, but rather a direct result of the growth strategy we established in 2012. We can now clearly see how investments in expertise and processes in the sales organisation are paying off in the form of growth in market shares. It is particularly gratifying that this trend is not limited to a few markets, but consists of many small contracts won with many customers in the majority of our subsidiaries. In 2016, we also achieved growth in our domestic market, Sweden.

Organic growth in our industry is ultimately dependent on only one thing: that customers are confident that Bufab can take good care of sourcing, quality control and logistics for their C-Parts. Growth can thus also be seen as proof that we have successfully strengthened our customer relations during the year.

Improvements in sourcing raised profitability despite a challenging business environment

In 2015, Bufab noted a falling gross margin that was primarily a result of weaker European currencies compared with the USD. Therefore, we entered 2016 with a high ambition level in the area of sourcing. We aimed to benefit from low material costs and a low utilisation rate among our suppliers, but also to carry out methodical work to consolidate our supplier base and strengthen our sourcing organisation. These efforts produced results – despite exchange rates that continued to develop in what was for us an unfavourable direction, we succeeded in significantly improving our gross margin during the year. Moreover, we improved our capital efficiency, thereby achieving a healthy operating cash flow.

Additional value-adding acquisitions

The acquisitions we completed in 2015 were important for Bufab's development in 2016. We are trying to capitalise on the strengths of these companies, and allow them to flourish in a broader arena. This objective was achieved in that both companies performed very well, at the same time as they gradually familiarised themselves with and began to contribute to Bufab as a whole. We also completed two additional acquisitions in 2016 – Magnetfabriken and Montrose – and naturally hope to accomplish the same positive development together with these companies.

Acquisitions have always been part of Bufab's business model. During the 40 years we have been in business, we have completed about 40 acquisitions. It is a natural part of our ambition to be leading in an industry that is continuously consolidating. Through acquisitions, we have become more international, moved into new product segments, improved our sourcing position and gained many important customers. We now have good working methods and staff in place to continue on this journey moving forward.

Systematic efforts to build a stronger Bufab for the future

Bufab is a trading company. Our strengths are primarily close customer and supplier relationships and knowledgeable and motivated employees. However, in recent years we have also begun to focus methodically on working methods, processes and systems – what we call Bufab Best Practice. This work is even more important as we grow and become increasingly international. In 2016, we continued to invest heavily in this area to improve growth, efficiency and sustainability, but also to offer better development for recently acquired companies. In parallel, we rolled out the Group's new IT-system, which is now fully implemented at the majority of our subsidiaries. These initiatives are supported by training courses at the Bufab Academy. We are satisfied with this way of working and will continue to invest in it.

Same strategy moving forward

We are proud of what we achieved in 2016. The sales increase together with the improved gross margin resulted in a 38 per cent increase in operating profit to SEK 272 million – Bufab's best operating profit ever. At the same time, we continued during the year to invest in areas that we consider important for the future, such as in our sales organisation, in Bufab Best Practice and IT.

Going into 2017, we see challenges in the prevailing exchange rates and also a trend towards rising commodity prices. There is also uncertainty about how European trade and industry will develop in the future. However, these types of external factors are a part of our day-to-day business.

We believe the strategy we drew up in 2012 to grow Bufab into a leading player in our industry is correct. And we see the good results in 2016 as proof that the strategy is working.

Our ambition moving into 2017 is therefore the same as in previous years: we want to continue to increase our market shares, strengthen our supplier base (costs, quality, delivery) and prepare for more value-adding acquisitions. We will also continue work to improve and fully implement Bufab Best Practice. We are thus continuing down the chosen path and remain confident that we can maintain Bufab's favourable performance moving forward.

Finally, I would like to say a thank you to Bufab's more than 1,000 skilled and dedicated employees. All of the work in 2016 in combination with the right attitude has produced fantastic results. Well done!

Värnamo, March 2017

Jörgen Rosengren
President and CEO

Board of Directors’ Report

The Board of Directors and CEO of Bufab AB (publ) (Bufab), Corporate Registration Number 556685-6240, hereby submits its annual report and consolidated accounts for the 2016 financial year.

The business

Bufab is a trading company that offers its customers a full-service solution as a Supply Chain Partner for sourcing, quality control and logistics for C-Parts. Bufab’s customers are found in the manufacturing industry, in which components generally are classified as A-Parts, B-Parts and C-Parts. C-Parts are the least strategically important components, and they make up a relatively small portion of the customer’s direct component costs. C-Parts have a relatively low value, both per component and in total, in combination with high volumes and a large number of suppliers. This means the indirect costs associated with C-Parts management are often high in relation to the direct costs. The costs of potential deficiencies in C-Part quality and delivery precision can also be significant. Bufab’s customer offering, Global Parts Productivity™, is an integrated full-service solution for sourcing, design, logistics and management, warehousing and quality assurance of C-parts. For the customer, this means more efficient handling, thus reducing the customer’s total costs.

Bufab was founded in 1977 in Småland, Sweden and through organic growth and acquisitions, it has grown into a multinational corporation. Today, the Group has a total of 33 operating companies with activities in 24 countries, primarily in Europe but also in the US and Asia, together with exports to additional countries. Alongside its trading activities, the Group also manufactures C-Parts in Sweden and in the UK. Bufab’s in-house manufacturing accounts for about 8 per cent of total sales and constitutes a strong complement to its trading activities.

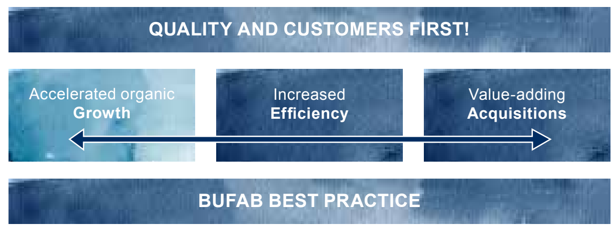
Bufab’s customer base is diversified and comprises approximately 13,000 customers in numerous different industries. These customers are also diversified geographically, with locations in the Nordic countries, the rest of Europe, Asia and the US. Bufab’s customers vary in size, and consequently their sourcing behaviours and needs vary as well. Bufab therefore offers both flexible solutions at the local level, and global solutions to national and international customers.

Bufab has built up a global network of suppliers and sources a total of 140,000 unique parts from mainly Asia and Europe. Parts equivalent to approximately 50 per cent of the total sourcing value are purchased in Asia, 25 per cent in Sweden and the remaining 25 per cent in the rest of Europe. The proportion of specialised fasteners is rising at the expense of standardised fasteners and today accounts for roughly 50 per cent of Bufab’s sales.

The head office is located in Värnamo, Sweden, and at year-end 2016, Bufab had 1,020 employees. The Bufab share has been listed on Nasdaq Stockholm since 21 February 2014.

Strategy and financial targets

Since 2012, the strategy has been based on three focus areas: accelerated organic growth, increased efficiency and value-adding acquisitions. We also work with a shared platform for all sister companies in the form of working methods, processes, systems, organisation and training. We call this “Bufab Best Practice”.



Financial targets

Sales growth:

+3 percentage points

Bufab’s target is to achieve average annual organic growth over a business cycle that exceeds growth in the manufacturing industry in countries where Bufab is active by 3 percentage points. In addition, Bufab intends to grow through acquisitions.

Profitability:

12%

Bufab’s target is an average operating margin of 12 per cent over a business cycle.

Capital structure:

<80%

Bufab’s capital structure is to provide a high degree of financial flexibility, providing scope for acquisitions. The company’s debt/equity ratio is not to exceed 80 per cent.

Working capital:

30%

Bufab’s long-term target is to achieve a net working capital to net sales ratio of 30 per cent.

Dividend policy:

50%

Bufab’s target is to pay 50 per cent of its net profit in dividends. However, the company’s financial position, cash flow, acquisition opportunities and future prospects are to be taken into account in any dividend decision.

Significant events during the financial year

Bufab aims to accelerate organic growth by continuously developing its customer offering and strengthening its organisation. In 2016, Bufab continued along this path and the Group as a whole increased its market shares. Good growth in segment International mitigated the slightly weaker trend in segment Sweden.

Bufab's strategy for increasing efficiency primarily aims to improve the company's operating margin and working capital turnover. During 2016, Bufab continued its work to strengthen its sourcing organisation with the aim of concentrating purchasing to fewer and better suppliers and thus achieving better sourcing prices and other benefits. New processes and procedures have been introduced primarily with the purpose of optimising inventories to increase the rate of working capital turnover. These measures have also resulted in a significantly stronger gross margin during the year, and a robust operating cash flow.

During 2016, Bufab acquired two companies: the Swedish company Magnetfabriken AB and Montrose Holdings Ltd in the UK. Magnetfabriken AB is a leading Swedish supplier of magnets and magnet systems. Montrose Holdings Ltd is a British company that supplies C-class components to industrial customers, primarily based in the UK. Together, these two companies add annual sales of just over SEK 100 million to the Group. For more information, refer to Note 35.

Order intake and net sales

Order intake was SEK 2,887 million (2,463), which was higher than net sales.

Net sales rose by 16 per cent to SEK 2,847 million (2,458). This represented a 4 per cent increase when adjusted for currency effects and acquisitions. Adjusted in the same way, growth for segment International was +5 per cent and for segment Sweden was +1 per cent.

Healthy growth was noted for segment International with higher market shares, while growth and market shares increased less for segment Sweden.

Profit and profitability

Operating profit rose to SEK 272 million (197), equal to an operating margin of 9.5 per cent (8.0). Exchange-rate fluctuations had a negative impact of SEK 11 million on operating profit, volumes a positive impact of SEK 25 million, the price/cost mix and other factors a positive impact of SEK 13 million and acquisitions including the cost of acquisitions a positive impact of SEK 48 million. The operating profit was Bufab's best ever full-year result.

The Group's net financial expense was SEK -21 million (-26) and was impacted positively by exchange-rate differences in the amount of SEK +5 million (-5).
The Group's profit after financial items amounted to SEK 251 million (171).

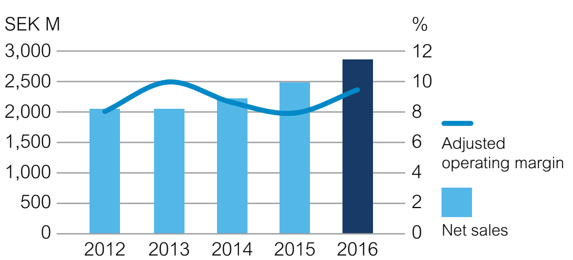
The tax expense during the period was SEK 88 million (46), which corresponds to a tax rate of 35 per cent (27). The high tax expense in 2016 is attributable to additional tax of SEK 24 million from previous financial years. For further information, refer to Note 6. Profit after tax was SEK 163 million (125).

Cash flow, working capital and financial position

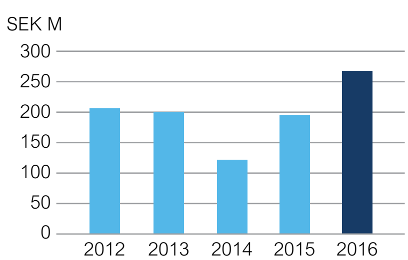
Operating cash flow amounted to SEK 267 million (194). Average working capital in relation to net sales amounted to 36.5 per cent (36.3).

At 31 December 2016, Group net indebtedness amounted to SEK 839 million (884) and the debt/equity ratio was 65 per cent (75). Net debt decreased, despite the two acquisitions carried out during the year.

Net sales (SEK m) and adjusted operating margin (%)



Operating cash flow (SEK m)



SEK million	2016	2015	2014	2013	2012
Net sales	2,847	2,458	2,198	2,031	2,034
Operating profit	272	197	174	201	137
Adjusted operating profit	272	197	192	203	165
Operating margin, %	9.5	8.0	7.9	9.9	6.7
Adjusted operating margin, %	9.5	8.0	8.7	10.0	8.1
Profit after tax	163	125	112	131	29
Adjusted profit after tax	187	125	126	131	51
Earnings per share, SEK	4.29	3.27	2.94	3.43	N/A
Adjusted earnings per share, SEK	4.92	3.27	3.41	3.48	N/A
Dividend, SEK	2,00*	1.70	1.50	N/A	N/A
Debt/equity ratio, %	65	75	47	60	80
Average working capital in relation to net sales, %	36.5	36.3	36.6	35.5	36.7
Operating cash flow	267	194	117	199	204
Average number of employees	973	834	805	771	750

*Proposed by Board of Directors. See page 56 for definitions.

Segments

Bufab conducts business in three segments of which two are operational segments, segment Sweden and segment International. Consolidated activities that were not assigned to the geographic segments are reported in segment Other.

The two operational segments manage local customer relationships and offer similar product and service ranges for C-Parts. The two operational segments' subsidiaries are organised into seven geographic regions.

Segment Sweden

Segment Sweden comprises Region Sweden, which includes Bufab's subsidiaries in Sweden and the USA. Besides trading activities, Bufab has its own manufacturing at two facilities in Sweden: Värnamo and Åshammar.

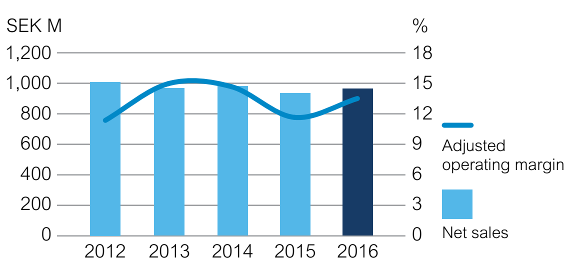
Order intake amounted to SEK 980 million (932) and exceeded net sales.

Net sales increased by 3 per cent to SEK 968 million (937). This was a 1 per cent increase when adjusted for currency effects and acquisitions. Growth during the year was burdened by slightly more than 1 percentage point by customer relocation of production to primarily Eastern Europe. Underlying demand during the period is estimated to be unchanged and the market share slightly improved.

Gross margin rose to 30.5 per cent (28.7). The improvement is primarily due to cost savings in sourcing but also to higher customer prices.

Operating profit was SEK 130 million (108), equal to an operating margin of 13.4 per cent (11.5). Exchange-rate fluctuations had a negative impact of SEK 8 million on operating profit, volumes a positive impact of SEK 4 million, price/cost mix and other factors a positive impact of SEK 23 million and acquisitions a positive impact of SEK 3 million.

Net sales (SEK m) and adjusted operating margin (%)



Financial position

SEK million	2016	2015	Change, %
Order intake*	980	932	5
Net sales*	968	937	3
Gross margin, %	30.5	28.7	
Operating profit	130	108	21
Operating margin, %	13.4	11.5	

*Pertains to net sales and order intake from external customers

Segment International

Segment International encompasses activities Bufab engages in outside Sweden and the United States. Businesses within the segment are organised in six regions: North, South, Central, East, Asia & Pacific and UK. The segment comprises in total 25 companies in 22 countries.

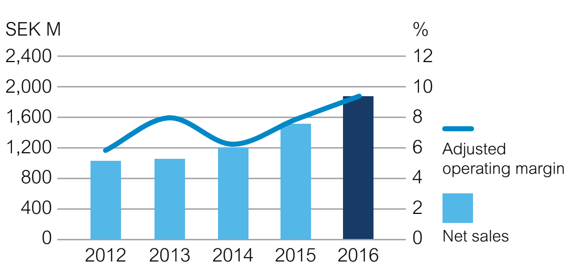
Order intake was SEK 1,907 million (1,531) and exceeded net sales.

Net sales rose by 24 per cent to SEK 1,880 million (1,521). This was a 5 per cent increase when adjusted for currency effects and acquisitions, primarily due to higher market shares.

Gross margin rose to 29.1 per cent (27.6). The acquired companies have a higher gross margin, which accounted for almost half of the increase. The remaining improvement is attributable to cost savings in sourcing.

Operating profit rose to SEK 175 million (119), equal to an operating margin of 9.3 per cent (7.8). Exchange-rate fluctuations had a negative impact of SEK 6 million on operating profit, volumes a positive impact of SEK 21 million, the price/cost mix and other factors a negative impact of SEK 3 million and acquisitions a positive impact of SEK 44 million.

Net sales (SEK m) and adjusted operating margin (%)



Financial position

SEK million	2016	2015	Change, %
Order intake*	1,907	1,531	25
Net sales*	1,880	1,521	24
Gross margin, %	29.1	27.6	
Operating profit	175	119	47
Operating margin, %	9.3	7.8	

*Pertains to net sales and order intake from external customers

Seasonal variation

Bufab has no significant seasonal variation in its sales, but sales over the year vary based on the number of production days in each quarter for customers.

Risks and uncertainties

Exposure to risk is a natural part of business activity, as reflected in Bufab's approach to risk management. The aim is to identify and prevent risks and to limit any loss or damage from these risks. The most significant risks to which the Group is exposed are related to the economy's bearing on customer demand. For more information, refer to Note 3.

Employees

At year-end, the Group had 1,020 full-time employees (935 on 31 December 2015). The average number of full-time employees in 2016 was 973 (834). For further information about employees, please refer to Note 7.

Environment

The Group works proactively with environmental issues to reduce its environmental impact.

Bufab conducts operations through 33 companies, three of which operate in-house manufacturing. At year-end 2016, the manufacturing companies were subject to environmental licensing requirements under the Swedish Environmental Code. Environmentally licensed operations account for 8 per cent (9) of the Group's overall net sales. Environmental licences are required due to the nature of the operations. These companies have been granted licences to conduct environmentally hazardous activities. The Group's other companies conduct trading activities only, which have limited environmental impact. See also Note 33.

Guidelines for remuneration of senior executives

The guidelines for the remuneration of senior executives were adopted by the AGM on 3 May 2016.

The guidelines apply for remuneration of the CEO and other senior executives. Bufab strives to offer total remuneration that will attract and retain qualified employees.

Fixed salary is to be market-based and must reflect the responsibility that the work involves. The fixed salary is to be revised annually.

Normally, variable salary is not to exceed 50 per cent of the fixed salary. The variable salary is to be based on established goals connected to Bufab's financial development and is to be revised annually.

The Board is to annually evaluate whether or not a long-term share-based incentive programme for senior executives and any other employees is to be proposed to the AGM.

Senior executives may be offered individual pension solutions. The pensions are, as far as possible, to be defined contribution.

Other benefits may be provided but are not to constitute a significant portion of the total remuneration.

The notice of termination between the company and the CEO is a maximum of 18 months. Other senior executives are to have a shorter notice of termination period.

The Board is entitled, in individual cases and if there are specific reasons, to deviate from the above guidelines for remuneration. Should such deviation occur, information about this and the reason must be reported at the next AGM. The guidelines for the remuneration of senior executives to be proposed to the 2017 AGM are identical to those adopted in 2016 and are available on the company's website, www.bufab.com.

Parent Company

The operations of the Parent Company, Bufab AB (publ), cover the CEO, the consolidated financial reports and the financial management of the Group. Most Group-wide operations pertaining to the remaining members of Group management and administration are managed by the subsidiary Bult Finnveden AB. Accordingly, the Parent Company does not report any sales. The Parent Company reported a loss after financial items of SEK -7 million (-7).

Share capital and ownership structure

On 31 December 2015, the Parent Company's share capital amounted to SEK 547,189.10 divided among 38,110,533 ordinary shares. There was no change during 2016, and consequently the share capital on 31 December 2016 amounted to SEK 547,189.10 divided among 38,110,533 ordinary shares. The largest shareholder on 31 December 2016 with slightly more than 17 per cent of shares and votes was Liljedahl Group AB.

2017 Annual General Meeting

The AGM for Bufab AB (publ) will be held on 4 May 2017 in Värnamo, Sweden.

Notice of the 2017 AGM and other documentation will be available on Bufab's website, www.bufab.com, from 6 April 2017.

Dividend

The Board of Directors proposes a dividend of SEK 2.00 (1.70) per share for 2016, corresponding to a total dividend of SEK 76 million (65). The proposed record date is 8 May 2017 and the expected payment date for dividends is 11 May. It is proposed that the share be traded without dividend entitlement as of 5 May 2017.

Proposed appropriation of profits

The following earnings are at the disposal of the AGM	(SEK)
Retained earnings	424,369,738
	424,369,738

The Board of Directors and CEO propose that the earnings be appropriated as follows:

A dividend of SEK 2.00 per share to be paid to shareholders	76,221,066
To be carried forward	348,148,672
Total	424,369,738

Consolidated income statement

SEK million	Note	2016	2015
Net sales	2.5	2,847	2,458
Cost of goods sold	8	-2,019	-1,781
Gross profit		**828**	**677**
Distribution costs	8, 23	-398	-341
Administrative expenses	8	-156	-138
Other operating income	9	32	35
Other operating expenses	10	-34	-36
Operating profit	2, 3, 4, 5, 7, 11, 12, 15	**272**	**197**
Profit/loss from financial items			
Interest and similar income	13	7	1
Interest and similar expenses	14	-28	-27
Profit after financial items	15	**251**	**171**
Tax on profit for the year	6, 16	-88	-46
PROFIT FOR THE YEAR		**163**	**125**

Statement of comprehensive income

SEK million		2016	2015
Profit after tax		**163**	**125**
Other comprehensive income			
Items that will not be reclassified in profit or loss			
Actuarial gains and losses, net after tax		-2	-
Items that may be reclassified in profit or loss			
Translation difference, net assets in foreign currency		10	-41
Gain from hedging of net assets in foreign currency		11	12
Deferred tax on gain from hedging		-3	-3
Other comprehensive income after tax		**16**	**-32**
Total comprehensive income		**179**	**93**
Total comprehensive income attributable to:			
Parent Company shareholders		179	93
EARNINGS PER SHARE			
SEK			
Earnings per share	17	4.29	3.27
Weighted number of shares outstanding, thousands		38,110.5	38,110.5
Diluted earnings per share, SEK	17	4.29	3.27
Weighted number of shares outstanding after dilution, thousands		38,110.5	38,110.5

Consolidated balance sheet

SEK million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	18	968	896
Other intangible assets	18	69	54
Work in progress and advances for intangible assets	20	0	5
Total intangible assets		**1,037**	**955**
Property, plant and equipment			
Land and buildings	19	13	11
Plant and machinery	19	44	46
Equipment, tools and fixtures & fittings	19	65	73
Work in progress and advances for property, plant and equipment	20	10	8
Total property, plant and equipment	21	**132**	**138**
Financial assets			
Deferred tax assets	27	18	22
Other non-current receivables	22	4	4
Total financial assets		**22**	**26**
Total non-current assets		**1,191**	**1,119**
Current assets			
Inventories	2		
Raw materials and consumables		13	12
Products in progress		25	20
Finished goods and merchandise		882	824
Total inventories		**920**	**856**
Current receivables			
Trade receivables	23	550	509
Current tax assets		8	15
Other receivables		30	21
Prepaid expenses and accrued income	24	33	26
Total current receivables		**621**	**571**
Cash and bank balances		122	107
Total current assets		**1,663**	**1,534**
TOTAL ASSETS		**2,854**	**2,653**

Consolidated balance sheet

SEK million	Note	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES			
Equity	25		
Share capital		1	1
Other paid-in capital		488	488
Other reserves		8	-10
Retained earnings		800	704
Total equity		**1,297**	**1,183**
Non-current liabilities			
Pension obligations, interest-bearing	26	32	31
Deferred tax, non-interest-bearing	27	50	46
Other interest-bearing liabilities	28, 30	852	809
Other non-interest-bearing liabilities	29	25	23
Total non-current liabilities		**959**	**909**
Current interest-bearing liabilities			
Liabilities to credit institutions		18	100
Overdraft facilities	30, 31	58	51
Total current interest-bearing liabilities		**76**	**151**
Current non-interest-bearing liabilities			
Trade payables		302	253
Current tax liabilities		27	27
Other liabilities	29	83	46
Accrued expenses and deferred income	32	110	84
Total current non-interest-bearing liabilities		**522**	**410**
TOTAL EQUITY AND LIABILITIES		**2,854**	**2,653**

Consolidated statement of changes in equity

SEK million	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Equity on 1 January 2015	**1**	**488**	**22**	**636**	**1,147**
Comprehensive income					
Profit after tax	-	-	-	125	125
Other comprehensive income					
Items that may be reclassified in profit or loss					
Translation difference, net assets in foreign currency	-	-	-41	-	-41
Gain from hedging of net assets in foreign currency	-	-	12	-	12
Deferred tax on gain from hedging	-	-	-3	-	-3
Total comprehensive income	**0**	**0**	**-32**	**125**	**93**
Transactions with shareholders					
Dividend to Parent Company shareholders	-	-	-	-57	-57
Total shareholder transactions	**0**	**0**	**0**	**-57**	**-57**
Equity on 31 December 2015	**1**	**488**	**-10**	**704**	**1,183**
Comprehensive income					
Profit after tax	-	-	-	163	163
Other comprehensive income					
Items that will not be reclassified in profit or loss					
Actuarial loss on pension obligations, net after tax	-	-	-	-2	-2
Items that may be reclassified in profit or loss					
Translation difference, net assets in foreign currency	-	-	10	-	10
Gain from hedging of net assets in foreign currency	-	-	11	-	11
Deferred tax on gain from hedging	-	-	-3	-	-3
Total comprehensive income	**0**	**0**	**18**	**161**	**179**
Transactions with shareholders					
Dividend to Parent Company shareholders	-	-	-	-65	-65
Total shareholder transactions	**0**	**0**	**0**	**-65**	**-65**
Equity on 31 December 2016	**1**	**488**	**8**	**800**	**1,297**

The Group's restricted equity comprises share capital and SEK 32 million in other paid-in capital.

Consolidated cash-flow statement

SEK million	**Note**	**31 Dec 2016**	31 Dec 2015
Operating activities			
Profit before financial items		272	197
Depreciation/amortisation and impairment		43	35
Interest and other finance income		0	0
Interest and other finance expenses		-27	-23
Other non-cash items		1	-1
Income tax paid		-74	-38
Cash flow from operating activities before changes in working capital		**215**	**170**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-35	-3
Increase (-)/decrease (+) in operating receivables		-32	-3
Increase (+)/decrease (-) in operating liabilities		49	1
Cash flow from operating activities		**197**	**165**
Investing activities			
Acquisition of property, plant and equipment		-29	-25
Acquisition of subsidiaries	35	-69	-393
Acquisition of intangible assets		-2	-7
Cash flow from investing activities		**-100**	**-425**
Financing activities			
Dividend paid		-65	-57
Borrowings		840	370
Repayment of borrowings		-861	-70
Cash flow from financing activities		**-86**	**243**
Cash flow for the year		**11**	**-17**
Cash and cash equivalents at beginning of year		107	128
Translation differences		4	-4
Cash and cash equivalents at year-end		**122**	**107**

Notes to the consolidated financial statements

All amounts are in SEK million unless otherwise specified.
The figures in brackets indicate the preceding year's values.

Note 1
General information

The company, Bufab AB (publ), Corporate Registration Number 556685-6240, operates as a limited liability company, with its registered office in Stockholm, Sweden. The address of the head office is Box 2266, SE-331 02, Värnamo, Sweden.

Note 2
Summary of key accounting policies

This Annual Report has been prepared in accordance with IFRS as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. The consolidated annual financial statements have been prepared in accordance with the cost method. The Parent Company's accounting policies are consistent with those applied for the Group, unless otherwise specified.

In addition to these standards, both the Swedish Companies Act and the Swedish Annual Accounts Act contain regulations requiring the disclosure of certain additional information. Preparing financial statements in accordance with IFRS requires the use of a number of important accounting estimates. Management is also required to make certain judgements when applying its accounting policies. Information about areas that are complex or involve a high proportion of assumptions and estimates, or about areas where accounting estimates are of key significance to the consolidated financial statements, can be found in Note 4. The estimates and assumptions are reviewed regularly and the effect on the reported amounts is recognised in profit or loss.

No standards or interpretations of significance to the company's financial statements had been published or come into effect as per 31 December 2016 when preparing the consolidated financial statements.

New and amended standards that come into effect in 2017 and onward

The following standards come into effect in financial years beginning on or after 1 January 2017.

IFRS 16 Leases

In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are recognised in the balance sheet. This method of recognition is based on the approach that the lessee has the right to control the use of the asset for a period of time in exchange for consideration. Lessor accounting is substantially unchanged. The standard is to be applied to financial years beginning on or after 1 January 2019. Early application is permitted. The EU has not yet adopted the standard. The Group has initiated work to assess the effects of introducing the standard. The standard will mainly impact recognition of the Group's operational leases. As of the balance-sheet date, the Group's non-cancellable leases amounted to SEK 269 million, refer to Note 12. However, the Group has not yet evaluated the extent to which these commitments will be recognised as assets and liabilities or how this will impact the Group's earnings and classification of cash flows. Some commitments may be encompassed by the exception for short-term leases and leases of low-value assets, while other commitments may relate to arrangements that should not be recognised as leases under IFRS 16.

IFRS 9 Financial Instruments

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that pertain to classification and measurement of financial instruments. The standard is to be applied to financial years beginning on or after 1 January 2018. Early adoption is permitted. The Group does not anticipate any material impact on the Group's financial statements.

IFRS 15 Revenue from contracts with customers

This standard regulates how revenue is to be recognised. The extended disclosure obligation entails that information must be disclosed regarding revenue types, timing of regulation, uncertainty of revenue accounting and cash flow attributable to the company's customer contracts. IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction Contracts and associated SICs and IFRICs. IFRS 15 comes into effect on 1 January 2018. The Group has initiated work to assess the effects of introducing the standard.

Consolidated financial statements

Subsidiaries

Subsidiaries are all the entities in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50 per cent of the voting rights.

The existence and effect of potential voting rights which may be used or converted is taken into account when assessing whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

The Group's acquisition of subsidiaries is accounted for in accordance with the acquisition method. The cost of an acquisition comprises the fair value of assets transferred including any additional purchase considerations, equity instruments issued and liabilities incurred or assumed at the transfer date. Conditional purchase consideration is classified either as shareholders' equity or a financial liability. Amounts classified as financial liabilities are remeasured each period at fair value. Any remeasurement gains or losses are recognized in operating profit/loss. Transaction expenses attributable to the acquisition are recognised as incurred. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are measured initially at their acquisition-date fair value, irrespective of any minority interest. If the cost of acquisition exceeds the fair value of the Group's share of the acquired net identifiable assets, the difference is recognised as goodwill. If the cost of acquisition is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit or loss.

Elimination of intra-group transactions

Intra-group transactions and balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The accounting policies for subsidiaries have been amended, where necessary, in order to ensure consistent application of the Group's policies.

Foreign currency translation

Items in the individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency according to the exchange rates prevailing at the date of the transaction. Exchange gains and losses arising from the settlement of such transactions and during translation of foreign currency monetary assets and liabilities at the closing rate are recognised in profit or loss.

The results and financial position of all Group entities are translated into the Group's presentation currency. Assets and liabilities are translated at the closing rate, while income and expenses are translated at the average rate, with all resulting exchange-rate differences recognised as a separate component of equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are reported as assets and liabilities in the Group's balance sheet and are translated at the closing rate. The following exchange rates were used for the translation of foreign operations:

	Average rate		Closing rate	
Currency	**2016**	2015	**2016**	2015
DKK	1.272013	1.254419	1.286894	1.224168
EUR	9.4704	9.3562	9.5669	9.135
GBP	11.5664	12.8962	11.1787	12.3785
CZK	0.350324	0.343004	0.354041	0.337992
HUF	0.030417	0.030197	0.030757	0.029177
NOK	1.019931	1.046505	1.054	0.955645
PLN	2.1711	2.237	2.1662	2.1545
RMB	1.2879	1.3424	1.3091	1.2868
INR	0.127424	0.131652	0.134047	0.125795
NTD	0.2695	0.2683	0.2859	0.2576
RUB	0.128604	0.139001	0.149701	0.114165
USD	8.5613	8.435	9.0971	8.3524
RON	2.1341	2.1342	2.1462	2.0483
TRY	2.8339	3.1075	2.5796	2.8699

Classification

Non-current assets, liabilities and provisions are amounts expected to be recovered or settled more than 12 months after the balance-sheet date. Current assets and liabilities are amounts expected to be recovered or settled no more than 12 months after the balance-sheet date.

Items affecting comparability

Items affecting comparability are recognized separately in the financial statements when it is necessary to explain the Group's earnings. Items affecting comparability relate to material income or cost items recognized separately due to the significance of their nature or amount.

Intangible assets

Goodwill

The amount by which the cost exceeds the acquisition-date fair value of the Group's share of the acquired subsidiary's net identifiable assets is recognised as goodwill. Goodwill on acquisitions of subsidiaries is reported under intangible assets.

Goodwill is not amortised but is tested for impairment annually and is carried at cost less accumulated impairment.

Goodwill is allocated to cash-generating units for impairment testing.

Other intangible assets

The Group's other intangible assets comprise acquired customer and supplier relationships and capitalised expenditure for IT and business systems. The Group's basis for acquisitions is that customer relationships and supplier relationships have a limited useful life and are recognised at cost less any accumulated depreciation. Amortisation is applied on a straight-line basis to distribute the costs of their estimated useful lives.

Property, plant and equipment

Property, plant and equipment is recognised as an asset in the balance sheet when, based on available information, it is probable that future economic benefits associated with the ownership will flow to the Group/company and the cost of the asset can be measured reliably.

Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The carrying amount of an item of property, plant and equipment is derecognised from the balance sheet on disposal or divestment, or when no future economic benefits are expected from its use. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the selling price and the asset's carrying amount less direct distribution costs. The gain or loss is reported under other operating income/expenses.

Leases – Group as lessee

The Group applies IAS 17 Leases. Leases are classified in the consolidated financial statements as financial leases or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, it is classified as an operating lease. Assets held under financial leases are recognised as assets in the consolidated balance sheet. Future lease payment obligations are reported as current and non-current liabilities. An asset leased under a finance lease is subject to depreciation, while the lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each accounting period during the lease term so as to produce a constant periodic rate of interest on the balance of the liability reported during the period. Contingent rents are recognised as an expense in the period in which they are incurred.

Operating lease payments are recognised as an expense over the lease term, based on the use of the asset, which may differ from actual lease payments during the year. If significant changes are made to the provisions of the lease during the term of the lease, an assessment is made as to whether these new provisions would have resulted in a different lease classification had they been in effect at the inception of the lease. If this is the case, the lease is treated as a new lease, to be assessed using the updated parameters at its inception.

Depreciation policies for property, plant and equipment

Depreciation according to plan is based on original cost less estimated residual value. Depreciation is applied on a straight-line basis over the useful life of the asset.

The following depreciation periods are applied:

Customer and supplier relationships	10 years
Other intangible assets	3-5 years
Buildings*	12-15 years
Plant and machinery	5-10 years
Equipment, tools and fixtures & fittings	3-10 years

* Pertains to the financial leasing of buildings, which is why the period of depreciation equals the length of the lease. Also refer to Note 21.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment

Assets with an indefinite useful life are not subject to depreciation or amortisation; instead, these assets are tested annually for impairment. Assets that are subject to depreciation or amortisation are also tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less distribution costs and its value in use. For impairment testing, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units).

Receivables

Receivables are recognised at cost less any impairment.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An obsolescence risk is also taken into account. At the end of the financial year, the obsolescence reserve totalled SEK 77 million (71), of which SEK 4 million pertain to obsolescence reserves assumed from acquired companies during the year. The cost of the Group's merchandise is calculated as a weighted average purchase price and includes expenses arising from the acquisition of inventories and bringing them to their existing location and condition.

The cost of finished goods and work in progress includes a reasonable proportion of indirect costs. Measurement takes into account normal capacity utilisation.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and other current investments with an original maturity of three months or less, and overdraft facilities. Utilised overdraft facilities are reported as borrowings under current liabilities in the balance sheet.

Borrowings

Borrowings are recognised initially at fair value and are subsequently measured at amortised cost. Any difference between the amount received and the repayment amount is recognised in profit or loss over the borrowing period using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance-sheet date.

Employee benefits

Group companies have various pension schemes in accordance with local conditions and practices in the countries in which they operate. The most common pension arrangements are defined-contribution pension plans. Under these plans, the company settles its obligations on an ongoing basis through payments to insurance companies or pension funds.

However, the company has a more extensive responsibility in the case of defined-benefit pension plans, which are based on an agreed future pension entitlement. With these plans, the company's recognised cost is affected by factors such as assumptions about the future. The Group's net obligation is calculated separately for each plan by estimating the future benefit that employees have earned through their service in the current and prior periods. The present value of this benefit is determined by discounting the estimated future cash flows. The Group has safeguarded a portion of its obligations through transfers to pension funds, and the fair value of plan assets is offset against the provision in the balance sheet. The discount rate is obtained by reference on the balance-sheet date to market yields on high-quality corporate bonds of a term consistent with the term of the Group's pension obligation. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are presented in other comprehensive income when they arise.

For salaried professionals in Sweden, the ITP 2 plan's defined-benefit pension obligations for retirement and survivors' pensions are backed by an Alecta insurance policy. According to a statement from the Swedish Financial Reporting Board (UFR10 Recognition of ITP 2 pension plan financed by an Alecta insurance policy), this is a defined-benefit plan that encompasses several employers. For the 2016 financial year, the company has not had access to enough information to report its proportional share of the plan's obligations, plan assets and costs, and the company was therefore unable to recognise it as a defined-benefit plan.

Accordingly, the ITP 2 pension plan, which is backed by an Alecta insurance policy, was recognised as a defined-contribution plan. The premium for the defined-benefit retirement and survivors' pension is calculated on a case-by-case basis and is determined by such factors as salary, previously vested pension benefits and the expected remaining professional life of the beneficiary.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations calculated using Alecta's actuarial methods and assumptions, which do not correspond with IAS 19. The collective consolidation level is generally permitted to range from 125 to 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, actions must be taken to enable the consolidation level to return to the standard interval. In the event of a low consolidation level, the company may raise the contractual cost of signing up for a policy and expanding the current benefits. In the event of a high consolidation level, the company may introduce premium deduction. At the end of the financial year, Alecta's surplus in the form of the collective consolidation level was 149 per cent (153).

Revenues

Net sales comprise revenues from the sale of goods and services. Revenue is recognised in profit or loss when it is probable that future economic benefits will flow to the company and when these benefits can be measured reliably. Revenue includes only the gross inflow of economic benefits received and receivable for the company's own account. Revenue from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership of the goods and the company does not exercise any effective control over the goods sold. Revenue is recognised at the fair value of the consideration received or receivable, net of discounts. Settlement is made in cash, with revenue comprising the amount of cash received or receivable. Amounts collected on behalf of third parties are not included in the company's revenue. Revenue from the rendering of services is recognised when the economic outcome of the services can be estimated reliably and the economic benefits flow to the company.

The item "other operating income" includes other revenues in the operation that do not stem from the day-to-day business operations, such as capital gains from the sale of non-current assets and exchange-rate gains from operating receivables/liabilities.

Dividends are recognised when the right to receive payment is established.

Intra-group sales are eliminated in the consolidated financial statements.

Costs

The income statement is classified using the function of expense method. The functions are as follows:

- Cost of goods sold comprises material handling and manufacturing costs, including payroll and material costs, purchased services, costs of premises, and depreciation/amortisation and impairment of property, plant and equipment.
- Administrative expenses comprise costs of the companies' own administrative functions and costs relating to boards, management and staff functions.
- Distribution costs comprise costs associated with the sales organisation and inventory obsolescence.
- Other operating income/expenses relates to secondary activities, exchange-rate differences on operating items, the remeasurement of additional purchase considerations for acquired companies and capital gains/losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income on bank deposits and receivables, interest expense on borrowings, dividend income, exchange-rate differences and other financial income and expenses.

The interest component of finance lease payments is recognised in profit or loss using the effective interest method, which means that the interest is allocated to each accounting period during the lease term so as to produce a constant periodic rate of interest on the balance of the liability reported during the period.

Tax

Income tax consists of current tax and deferred tax. Taxes are recognised in profit or loss except when the underlying transaction is recognised directly in equity, in which case the related tax effect is also recognised in equity.

Current tax is the amount of income taxes payable or recoverable in respect of the current year. This includes adjustments of current tax attributable to prior periods. Deferred tax is accounted for using the balance-sheet method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates enacted or substantively enacted by the balance-sheet date. Deferred tax is not recognised on temporary differences arising from goodwill on consolidation, and is not normally recognised on temporary differences arising from participations in subsidiaries that are not expected to be taxed in the foreseeable future. Untaxed reserves are recognised including deferred tax liabilities in the legal entity. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity. Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognised insofar as it is probable that they will result in lower tax payments in the future.

Cash-flow statement

The cash-flow statement is prepared using the indirect method. Recognised cash flows only concern transactions that involve cash inflows and outflows. Cash and bank balances are classified as cash and cash equivalents.

Related-party transactions

None of the Parent Company's total purchases charged to operating profit relate to transactions with other companies within the corporate group to which the company belongs. Within the Group, there are some internal sales between its different markets. Related-party transactions are also reported in Note 7 (employees, personnel expenses and fees paid to directors and auditors) and Note 34 (related-party transactions). Related-party transactions are made on terms equivalent to commercial transactions.

Financial instruments

The Group classifies its financial instruments into the following categories: loans and receivables, and other financial liabilities. Management makes a classification decision on initial recognition, and reviews this decision on each balance-sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments arise when the Group provides money, goods or services directly to a customer without intending to trade the receivable. They are included in current assets unless the settlement date is more than 12 months after the balance-sheet date, in which case they are classified as non-current assets. Loans and receivables are reported under trade receivables and other receivables, as appropriate, in the balance sheet.

Note 3
Risks and risk management
Operational risks

Market and business risks

Customer demand for products and services from Bufab depends on general economic conditions and the level of activity in the manufacturing industry in the countries in which Bufab and its customers operate.

Bufab operates in Sweden, Denmark, Finland, Norway, Germany, France, the Netherlands, Austria, the Czech Republic, Poland, the UK, Estonia, Hungary, Spain, Slovakia, India, the United States, Taiwan, China, Russia, Turkey, Romania, Italy and Singapore.

Bufab's customers are found in a wide spectrum of manufacturing industries, including the technology sector, electronics/telecommunications, consumer goods, the offshore and refining industry, the transportation and construction sectors, furniture and the automotive sector. Geographical diversification combined with a vast number of customers spread across many sectors reduces the effects of isolated changes in customer demand.

However, despite this breadth, it can be stated that the company is clearly impacted by customers' underlying demand, which is considered to comprise the company's most tangible operational risk. The company was substantially impacted by reduced customer demand during the sharp global economic downturn in 2009.

There is a risk that major customers will choose to bypass the wholesale stage and deal directly with manufacturers. However, Bufab adds value to its customers by providing efficient logistics and a broad base of suppliers, as well as a reliable level of quality. The company believes that this broad range as a logistics partner remains competitive.

Bufab can be negatively impacted when its suppliers experience economic, legal or operational problems, raise prices or when they are unable to deliver on time or at the agreed level of quality. Bufab sources most of its goods from suppliers that are mainly located in Asia, but also from some European suppliers. Bufab works with a large number of suppliers from different countries. The company aims to avoid making itself dependent on specific suppliers.

Inventories constitute a significant share of Bufab's assets and are costly to relocate, store and manage. Accordingly, efficient inventory management is a key element in Bufab's operation. Inefficient inventory management can lead to inventory surpluses or deficits. Inventory surpluses expose Bufab to the risk of having to incur impairment losses on or to dispose of the inventory. Conversely, inventory deficits expose Bufab to the risk of having to source products at higher prices in order to deliver on time, or to incur expensive express delivery costs.

With its large and complex flow of items combined with a broad base of customers and suppliers, there is a risk that Bufab's customers will not receive their products at the specified time or with the right quality. Bufab may become subject to significant product liability and other claims if the products it sources and produces are defective, cause production stops or personal or property damage, or otherwise do not fulfill the requirements agreed with the customer. Such defects may be caused by mistakes made by Bufab's own personnel or the company's suppliers. If a product is defective, Bufab may also have to recall the product. Furthermore, Bufab may not be able to file or collect a corresponding claim against, for example, its own suppliers in order to receive compensation for damages and related costs. To address this risk, internal and external processes are in place that must be adhered to by employees and external parties. Bufab works continuously to develop these processes and to train employees and external parties.

Bufab is exposed to fluctuations in the market price of certain commodities, particularly steel, stainless steel (which fluctuates with the price of alloy metals) and other metals. Any increase in such prices may impact the price for which Bufab purchases its products, and thereby the cost of goods sold. Energy prices and the price of oil impact manufacturing and freight costs, which significantly affect cost of goods sold. In addition, labour shortages and labour costs in the countries from which Bufab sources its products may increase Bufab's cost of goods sold through its sourcing prices. Moreover, Bufab may not be able to compensate for increased sourcing prices by raising prices for its own customers.

Bufab could lose business or growth opportunities from existing customers as a result of many factors, including, but not limited to, relocations of the customers' manufacturing operations or customer dissatisfaction, particularly with product quality or service, as well as customers underperforming in, or shutting down, their businesses. In connection with a customer relocating manufacturing operations, for example, to a low-cost country, Bufab may not be requested, or be able, to make deliveries to the new location to the same extent as prior to the relocation, or may not be able to efficiently source all, or any, of its products to the new location. Moreover, should customers relocate outside of Bufab's operating jurisdictions, and particularly outside the European Union, it may be difficult or burdensome for Bufab to establish new operations and comply with local regulations in such locations. As a consequence, Bufab may lose all, or part of, its business from that manufacturing operation.

Bufab's supply chain (including manufacturing units and some warehouses) and business processes are, to a large extent, automated via hardware and software for robotics and via the Group's IT systems. Bufab is particularly dependent on these systems to purchase, sell and deliver products, to invoice its customers and to manage its production units and certain automated warehouses. It is also an important tool for accounting and financial reporting as well as inventory and net working capital management. Disruptions, as a consequence of, for example, upgrades of existing IT systems, or deficiencies that materialize in the function of its IT systems or hardware could, even in the short term, adversely affect Bufab's business, results of operations and financial condition.

Bufab's strategy covers both organic growth and growth through acquisitions. Acquisitions may expose Bufab to risks, primarily related to integration, such as impairment of relationships with key customers, inability to retain key employees and difficulties and higher costs than anticipated for combining operations. Following some of its past acquisitions, Bufab has experienced such integration difficulties. Moreover, acquisitions may expose Bufab to unknown liabilities.

Bufab manages its operations through operating subsidiaries in a number of countries. The business, including transactions between Group companies, is run according to Bufab's understanding or interpretation of current tax laws, tax treaties, other tax law stipulations and the requirements of the tax authorities concerned. Furthermore, the tax authorities of the countries concerned could make assessments and take decisions which deviate from Bufab's understanding or interpretation of the abovementioned laws, treaties and other regulations. Bufab's tax position, both for previous years and the current year, may change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, could adversely affect Bufab's business, results of operations and financial condition.

Bufab holds environmental permits for manufacturing at its production facilities. Bufab previously conducted manufacturing at other facilities in Sweden. Bufab has completed environmental inventories and, where required, environmental technical investigations, at all properties where Bufab has historically conducted manufacturing in Sweden. These investigations detected traces of contamination at or in proximity to some of these properties. For more information regarding environmental risks, refer to Note 33.

Bufab has a substantial goodwill item in its consolidated balance sheet, which is regularly tested for impairment requirements; see also Note 18.

Competition

Bufab acts as a subcontractor to the engineering industry and faces competition in all types of customer segments. Customer requirements concerning price, quality, delivery reliability, etc. are constantly increasing. Since the entry barriers for smaller companies and the investments required to start a competing business are low, Bufab can also lose sales to new companies. The company's continued success is dependent on its ability to respond to these increasing requirements and be more competitive than its competitors in the areas of attractive pricing, delivery reliability, quality, high internal efficiency and broad, secure logistics solutions from all of the countries in which Bufab operates.

Legal risks

Legal risks primarily include legislation and regulation, government decisions, disputes, etc. The fastener industry within the EU has been subject to heavy duties on imports of standard parts from China in recent years. Bufab has been forced to find alternative purchasing channels, primarily in Asia, which has worked well considering the volume size. In 2011, the EU also imposed heavy duties on imports of standard parts from Malaysia. At the end of February 2016, the EU withdrew the increased duties on imports of standard parts from China and Malaysia, on the advice of the WTO. Great uncertainty remains as to whether the EU will re-introduce increased duties, and the amount of such duties.

Bufab's operations face risks related to taxes and the environment. See also Note 33.

Insurance

Bufab insures its assets against property damage and business interruption losses. In addition, there are insurance policies for product liability, product recall, transportation, legal protection, crime against property and business travel. There have been no claims for damages with regard to product liability or product recall that had any material impact on earnings during the last decade.

Financial risks

Bufab is exposed to various types of financial risk in the course of its operations. Examples of these are currency, financing, interest rate and counterparty risks. The Board is responsible for adopting risk-management policies. Financial activities such as risk management, liquidity management and borrowing are managed at the Group level by the subsidiary Bult Finnveden AB.

Currency risks

Changes in exchange rates affect the Group's earnings and equity in different ways. Currency risk arises from:

- Flow exposures in the form of receipts and payments in different currencies
- Recognised assets and liabilities of subsidiaries
- Translation of the earnings of foreign subsidiaries to SEK
- Translation of net assets of foreign subsidiaries to SEK

Exchange-rate fluctuations may also affect the Group's competitiveness or that of its customers, thereby indirectly affecting the Group's sales and earnings. The Group's overall currency exposure has increased over time as operations have become more global, with increased trade from Asia as well as a higher proportion of sales outside Sweden – from Swedish subsidiaries but mainly from foreign subsidiaries. The Group's currency risk management policy primarily focuses on transaction-related currency risks. Currency risks are mainly managed by price adjustments to customers and suppliers, and by working to change the business's operating terms by aligning revenues and costs in currencies other than SEK with each other.

Some 75 per cent (72) of the Group's total invoicing and 78 per cent (74) of its costs are in foreign currencies. Flow exposure in 2016 was marginally hedged at fixed exchange rates.

During the financial year, the Group's currency flows (excluding the reporting currency, SEK) were distributed as follows (amounts in SEK million):

Currency	Costs*	Sales*
EUR	1,204	1,499
USD	539	192
NOK	46	84
GBP	197	332
DKK	14	40
CZK	17	43
PLN	79	68
HUF	6	0
RMB	97	94
RON	12	32
NTD	82	0
RUB	12	22
TRY	20	22
Other	2	0

Expressed in SEK million. Currency flows represent gross flows, including intra-group transactions

The company's largest exposure is to the USD, as trade from Asia is largely conducted in this currency, and to the EUR, as a large proportion of its European sales are in this currency.

Net assets in foreign subsidiaries correspond to investments in foreign currencies that give rise to translation differences when they are translated to SEK. Loans were raised in GBP and EUR to control the effect of translation differences on the Group's comprehensive income and capital structure. Exchange-rate gains and exchange-rate losses on these loans are considered to be effective hedges, as defined by IFRS, of translation differences and are recognised in other comprehensive income and the accumulated amount in equity. Refer also to the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

Credit risk

Credit risk related to cash and cash equivalents, balances and credit exposures are managed at the Group level. Credit risk related to receivables outstanding are managed by the company in which the receivable was created. The company conducts individual assessments of its customers' credit ratings and credit risks, including customers' financial position, as well as previous experiences and other factors. Management does not expect any losses due to missing payments from counterparties other than the amount reserved as "doubtful debts." Refer to note 23.

Financing, liquidity and capital

Financing risk is defined as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining financing. Liquidity risk is managed by ensuring that the Group holds sufficient levels of cash and cash equivalents and access to financing under credit facility agreements. Executive management regularly monitors the need to refinance external loans with the aim of renegotiating the Group's credit facilities at least 12 months before the maturity date.

The Group receives its primary financing from a bank under an SEK 1,300 million credit facility with a maturity in December 2019. The credit facility was signed in December 2016. This credit is linked to certain borrowing terms (known as covenants), which are detailed in Note 28.

At year-end 2016, the Group had a liquidity reserve in the amount of SEK 560 million (255). The Group's finance policy stipulates that the available funds, meaning cash and cash equivalents and available but unutilised credits, must be greater than the Group's standard expenses for 0.7 of a month. On 31 December 2016, the liquidity reserve totalled 2.6 months' standard expenses for the Group.

The Group has an equity/assets ratio of 45.4 per cent (44.6), whereby the equity/assets ratio is defined as recognised equity divided by total assets.

Equity/assets ratio	**2016**	2015
Group		
Equity	1,297	1,183
Total assets	2,854	2,653
Equity/assets ratio	**45.4%**	**44.6%**

The net debt/equity ratio as at 31 December 2016 and 2015 was as follows:

Debt/equity ratio	**2016**	2015
Group		
Interest-bearing liabilities	961	991
Less: Cash and cash equivalents	-122	-107
Net indebtedness	839	884
Total equity	1,297	1,183
Debt/equity ratio	**65%**	**75%**

Classification of financial instruments

The following table shows the classification of financial instruments in the balance sheet for 2016 and 2015 (for definitions, see Note 2).

Assets, 2016	Loans and receivables	Non-financial assets	Total
Intangible assets	**-**	**1,037**	**1,037**
Property, plant and equipment	**-**	**132**	**132**
Financial assets	**-**	**22**	**22**
Current assets			
- Inventories	-	920	920
- Trade receivables	550	-	550
- Current tax assets	-	8	8
- Other receivables	30	-	30
- Prepaid expenses and accrued income	-	33	33
- Cash and cash equivalents	122	-	122
Total current assets	**702**	**961**	**1,663**
Total assets	**702**	**2,152**	**2,854**

Liabilities, 2016	Other financial liabilities	Non-financial liabilities	Total
Non-current liabilities and provisions	**884**	**75**	**959**
Current liabilities and provisions			
- Interest-bearing liabilities	76	-	76
- Trade payables	302	-	302
- Current tax liabilities	-	27	27
- Other liabilities	-	83	83
- Accrued expenses and deferred income	-	110	110
Total current liabilities	**378**	**219**	**597**
Total liabilities	**1,263**	**294**	**1,556**

Assets, 2015	Loans and receivables	Non-financial assets	Total
Intangible assets	**-**	**955**	**955**
Property, plant and equipment	**-**	**138**	**138**
Financial assets	**-**	**26**	**26**
Current assets			
- Inventories	-	856	856
- Trade receivables	509	-	509
- Current tax assets	-	15	15
- Other receivables	21	-	21
- Prepaid expenses and accrued income	-	26	26
- Cash and cash equivalents	107	-	107
Total current assets	**637**	**897**	**1,534**
Total assets	**637**	**2,016**	**2,653**

Liabilities, 2015	Other financial liabilities	Non-financial liabilities	Total
Non-current liabilities and provisions	**840**	**69**	**909**
Current liabilities and provisions			
- Interest-bearing liabilities	151	-	151
- Trade payables	253	-	253
- Current tax liabilities	-	27	27
- Other liabilities	-	46	46
- Accrued expenses and deferred income	-	84	84
Total current liabilities	**404**	**157**	**561**
Total liabilities	**1,244**	**226**	**1,470**

The maturity structure for existing borrowings is shown in Note 28. The amounts do not include the current portion, which will mature within one year. The overdraft facility normally matures within one year, but is usually extended on the due date. In terms of its capital structure, the company's goal is to have a debt/equity ratio of less than 80 per cent.

The table below illustrates the Group's financial liabilities categorised by time left to maturity as per balance-sheet date. The amounts shown in the table are the contractual undiscounted cash flows.

On 31 December 2016	Less than 1 year	1-5 years	More than 5 years
Bank loans and overdrafts	78	900	–
Trade and other payables	302	–	–
Total	**380**	**900**	**0**

On 31 December 2015	Less than 1 year	1-5 years	More than 5 years
Bank loans and overdrafts	154	855	1
Trade and other payables	253	–	–
Total	**407**	**855**	**1**

Financial instruments

IFRS 13 Fair Value Measurement is applied. The Group's borrowings mainly take the form of credit facilities with long-term credit but short fixed-rate periods. Consequently, it is the assessment that the fair value is essentially consistent with the carrying amount.

Interest-rate risk

Changes in interest rates have a direct impact on the Group's earnings, while their impact on the overall economy also produces an indirect effect. The Group's bank loans at the end of the year had an average remaining fixed-rate period of three months.

Sensitivity analysis

Significant factors affecting the Group's earnings are described below. The assessment is based on year-end values, assuming all other factors remain constant.

Fluctuations in sales prices are the variable that has the greatest impact on earnings, with a change of +/-1 per cent on resale prices affecting operating profit by about SEK 28 million (25).

Volume changes and sourcing prices affect Bufab's earnings. A 1-per cent change in volume has an effect on earnings of about SEK 10 million (9), while a 1-per cent change in merchandise sourcing prices has an effect of about SEK 18 million (16) on operating profit.

Payroll costs represent a large proportion of the Group's cost base. A 1-per cent increase affects operating profit by about SEK 5 million (4).

The Group's net debt was SEK 839 million on the balance-sheet date. A one percentage point change in the market rate for the closing net debt has an effect on profit after financial items of SEK 8 million (9).

The Group has considerable exposure to the USD, which is related to the company's trade with Asia, particularly China and Taiwan. Local prices in Asia are largely set on the basis of the USD level. A one percentage point strengthening of the USD against the SEK, with all other variables held constant, has a negative impact of SEK 3 million (neg: 3) on operating profit.

The Group's exposure to the EUR is also considerable. Exposure to the EUR is primarily due to the fact that the Group's invoicing in Europe is largely in this currency. A one percentage point strengthening of the EUR against the SEK, with all other variables held constant, has a positive impact of SEK 3 million (3) on operating profit.

Note 4
Significant estimates and assessments

Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and other factors, including expectations about future events that are considered reasonable in the present circumstances. The Group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with the actual outcome. Estimates and assumptions which involve considerable risk of material adjustments to the carrying amounts of assets and liabilities during the next financial year are described below.

The assumptions made in connection with goodwill impairment testing can be found in Note 18.

In 2006, the Group sold four properties located in Värnamo, Svartå and Åshammar. The properties were built and equipped for industrial use. In connection with the sale, leases were signed for a term of 15 years. In the management's overall assessment pursuant to IAS 17, since the future economic benefits and risks after the sale largely flow to the buyer of three of the properties (located in Värnamo and Svartå), the leases for these properties are recognised as operational leases. The leases were subject to minor changes without impacting their classification as operational leases under IAS 17. For the fourth property, located in Åshammar, a new lease was signed in 2013, entailing its classification as a financial lease. See also Note 12.

Inventories represents a significant item in the Group's balance sheet. At 31 December 2016, inventories amounted to SEK 920 million (856), net, after deductions for obsolescence of SEK 77 million (71).
The policies for recognizing inventories are presented in Note 2. The risk of obsolescence is taken into consideration in conjunction with establishing the value of inventories. Bufab applies a Group-wide policy for determining obsolescence, which considers the turnover rate of the individual items and forecast sales volumes. Accordingly, the size of the obsolescence reserve is thus sensitive to changes in forecast sales volumes.

Bufab has been ordered to carry out surveys of environmental pollutants at an industrial property. See also Note 33.

Note 5
Information on operating segments

Segment reporting is prepared in accordance with IFRS 8. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function that makes decisions about resources to be allocated to the operating segments and assesses their performance. For the Group, this function has been identified as Group management. Three segments have been identified in the Group, two operational named segment Sweden and segment International, as well as segment Other. This segment structure is consistent with the internal reporting.

Segment Sweden includes Bufab's six subsidiaries in Sweden and its subsidiaries in the United States, which work closely with other subsidiaries in the segment. Segment International encompasses all activities Bufab engages in outside Sweden and the United States, which includes operations in 22 countries allocated across six regions. Management of the business is carried out on a segment basis in terms of objectives, allocation of resources and monitoring of results. Net sales in the segments relate to net sales to external customers. No individual customer accounts for more than 10 per cent of net sales in any of the segments.

Common overhead costs are distributed between the segments and are allocated on an arm's length basis. Segment Other consists of other unallocated costs for the Parent Company and Group eliminations.

	Sweden		International		Other		Group	
Group	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Income items								
Total revenue	**968**	**937**	**1,880**	**1,521**	**0**	**0**	**2,847**	**2,458**
Operating profit	**130**	**108**	**175**	**119**	**-33**	**-30**	**272**	**197**
Financial items	-	-	-	-	-	-	-21	-26
Profit after financial items	-	-	-	-	-	-	251	171
Taxes	-	-	-	-	-	-	-88	-46
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**163**	**125**
Assets	1,177	1,137	1,629	1,463	48	53	2,854	2,653
Liabilities	308	287	338	287	910	896	1,556	1,470
Other disclosures								
Investments	22	20	6	5	0	1	28	26
Depreciation	27	21	13	11	3	3	43	35

Note 6
Items affecting comparability

Tax on profit for the year	2016	2015
Additional tax	24	-
Total	**24**	**0**

Additional tax of SEK 24 million in 2016 relates to tax accruing to certain denied deductions for interest for the 2009, 2011 and 2012 financial years according to a ruling by the Administrative Court of Appeal in November 2016.
Refer also to Note 32.

Note 7
Employees, personnel expenses and fees paid to directors and auditors

Average number of employees	2016	% Male	2015	% Male
Parent Company				
Sweden	1	100	1	100
Total	**1**	**100**	**1**	**100**
Subsidiaries				
Sweden	311	76	304	76
Norway	20	90	20	90
Finland	50	86	51	88
Germany	22	77	21	71
Poland	45	73	37	70
Austria	28	79	28	79
Czech Republic	19	68	18	67
Spain	10	60	10	60
France	83	65	85	62
Netherlands	75	80	58	84
UK	139	80	31	84
Slovakia	12	67	12	67
Estonia	11	82	11	82
China	54	59	55	58
India	22	82	22	82
Taiwan	16	50	13	54
Romania	20	60	27	100
Russia	10	60	6	67
Hungary	9	67	10	60
Other	16	100	14	100
Total, subsidiaries	**972**	**75**	**833**	**75**
GROUP TOTAL	**973**	**75**	**834**	**75**

Board and senior executives	2016	% Female	2015	% Female
Board	8	25	8	25
Other senior executives	5	20	3	33

Salaries, employee benefits and social security fees	2016 Salaries and benefits	2016 Social security fees	2015 Salaries and benefits	2015 Social security fees
Parent Company	5.8	2.4	4.2	2.5
(of which pension cost)		0.8		0.7
Subsidiaries	360.8	123.5	314.3	112.8
(of which pension cost)		34.1		31.5
GROUP TOTAL	**366.6**	**125.9**	**318.5**	**115.3**
(of which pension cost)		34.9		32.2

Salaries and other remuneration categorised by country and among Board members, CEO and other employees	2016 Management*	2016 Other employees	2015 Management*	2015 Other employees
Parent Company	5.8	-	4.2	-
(of which bonuses, etc.)	0.8	-	0.0	-
Total, Parent Company	**5.8**	**-**	**4.2**	**-**
(of which bonuses, etc.)	0.8	-	0.0	-
Subsidiaries				
Subsidiaries, Sweden	11.7	127.2	6.6	126.7
(of which bonuses, etc.)	2.0		0.0	
Foreign subsidiaries	32.2	189.7	24.2	156.8
(of which bonuses, etc.)	2.4		0.9	
Total, subsidiaries	**43.9**	**316.9**	**30.8**	**283.5**
(of which bonuses, etc.)	4.4		0.9	
GROUP TOTAL	**49.7**	**316.9**	**35.0**	**283.5**
(of which bonuses, etc.)	5.2		0.9	

* Includes current and former Board members, as well as current and former CEO of the Parent Company and subsidiaries, as well as other senior executives in Group management

Group	2016 Fee/ Basic salary	2016 Variable remunera-tion	2016 Other benefits	2016 Pension	2015 Fee/ Basic salary	2015 Variable remunera-tion	2015 Other benefits	2015 Pension
Board of Directors								
Sven-Olof Kulldorff	0.4	-	-	-	0.4	-	-	-
Gunnar Tindberg	0.2	-	-	-	0.2	-	-	-
Adam Samuelsson	0.2	-	-	-	0.2	-	-	-
Hans Björstrand	0.2	-	-	-	0.2	-	-	-
Eva Nilsagård	0.2	-	-	-	0.1	-	-	-
Johanna Hagelberg	0.2	-	-	-	0.1	-	-	-
Ulf Rosberg	-	-	-	-	0.1	-	-	-
Johan Sjö	0.2	-	-	-	0.2	-	-	-
Bengt Liljedahl	0.1	-	-	-	-	-	-	-
CEO								
Jörgen Rosengren	2.9	0.8	0.1	0.7	2.6	-	0.1	0.7
Other senior executives	6.5	1.7	0.5	1.9	3.6	-	0.3	1.0

The Chairman is paid fees as resolved by the Annual General Meeting (AGM). The AGM set the Chairman's fees at SEK 0.4 million (0.4). Other Board members receive a total of SEK 1.4 million (1.2). Remuneration for the CEO and other senior executives comprises basic salary, variable remuneration, other benefits and a pension. The term "senior executives" refers to the members of Group management.

The variable remuneration received by the CEO and other senior executives is based on the achievement of financial targets. The CEO received a basic salary of SEK 2.9 million (2.6), variable remuneration of SEK 0.8 million (0.0) and pension benefits of SEK 0.7 million (0.7) during the year. The variable remuneration received by other senior executives is based on operating profit for each area of responsibility and at Group level. Other senior executives received a basic salary of SEK 6.5 million and variable remuneration of SEK 1.7 million.

The CEO's retirement age is 65. Pension costs are premium based and correspond to 25 per cent of basic salary paid. The company and the CEO have a mutual period of notice of six months. The CEO is also entitled to severance pay of 12 months' basic salary if notice is initiated by the company. The retirement age for other senior executives is 65, and their pension costs are also premium based. The company and other senior executives have a maximum period of notice of 12 months when notice is initiated by the company and six months when initiated by the employee.

Auditors' fees and remuneration	2016	2015
PwC		
Audit assignment	3	3
Tax advice	0	0
Other services	2	3
Other auditors		
Audit assignment	0	0

Audit assignment refers to fees for the statutory audit, meaning the work that was necessary in order to submit the audit report, as well as audit advisory services provided in connection with the audit assignment.

Note 8
Types of costs

	2016	2015
Materials purchased, including costs of delivery	1,752	1,547
Salaries, including social security fees	491	431
Depreciation	43	35
Other	289	248
Total operating expenses	**2,575**	**2,261**

Note 9
Other operating income

	2016	2015
Capital gain on sale of property, plant and equipment	2	1
Exchange-rate gains on operating receivables/liabilities	26	30
Rental income	1	1
Other	3	3
Total other operating income	**32**	**35**

Note 10
Other operating expenses

	2016	2015
Exchange-rate losses on operating receivables/liabilities	-26	-33
Remeasurement of additional purchase considerations	-3	-
Other	-5	-3
Total other operating expenses	**-34**	**-36**

Note 11
Depreciation/amortisation of non-current assets

	2016	2015
Depreciation/amortisation according to plan, by class of asset		
Other intangible assets	-9	-3
Buildings	-1	-1
Plant and machinery	-13	-12
Equipment, tools and fixtures & fittings	-20	-19
Total depreciation/amortisation	**-43**	**-35**
Depreciation/amortisation according to plan, by function		
Cost of goods sold	-21	-19
Distribution costs	-17	-12
Administrative expenses	-5	-4
Total depreciation/amortisation	**-43**	**-35**

Note 12
Operational leasing payments

	2016	2015
Assets held under operational leases		
Minimum lease payments	70	59
Total lease payments for the year	**70**	**59**
Agreed future minimum lease payments on non-cancellable leases are due as follows:		
Within one year	65	59
Between one and five years	174	156
After five years	30	39
Total payments	**269**	**254**

The Group's operational leases primarily comprise business premises. These leases are principally indexed against the Consumer Price Index and include extension options. For more information, refer to Note 4.

Note 13
Interest and similar income

	2016	2015
Exchange-rate differences	6	0
Interest income, other	1	1
Total	**7**	**1**

Note 14
Interest and similar expenses

	2016	2015
Interest expenses, other	-23	-18
Exchange-rate differences	-1	-5
Other	-4	-4
Total	**-28**	**-27**

Note 15
Exchange-rate differences affecting profit/loss items

	2016	2015
Exchange-rate differences affecting operating profit	0	-3
Exchange-rate differences on financial items	5	-5
Total	**5**	**-8**

Note 16
Tax on profit for the year

	2016	2015
Current tax		
Current tax for the year	-63	-42
Current tax for previous years*	-24	-
Total	**-87**	**-42**
Deferred tax expense (-)/income (+)		
Deferred tax income on temporary differences	-1	-4
Total	**-1**	**-4**
Recognised tax expense	**-88**	**-46**

Reconciliation of effective tax	2016	2015
Profit before tax	251	171
Tax according to Parent Company's applicable rate	-55	-38
Tax for previous years*	-24	-
Effect of foreign subsidiaries' tax rates	-4	-3
Effect of non-deductible expenses	-2	-3
Revaluation of tax losses/temp. differences	-3	-2
Recognised tax expense	**-88**	**-46**
Effective tax rate	35%	27%

*Refer also to Note 33.

Note 17
Earnings per share

	2016	2015
Profit for the year attributable to shareholders	163	125
Estimated average number of ordinary shares outstanding before dilution	38,110,533	38,110,533
Earnings per share before dilution, SEK	**4.29**	**3.27**
Estimated average number of ordinary shares outstanding after dilution	38,110,533	38,110,533
Earnings per share after dilution, SEK	**4.29**	**3.27**
Profit for the year attributable to shareholders	163	125
Items affecting comparability	24	-
Profit for the year excluding items affecting comparability	187	125
Estimated average number of ordinary shares outstanding before dilution	38,110,533	38,110,533
Earnings per share before dilution excluding items affecting comparability, SEK	**4.92**	**3.27**
Estimated average number of ordinary shares outstanding after dilution	38,110,533	38,110,533
Earnings per share after dilution excluding items affecting comparability, SEK	**4.92**	**3.27**

Note 18
Intangible assets

	Goodwill		Other intangible assets	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Accumulated cost				
At beginning of year	939	781	65	10
New purchases for the year	69	166	1	10
Reclassifications	-	-	5	2
New purchases through acquisitions	-	-	18	43
Exchange-rate differences for the year	4	-8	0	-
At year-end	**1,012**	**939**	**89**	**65**
Accumulated amortisation according to plan and impairments				
At beginning of year	-43	-42	-11	-5
Amortisation according to plan for the year	-	-	-9	-3
Amortisation in acquired companies	-	-	-	-3
Exchange-rate differences for the year	-1	-1	0	0
At year-end	**-44**	**-43**	**-20**	**-11**
Carrying amount at beginning of period	**896**	**739**	**54**	**5**
Carrying amount at end of period	**968**	**896**	**69**	**54**

Bufab tests goodwill for impairment requirements on an annual basis.

The Group's goodwill has been allocated to its lowest cash-generating units. Accordingly, SEK 526 million (503) was attributable to segment Sweden and SEK 442 million (393) to segment International. In segment Sweden, the goodwill item encompasses the entire segment as a single cash-generating unit, whereas in segment International, goodwill is divided among 15 (14) cash-generating units.

Since acquired units are integrated into Bufab's business model and exposed to similar risks, the same assumptions apply to all cash-generating units.

The recoverable amount for the cash-generating units was determined by calculating the value in use by way of discounting future cash flows.

The calculations were based on the company's budget and financial plans for 2017-2019, as approved by executive management and the Board. The plans for these years are detailed. The growth presented in the budget and financial plans during the forecast period is based on the Group's past organic growth and performance in the market segments in which Bufab is active. For the periods beyond those forecast, a 2 per cent (2) rate of growth and inflation was assumed.

Expected future cash flows according to these assessments form the basis for the estimates. Changes in working capital and investment needs were also taken into account. The present value of the forecast cash flow was calculated using a discount rate of 8 per cent (8) after tax, corresponding to 8.5 per cent (8.5) before tax.

Impairment testing was conducted in conjunction with the annual accounts on 31 December 2016 and was addressed by the company's Board. No impairment requirement was indicated.

Executive management conducted a number of calculations based on reasonable potential changes in significant assumptions concerning the discount rate, growth and gross margins.

A change in the discount rate to 9 per cent after tax would not result in any impairment requirement of the Group's recognised goodwill. The Group's budget and business plans during the forecast period include increases in sales, earnings and cash flow. Nor would an assumption of a halved rate of growth or an assumption of a halved increase in the gross margin result in any need for impairment of goodwill. Segment International includes a cash-generating unit that is particularly sensitive to changed assumptions of future cash flows. Assuming a sustainable cash-flow level on a par with the outcome for 2016, an impairment requirement of SEK 36 million arises in this separate unit.

Note 19
Property, plant and equipment

	Land and buildings		Plant and machinery		Equipment, tools and fixtures & fittings	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Accumulated cost						
At beginning of year	14	14	142	136	166	137
New purchases for the year	1	-	7	5	9	11
New purchases through acquisitions	-	-	-	1	6	23
Divestments and disposals	-	-	0	-1	-8	-4
Reclassifications	2	-	4	1	2	2
Exchange-rate differences for the year	-	-	-	-	1	-3
At year-end	**17**	**14**	**153**	**142**	**176**	**166**
Accumulated depreciation according to plan						
At beginning of year	-3	-2	-96	-84	-93	-64
Divestments and disposals	-	-	0	1	7	4
Depreciation according to plan for the year	-1	-1	-13	-12	-20	-19
Depreciation in acquired companies	-	-	-	-1	-4	-16
Exchange-rate differences for the year	-	-	-	-	-1	2
At year-end	**-4**	**-3**	**-109**	**-96**	**-111**	**-93**
Carrying amount at beginning of period	**11**	**12**	**46**	**52**	**73**	**73**
Carrying amount at end of period	**13**	**11**	**44**	**46**	**65**	**73**

Note 20
Work in progress and advances for property, plant and equipment

	Intangible assets		Property, plant and equipment	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
At beginning of year	5	8	8	3
Reclassifications	-5	-3	-8	-3
Investments	0	0	10	8
Carrying amount at end of period	**0**	**5**	**10**	**8**

Note 21
Financial leases

	Cost		Accumulated depreciation	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Plant and machinery	12	12	-10	-8
Buildings	14	14	-4	-2
Total financial leases	**26**	**26**	**-14**	**-10**

Future minimum lease payments fall due as follows:

	Nominal value		Present value	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Within one year	4	4	4	4
Between one and five years	8	11	8	10
After five years	-	0	-	0
Total future lease payments	**12**	**15**	**12**	**14**

The present value of future minimum lease payments is recognised as an interest-bearing liability. The consolidated earnings do not include any variable fees concerning financial leases.

Note 22
Other non-current receivables

	2016	2015
Accumulated cost		
At beginning of year	4	3
Investments for the year	0	1
Carrying amount at year-end	**4**	**4**

Note 23
Past-due receivables

	2016	2015
Number of days past due:		
30-90 days	25	28
91-180 days	5	8
181-360 days	3	2
More than 360 days	6	7
Carrying amount at year-end	**39**	**45**
Provision in balance sheet for doubtful debts	8	8

Bad debt losses	**2016**	2015
Costs of bad debt losses affecting profit for the year	3	2
Total	**3**	**2**

Note 24
Prepaid expenses and accrued income

	2016	2015
Rent	9	8
Insurance	2	2
Licences	6	3
Other prepaid expenses	16	13
Carrying amount at year-end	**33**	**26**

Note 25
Equity

For a specification of the number of shares outstanding, refer to Note 8 for the Parent Company

Note 26
Pension obligations, interest-bearing

	31 Dec 2016	31 Dec 2015
FPG/PRI	24	23
Retirement pension, foreign companies	8	8
Total	**32**	**31**

The assumptions in the table below are used to measure the pension obligation under defined-benefit pension plans.

	Sweden		Other countries	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Discount rate	2.4%	3.0%	2.4%	2.4%
Rate of salary increase	-*	-*	1.6%	2.0%
Inflation	1.5%	1.5%	0.0%	2.0%

* In the Swedish companies, the FPG/PRI pension plans are closed. The benefits are instead financed through insurance with Alecta. This assumption is not used for this reason.

Specification of total costs for post-retirement benefits recognised in profit or loss (SEK million)	2016	2015
Costs relating to defined-benefit plans		
Service costs for current year	0	0
Interest on obligations	1	1
Costs relating to defined-benefit plans	1	1
Costs relating to defined-contribution plans	31	31
Total costs recognised in profit or loss	**32**	**32**

Post-employment benefits are settled mainly by payments to insurance companies or agencies which then assume the obligations to the employees (defined-contribution pensions). The remainder are settled under defined-benefit plans, meaning that the obligations remain in the Bufab Group. The largest defined-benefit plan is in Sweden (FPG/PRI). The company's costs and the value of the outstanding obligations under defined-benefit plans are measured using actuarial calculations designed to determine the present value of the obligations. Interest and the expected return are classified as finance costs. Other expense items are recognised in operating profit under cost of goods sold, distribution costs or administrative expenses, depending on the employee's function.

Note 27
Deferred tax assets and deferred tax liabilities

	31 Dec 2016		31 Dec 2015	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Machinery and equipment	-	13	-	14
Tax allocation reserve	-	24	-	22
Intangible assets	-	12	-	8
Other	4	1	4	2
Loss carry-forwards	14	-	18	-
Total	**18**	**50**	**22**	**46**

Tax-loss carry-forwards are recognised as deferred tax assets insofar as it is probable that they can be credited against future taxable profits. According to current plans, all companies' earnings in the coming years will enable the Group to utilise the recognised tax asset that exists. The Group has no significant loss carry-forwards that were not taken into account in its financial statements. The provision for deferred tax for intangible assets is attributable to the tax effect of consolidated remeasurement of assets to fair value.

Note 28
Non-current interest-bearing liabilities

	31 Dec 2016	31 Dec 2015
Amount of liability items expected to be settled 1-5 years after balance-sheet date	852	808
Amount of liability items expected to be settled more than 5 years after balance-sheet date	0	1
Total	**852**	**809**

Of the Group's non-current interest-bearing liabilities, SEK 840 million (793) stem from credit from Svenska Handelsbanken. The remainder of the non-current interest-bearing liability derives primarily from financial leases. The Group must fulfil specific borrowing terms (covenants) required by external creditors, including equity/assets ratios and the ratio between operating profit before depreciation/amortisation and impairment, and net debt. These covenants were fulfilled throughout the financial year. On the balance-sheet date, the average interest rate on the Group's non-current liabilities was 1.8 per cent (2.1).

Note 29
Liabilities relating to additional purchase considerations

	31 Dec 2016	31 Dec 2015
Carrying amount at beginning of year	25	0
Additional purchase considerations for acquired companies	40	25
Paid additional purchase considerations for acquired companies	-8	0
Remeasurement of liability for additional purchase considerations	3	-
Carrying amount at year-end	**60**	**25**
- of which recognized as "Other current liability"	36	3
- of which recognized as "Other non-interest-bearing liabilities"	24	22

Additional purchase considerations are related to acquisitions carried out in 2015 and 2016. For more information, see page 35. All additional purchase considerations are conditional and dependent on the future earnings trend of the acquired companies and the effect of this on the companies' valuation. A small share in one of the acquisitions is also conditional upon an improvement in the company's tied-up working capital. Liabilities relating to additional purchase considerations are remeasured on an ongoing basis by management at an estimated fair value based on the acquired companies' earnings performance, established budget and business plans and forecasts. This means that the measurement of fair value is essentially based on unobservable input data (Level 3 according to the definition in IFRS 13).

Note 30
Pledged assets

	31 Dec 2016	31 Dec 2015
Floating charges	231	227
Shares in subsidiaries	1,327	1,201
Total	**1,558**	**1,428**

Note 31
Overdraft facilities

	31 Dec 2016	31 Dec 2015
Credit limit granted	140	149
Unutilised portion	-82	-98
Credit amount utilised	**58**	**51**

Note 32
Accrued expenses and deferred income

	31 Dec 2016	31 Dec 2015
Accrued salaries incl. holiday pay	46	39
Accrued social security fees	21	16
Other items	43	29
Total	**110**	**84**

Note 33
Contingent liabilities

	31 Dec 2016	31 Dec 2015
Taxes	-	24
Environment	30	30
Other contingent liabilities	5	5
Total	**35**	**59**

Environment

In accordance with an injunctive order, the company conducted environmental investigations at a property where a subsidiary had been engaged in manufacturing until 1989, which was prior to the subsidiary being acquired by Bufab. The investigations revealed traces of environmental pollution. In light of the investigations performed, it is probable that the subsidiary's operations caused the pollution at this property. The legal and technical experts engaged in this case believe that it is probable that the Municipality will order the subsidiary to carry out remediation measures, although the extent of these measures is not known.

On the termination of a lease agreement in 2013, Bufab also conducted an environmental investigation at another property. In order to obtain an overview of environmental issues relevant to the Group, Bufab also conducted an environmental audit in 2013, and where necessary an environmental engineering survey, of all properties where Bufab has previously engaged in manufacturing. The investigations have shown traces of pollution in two additional cases. If any link were established between this pollution and Bufab's operations, it would be the result of working and production methods that ceased to be used in the 1980s or earlier. Based on the investigations, it is Bufab's assessment that the identified pollution may have been caused by activities conducted by parties other than Bufab. However, the legal liability issue is difficult to assess and it is not inconceivable that Bufab could be required to implement remediation measures. Further investigations may be conducted in the next few years at the initiative of Bufab or other parties. The legal and technical experts engaged in this case believe it to be less probable that Bufab will be made responsible for carrying out remediation measures.

Having consulted technical and legal experts based on the information available when the financial report was issued, it is Bufab's assessment that the total cost of potential remediation measures arising from the identified environmental pollution will not exceed a total of SEK 30 million during the next decade.

Tax

In a judgment by the Court of Appeal on 8 November 2016, the Tax Agency's assessment notice was upheld and Bufab AB (publ) has been denied deductions for certain interest expenses. The tax effect of these deductions was SEK 24 million and has been reported in previous years as a contingent liability. Following the judgement, it has been reclassified and recognised as a tax expense in net income for 2016.

Note 34
Related-party transactions

Related parties to the Bufab Group are primarily the senior executives. Remuneration of senior executives is presented in Note 7.

Not 35
Acquisitions

2016

Liabilities for conditional, not yet paid purchase considerations have been remeasured as a result of the positive performance of acquired companies and incurred a cost in 2016 of SEK 3 million. This cost is recognised under other operating expenses in segment Other.

Two acquisitions were carried out during the 2016 fiscal year: Magnetfabriken AB in Sweden in March and Montrose Holdings Ltd in the UK in December. Magnetfabriken AB is recognized in segment Sweden and Montrose Holdings Ltd in segment International.

Transaction costs for these acquisitions amounted to SEK 4 million and are recognised in the item administrative expenses in segment Other.

The amounts of the assets and liabilities included in the acquisitions were as follows:

Preliminary acquisition analysis Magnetfabriken AB	Carrying amount on acquisition date	Adjustment to fair value	Fair value
Intangible assets		8	8
Other non-current assets	0		0
Inventories	3		3
Other current assets	2		2
Cash and cash equivalents	4		4
Deferred tax liabilities	0	-2	-2
Other liabilities	-2		-2
Acquired net assets	**7**	**6**	**13**
Goodwill			23
Purchase consideration			**36**
Less: cash and cash equivalents in acquired operations			-4
Less: conditional purchase consideration yet to be paid			-4
Effect on the Group's cash and cash equivalents			**28**

The purchase consideration for Magnetfabriken AB amounted to SEK 36 million, of which SEK 31 million was allocated to goodwill and other intangible assets according to the acquisition analysis. Of the not yet paid purchase consideration, the estimated fair value of the conditional purchase consideration amounted to SEK 4 million. The conditional purchase consideration is dependent on the future earnings trend and its effect on the company's valuation.

In 2016, the acquisition has positively impacted the Bufab Group's net sales by SEK 20 million since transfer. The net impact, after acquisition costs, on accumulated operating profit was a positive SEK 4 million and the effect on profit after tax was a positive SEK 3 million. The acquisition would have positively impacted the Group's net sales for the 2016 financial year by an estimated SEK 23 million, operating profit after transaction costs by about SEK 4 million and profit after tax for the period by about SEK 3 million if it had been implemented on 1 January 2016.

The amounts allocated to intangible assets refer to customer relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions for the year amounted to SEK 1 million and annual future estimated amortisation amounts to SEK 1 million.

The acquisition analysis for Magnetfabriken AB is preliminary.

Goodwill arising in connection with the acquisition is attributable to the knowledge accrued in the acquired company and the established and consolidated market positions and the anticipated profitability related to it. Since Magnetfabriken AB conducts joint market activities with the other companies in Sweden, the goodwill item totalling SEK 23 million that arose has been attributed to the same cash-generating unit as the other Swedish companies.

Preliminary acquisition analysis, Montrose Holdings Ltd.	Carrying amount on acquisition date	Adjustment to fair value	Fair value
Intangible assets		10	10
Other non-current assets	1		1
Inventories	15	0	15
Other current assets	17		17
Cash and cash equivalents	19		19
Deferred tax liabilities	0	-2	-2
Other liabilities	-17		-17
Acquired net assets	**35**	**8**	**43**
Goodwill			46
Purchase consideration*			**89**
Less: cash and cash equivalents in acquired operations			-19
Less: conditional purchase consideration yet to be paid			-30
Effect on the Group's cash and cash equivalents			**40**

* The consideration is stated excluding acquisition expenses

The purchase consideration for Montrose Holdings Ltd amounted to SEK 89 million, of which SEK 56 million was allocated to goodwill and other intangible assets according to the acquisition analysis. Of the not yet paid purchase consideration, the estimated fair value of the conditional purchase consideration amounted to SEK 30 million. The conditional purchase consideration is primarily dependent on the future earnings trend and its effect on the company's valuation, with a smaller part dependent on improvements in the company's tied-up working capital.

In 2016, the acquisition positively impacted the Bufab Group's net sales by SEK 6 million since transfer. The net impact, after acquisition costs, on accumulated operating profit was a negative SEK 3 million and the effect on profit after tax was a negative SEK 3 million. The acquisition would have positively impacted the Group's net sales for the 2016 financial year by an estimated SEK 81 million, operating profit after transaction costs by about SEK 4 million and profit after tax for the period by about SEK 2 million if it had been implemented on 1 January 2016.

The amounts allocated to intangible assets refer to customer relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions for the year amounted to SEK 0 million and annual future estimated amortisation amounts to SEK 1 million.

The acquisition analysis for Montrose Holdings Ltd is preliminary.

Goodwill arising in connection with the acquisition is attributable to the knowledge accrued in the acquired company and the established and consolidated market positions and the anticipated profitability related to it. In light of the company's independent role in the UK market, the goodwill item totalling SEK 46 million that arose was recognized in a separate cash-generating unit in the segment International.

2015

Two acquisitions took place during the 2015 financial year: Flos B.V. in February and Apex Stainless Holdings Limited in the UK in November. Both of these companies are recognised in segment International.

Transaction costs for these acquisitions amounted to SEK 8 million and are recognised in the item administrative expenses in segment Other.

The amounts of the assets and liabilities included in the acquisitions were as follows:

Acquisition analysis Flos B.V.	Carrying amount on acquisition date	Adjustment to fair value	Fair value
Intangible assets		13	13
Other non-current assets	5		5
Inventories	35		35
Other current assets	36		36
Deferred tax liabilities	-1	-3	-4
Other liabilities	-38		-38
Acquired net assets	**37**	**10**	**47**
Goodwill			55
Purchase consideration*			**102**
Less: cash and cash equivalents in acquired operations			0
Less: conditional purchase consideration			-30
Added: paid out conditional consideration			17
Effect on the Group's cash and cash equivalents			**89**

* The consideration is stated excluding acquisition expenses

The purchase consideration for Flos B.V. amounted to SEK 102 million, of which SEK 68 million was allocated to goodwill and other intangible assets according to the acquisition analysis. The estimated fair value of the conditional purchase consideration amounted to SEK 30 million, comprising about 34 per cent of the maximum payment outcome. Of the conditional purchase consideration totaling SEK 30 million SEK 17 million was paid in 2016. The conditional purchase consideration is dependent on the future earnings trend and its effect on the company's valuation.

From the date of transfer, the acquisition positively impacted the Bufab Group's net sales in 2015 by SEK 148 million. The net positive impact on accumulated operating profit, after transaction costs, amounted to SEK 11 million and the positive effect on profit after tax was SEK 7 million. The acquisition would have positively impacted the Group's net sales for the 2015 financial year by an estimated SEK 178 million, operating profit after transaction costs by about SEK 14 million and profit after tax for the period by about SEK 9 million if it had been implemented on 1 January 2015.

The amounts allocated to intangible assets refer to customer relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions for the year amounted to SEK 1 million and annual future estimated amortisation amounts to SEK 1 million.

Goodwill arising in connection with the acquisition is attributable to the knowledge accrued in the acquired company and the established and consolidated market positions and the anticipated profitability related to it.

Apex Stainless Holdings Limited	Carrying amount on acquisition date	Adjustment to fair value	Fair value
Intangible assets		30	30
Other non-current assets	3		3
Inventories	144	-5	139
Other current assets	70	1	71
Cash and cash equivalents	11		11
Deferred tax liabilities	0	-5	-5
Other liabilities	-32	-1	-33
Acquired net assets	**196**	**20**	**216**
Goodwill			111
Purchase consideration*			**327**
Less: cash and cash equivalents in acquired operations			-11
Less: conditional purchase consideration			-22
Added: paid out conditional consideration **			13
Effect on the Group's cash and cash equivalents			**307**

* The consideration is stated excluding acquisition expenses
** The amount is paid out to an escrow account

The purchase consideration for Apex Stainless Holdings Limited amounted to SEK 327 million, of which SEK 141 million was allocated to goodwill and other intangible assets according to the acquisition analysis. Of not yet paid out purchase consideration, the estimated fair value of the conditional purchase consideration amounted to SEK 22 million, comprising about 42 per cent of the maximum payment outcome. The conditional purchase consideration is dependent on the future earnings trend and its effect on the company's valuation.

From the date of transfer, the acquisition positively impacted the Bufab Group's net sales in 2015 by SEK 20 million. The net impact on accumulated operating profit, after transaction costs, amounted to a negative SEK 6 million and the negative effect on profit after tax was SEK 5 million. The acquisition would have positively impacted the Group's net sales for the 2015 financial year by an estimated SEK 303 million, operating profit after transaction costs by about SEK 43 million and profit after tax for the period by about SEK 33 million if it had been implemented on 1 January 2015.

The amounts allocated to intangible assets refer to customer relationships and supplier relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions during the year amounted to SEK 0 million and annual future estimated amortisation amounts to SEK 3 million.

Goodwill arising in connection with the acquisition is attributable to the knowledge accrued in the acquired company and the established and consolidated market positions and the anticipated profitability related to it.

Note 36
Events after the end of the financial year

No significant events report.

Parent Company income statement

SEK million	Note	2016	2015
Administrative expenses		-11	-10
Other operating income		5	3
Operating loss	3	**-6**	**-7**
Profit/loss from financial items			
Interest and similar expenses	4	-1	0
Loss after financial items		**-7**	**-7**
Appropriations	5	102	66
Tax on profit for the year	2, 6	-45	-13
PROFIT FOR THE YEAR		**50**	**46**

Statement of comprehensive income

SEK million	2016	2015
Profit after tax	**50**	**46**
Other comprehensive income	-	-
Total comprehensive income	**50**	**46**

Parent Company balance sheet

SEK million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	7	845	845
Total financial assets		**845**	**845**
Total non-current assets		**845**	**845**
Current assets			
Current receivables			
Receivables from Group companies		183	178
Other receivables		5	11
Total current receivables		**188**	**189**
Cash and bank balances		0	0
Total current assets		**188**	**189**
TOTAL ASSETS		**1,033**	**1,034**
EQUITY AND LIABILITIES			
Equity	8		
Share capital		1	1
Other paid-in capital		488	488
Retained earnings		424	438
Total equity		**913**	**927**
Untaxed reserves	9	**109**	**100**
Current non-interest-bearing liabilities			
Trade payables		1	1
Current tax liabilities		5	3
Accrued expenses and deferred income	10	5	3
Total current non-interest-bearing liabilities		**11**	**7**
TOTAL EQUITY AND LIABILITIES		**1,033**	**1,034**

Parent Company statement of changes in equity

SEK million	Share capital	Other paid-in capital*	Retained earnings	Total equity
Equity on 1 January 2015	**1**	**488**	**449**	**938**
Other comprehensive income	**0**	**0**	**46**	**46**
Transactions with shareholders				
Dividend to Parent Company shareholders	-	-	-57	-57
Total shareholder transactions	**0**	**0**	**-57**	**-57**
Equity on 31 December 2015	**1**	**488**	**438**	**927**
Other comprehensive income	**0**	**0**	**50**	**50**
Transactions with shareholders				
Dividend to Parent Company shareholders	-	-	-65	-65
Total shareholder transactions	**0**	**0**	**-65**	**-65**
Equity on 31 December 2016	**1**	**488**	**424**	**913**

* The Parent Company's restricted equity comprises share capital and SEK 32 million in other paid-in capital.

Parent Company cash-flow statement

SEK million	2016	2015
Operating activities		
Profit before financial items	-6	-7
Income tax paid	-33	-10
Cash flow from operating activities before changes in working capital	**-39**	**-17**
Cash flow from changes in working capital		
Increase (-)/decrease (+) in operating receivables	-8	1
Increase (+)/decrease (-) in operating liabilities	2	1
Cash flow from operating activities	**-45**	**-15**
Financing activities		
Dividend to shareholders	-65	-57
Group contributions received	111	66
Cash flow from financing activities	**46**	**9**
Cash flow for the year	**1**	**-6**
Cash and cash equivalents at beginning of year	0	6
Cash and cash equivalents at year-end	**1**	**0**

Notes to Parent Company financial statements

All amounts are in SEK million unless otherwise specified. The figures in brackets indicate the preceding year's values.

Note 1
Summary of key accounting policies

The Parent Company applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Under the recommendation, the parent of a group which has voluntarily elected to apply IFRS/IAS in its consolidated financial statements is, as a general rule, to apply the IFRS/IAS that are applied in the Group.

The Parent Company's participations in Group companies are recognised using the cost method. Distributions received are only recognised as revenue if they are derived from post-acquisition earnings. Distributions received in excess of such earnings are regarded as a recovery of investment and are recognised as a reduction of the carrying amount of the investment.

Shareholders' contributions are recognised directly in the recipient's equity and are capitalised in the issuer's shares and participating interests, to the extent that impairment is not required. Group contributions are recognised as appropriations in profit and loss.

Note 2
Items affecting comparability

Tax on profit for the year	2016	2015
Additional tax	24	-
Total	**24**	**0**

Additional tax of SEK 24 million in 2016 relates to tax accruing to certain denied deductions for interest for the 2009, 2011 and 2012 financial years. Refer also to Note 6.

Note 3
Employees, personnel expenses and fees paid to directors and auditors

The company has 1 (1) employee.

Average number of employees	2016	2015
Female	-	-
Male	1	1
Total	**1**	**1**

	2016		2015	
Salaries, employee benefits and social security fees	Salaries and benefits	Social security fees	Salaries and benefits	Social security fees
Salaries and remuneration to Board and CEO	5.8	2.4	4.2	2.5
(of which bonuses, etc.)	0.8		0.0	
(of which pension cost, defined-contribution plans)		0.8		0.7
Total	**5.8**	**2.4**	**4.2**	**2.5**

Sickness absence

Sickness absence information is not disclosed since the Parent Company has fewer than ten employees.

Auditors' fees and remuneration	2016	2015
PwC		
Audit assignment	1	1
Other services	0	1

Audit assignment refers to fees for the statutory audit, meaning the work that was necessary in order to submit the audit report, as well as audit advisory services provided in connection with the audit assignment.

Note 4
Interest and similar expenses

	2016	2015
Interest expenses, other	-1	-
Total	**-1**	**0**

Note 5
Appropriations

Average number of employees	2016	2015
Transfers to tax allocation reserve, 2017 tax year	-32	-
Transfers to tax allocation reserve, 2016 tax year	-	-20
Reversal of tax allocation reserve, 2012 tax year	23	-
Group contributions received	111	86
Total	**102**	**66**

Note 6
Tax on profit for the year

	2016	2015
Current tax		
Current tax for the year	-21	-13
Current tax for previous years*	-24	-
Total	**-45**	**-13**

Reconciliation of effective tax	2016	2015
Profit before tax	95	59
Tax according to Parent Company's applicable rate	-21	-13
Tax for previous years*	-24	-
Recognised effective tax	**-45**	**-13**

* Refer also to Note 2.

Note 7
Participations in Group companies

	31 Dec 2016	31 Dec 2015
Accumulated cost		
At beginning of year	845	845
Total cost	**845**	**845**
Carrying amount at end of period	**845**	**845**

Specification of Parent Company's and Group's holdings of shares in Group companies	Holding[1], %	**31 Dec 2016 Carrying amount**	31 Dec 2015 Carrying amount
Subsidiary/Corp. Reg. No/registered office			
Bult Finnveden AB, 556194-4884, Värnamo, SE	100	845	845
Bufab Sweden AB, 556082-7973, Värnamo, SE	100		
Bufab Kit AB, 556250-8506, Värnamo, SE	100		
Bufab Lann AB, 556180-8675, Värnamo, SE	100		
Magnetfabriken AB, 559010-5614 , Västerås, SE	100		
Swedfast Trading AB, 556914-0733, SE	100		
Bufab Benelux BV, 3117232260, Eindhoven, NL	100		
Bufab Danmark A/S, 157848, Albertslund, DK	100		
Bufab Norge AS, 876612062, Oslo, NO	100		
Bufab (UK) Limited, 02611234, Reading, UK	100		
Bufab France SAS, B 112 721, Gennevilliers, FR	100		
Bufab Hungary Kft, 13-09-143460, HU	100		
Bufab Germany GmbH, 07229 / 21283, Mörfelden-Walldorf, DE	100		
Bumax AB, 556176-1957, Degerfors	100		
Bufab Poland Sp.z.o.o., KRS 0000036164, Gdansk, PL	100		
Bufab Austria GmbH, FN 266844 v, Wien, AT	100		
Bufab CZ s.r.o., (IC) 25561260, Brno, CZ	100		
Bufab Baltic OÜ, EE101042585, Keila, EST	100		
Bufab Spain SLU, ESB08464430, Terrassa Barcelona, ES	100		
Bufab Industries SAS, FR12353237431, Corbas Lyon, FR	100		
Bufab Fasteners Trading (Shanghai) Co Ltd , 310000400448552, Shanghai, CH	100		
Bufab Finland Oy, Vantaa , 2042801-2, FI	100		
Bufab India, U29299PN2008PTC131481, Pune, IN	100		
Bufab USA Inc, 26-2606492, New York, US	100		
Bufab Taiwan Co Ltd, 29002549, Kaohsiung City, TW	100		
Bufab Slovakia s.r.o., Banska Bystrica, 31 639 291, SK	100		
Bufab Russia, INN7840408623, St Petersburg, RU	100		
Bufab Turkey, 1890607929, Istanbul, TR	100		
Bufab Romania SRL, RO25446590, Apahida Cluj, RO	100		
Bufab Ireland LTD, NI061428, Dundalk, NI	100		
Bufab Italy S.r.l., 97605340153, Corsico (Milan), IT	100		
Bufab Singapore PTE. Ltd, 201614160Z, Singapore, SG	100		
Flos B.V., 17062762, Eindhoven, NL	100		
Apex Stainless Holdings Limited, 08403936, Rugby, UK	100		
Apex Stainless Fasteners Limited, 02631068, Rugby, UK	100		
Montrose Holdings Limited, 09731597, High Wycombe, UK	100		
Montrose Fasteners Limited, 02646431, High Wycombe, UK	100		
		845	**845**

1) Ownership of capital, which also corresponds to the percentage of votes for the total number of shares.

Note 8
Equity

A total of 38,110,533 ordinary shares were issued on the balance-sheet date.
The shares had a quotient value of SEK 0.01436 on the balance-sheet date.
All issued shares have been paid for in full.

Note 9
Untaxed reserves

	31 Dec 2016	31 Dec 2015
Tax allocation reserve, 2012 tax year	-	23
Tax allocation reserve, 2013 tax year	8	8
Tax allocation reserve, 2014 tax year	27	27
Tax allocation reserve, 2015 tax year	22	22
Tax allocation reserve, 2016 tax year	20	20
Tax allocation reserve, 2017 tax year	32	-
Total	**109**	**100**

Note 10
Accrued expenses and deferred income

	31 Dec 2016	31 Dec 2015
Accrued salaries incl. holiday pay	2	1
Accrued social security fees	1	1
Other	2	1
Total	**5**	**3**

Note 11
Pledged assets

	31 Dec 2016	31 Dec 2015
Shares in subsidiaries	845	845
Total	**845**	**845**

Note 12
Contingent liabilities

	31 Dec 2016	31 Dec 2015
Guarantees to subsidiaries	1,303	1,038
Taxes	-	24
Total	**1,303**	**1,062**

Guarantees to subsidiaries relates to subsidiaries' liability in Svenska Handelsbanken.

For further information about the item Taxes in contingent liabilities, please refer to Note 33 of the consolidated financial statements.

The income statements and balance sheets will be presented for adoption by the Annual General Meeting on 4 May 2017.

The undersigned certify that the annual report for the Group and the Parent Company has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting policies, and gives a true and fair view of the financial positions and results of the Group and the Parent Company, and that the directors' report gives a fair overview of the performance of the operations, financial positions and results of the Group and the Parent Company, and describes substantial risks and uncertainties faced by the Group's companies.

Värnamo, 21 March 2017

Sven-Olof Kulldorff
Chairman of the Board

Hans Björstrand
Board member

Johanna Hagelberg
Board member

Bengt Liljedahl
Board member

Eva Nilsagård
Board member

Adam Samuelsson
Board member

Johan Sjö
Board member

Gunnar Tindberg
Board member

Jörgen Rosengren
CEO

Our audit report was submitted on 21 March 2017
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant
Auditor in Charge

Frida Wengbrand
Authorised Public Accountant

Auditor's Report

To the meeting of shareholders in Bufab AB (publ), Corporate Identity Number 556685-6240

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bufab AB (publ) for year 2016. The annual accounts and consolidated accounts of the company are included on pages 4-41 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore, recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit activities

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

When we designed our group audit strategy and group audit plan, we determined the degree of audit activities required by the group audit team, respective component auditors within the PwC network. As a result of the group's decentralised finance organisation, a significant portion of the group's financial reporting is prepared in components outside Sweden. This implies that a significant portion of the group audit is required to be executed by component auditors working within the PwC network in other countries.

When we assessed the degree of audit activities required to be implemented in the respective units, we considered the group's geographical spread, the size of the respective units, and the specific risk profile represented by the respective components. Against this background, we determined that a full audit was to be executed on, in addition to the parent company in Sweden, financial information prepared by twelve significant subsidiaries (with registered offices in a total of six different countries).

For the components (16 units in as many different countries) where we have deemed that it is not motivated to execute a complete audit, we have instructed the component auditors to undertake specifically defined audit measures. For the other eight units deemed to be of no significance to the group audit, the group team undertook analytical procedures at group level.

In the case the unit auditors execute work which is significant to our audit of the group, we evaluate, in our role as group auditors, the need and degree of involvement required in the work of the component auditors with the aim of determining whether significant audit evidence has been obtained to provide the basis for our opinion in the group's Auditor's Report. For this purpose, the group audit team regularly visits the component auditors and significant subsidiaries. During 2016, the group audit team visited Great Britain and France for these purposes.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit adressed the Key audit matter
Valuation of goodwill As at 31 December 2016, the group reports goodwill of 968 MSEK which is divided between a total of 16 cash-generating units, of which the single largest cash-generating unit is Segment Sweden (526 MSEK). In accordance with IAS 36, the group tests, on an annual basis, the existence of an impairment requirement as regards reported goodwill. This testing is undertaken per cash-generating unit and through the recoverable value being calculated and compared with the carrying value of the operations. The recoverable value is determined by company management on the basis of a calculation of the cash-generating units' capacity to generate cash flow in the future. The impairment tests are significant to our audit as goodwill represents a major item in the balance sheet and, in addition, the impairment testing implies that company management are required to undertake significant estimations and judgements on the future. Based on the group's prepared impairment tests, no write-down requirement for goodwill was identified as at 31 December 2016. The most significant assumptions applied in the impairment testing are described in Note 18.	Our audit measures included an assessment of the cash flow calculations' mathematical correctness and a reconciliation of the cash flow forecasts against the 2017 budget adopted by the Board of the Directors and against the business plan for 2018-2019. We have evaluated and assessed the company's valuation model to determine if it is in accordance with generally accepted valuation techniques. We have challenged the company management regarding the reasonableness of the assumptions having the greatest effect on the impairment testing, which includes the sustainable growth rate, sustainable gross margin and the discount rate On the basis of our own implemented sensitivity analyses, we have challenged company management's assumptions and tested the margin of safety and assessed the risk of a write-down requirement. We have also assessed whether the company has provided sufficient disclosures in the annual report regarding the assumptions which in the case of a change could lead to a write-down of goodwill in the future.
Valuation of inventories As at 31 December 2016, the group reports inventories of 920 MSEK. The valuation of inventories is significant to our audit as this valuation includes a number of estimations and judgements and, in addition, the value of the inventory is equivalent to a major portion (approximately 32%) of the group's total assets. An important assessment which company management is required to undertake in making a valuation of the inventory comprises of the group's capacity to sell its products in the inventory at a price in excess of acquisition cost and, in this context, consider the risk of obsolescence. The risk of obsolescence is impacted by Bufab's business model as an important portion of the group's client offering is comprised of fulfilling the clients' needs regarding fasteners quickly and cost effectively. Consequently, and with the aim of meeting the clients' requirements, Bufab can, in cases, find it necessary to keep in stock significant quantities of articles which reduces the turnover rate and increases the risk of obsolescence. With the aim of identifying and calculating the consistency in the risk of obsolescence, company management has adopted a group-wide obsolescence policy. The obsolescence policy considers the individual articles' turnover rate which, together with assessed future sales volumes, comprises the basis on which company management can determine a reasonable obsolescence provision. The group's principles for the valuation of inventory and reporting of obsolescence are described in Note 2 in the annual report. Important estimations and judgements required to be undertaken by the group in conjunction with the accounting of the inventory are found in Note 4 in the annual report.	Our audit measures included an evaluation of the group's principles for calculating obsolescence in the inventory. With the aim of assessing the reasonability of the company's obsolescence provisions, we have instructed our component auditors to examine and report back to the group team any possible deviations from the group-wide obsolescence policy. We have tested the reasonableness of the assumptions and judgements made by company management regarding the saleability of articles with a low turnover rate. We have, on a sample basis, tested the mathematical correctness of the company's reports concerning obsolescence calculations. We have also discussed with management and examined minutes from Board meetings and other management meeting with the aim of identifying forecasted changes in the company's sales which could result in inventory items being obsolete. Finally, we have evaluated to determine if the group has described, in an appropriate manner, its principles for inventory valuation in the annual report, including the estimations and judgements made to value the inventory as at 31 December 2016.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 52-57. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bufab AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Värnamo, 21 March 2017
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson Authorised Public Accountant Auditor in Charge	Frida Wengbrand Authorised Public Accountant

Corporate Governance Report

Bufab Holding AB (publ) is a Swedish public limited liability company. Bufab has been listed on Nasdaq Stockholm since 21 February 2014. Bufab applies the Swedish Corporate Governance Code (the "Code") and hereby submits its Corporate Governance Report for the 2016 financial year in accordance with the provisions of the Swedish Annual Accounts Act and the Code. The Corporate Governance Report was reviewed by the company's auditors.

The Code guidelines are available on the website of the Swedish Corporate Governance Board (www.corporategovernanceboard.se). The Code is based on the principle of "comply or explain," which means that companies applying the Code do not always have to comply with every rule on condition that an explanation is provided. Bufab did not make any such deviations in 2016.

Delegation of responsibility

The purpose of Bufab's corporate governance is to create a clear delegation of roles and responsibilities between owners, the Board, the Board's Committees and senior management. Corporate governance at Bufab is based on applicable legislation, primarily the Swedish Companies Act, Nasdaq Stockholm's rules and regulations, the Code and internal guidelines and rules.

Share capital and shareholders

At year-end, the company's share capital totalled SEK 547,189, represented by a total of 38,110,533 shares. All shares carry equal voting rights and there are no limitations governing how many votes each shareholder may cast at a general meeting.

At year-end 2016, Bufab had 3,785 shareholders (3,612). Of the total number of shares, 31 per cent were held by foreign shareholders. The ten largest shareholders owned a combined total of 58 per cent of the shares.

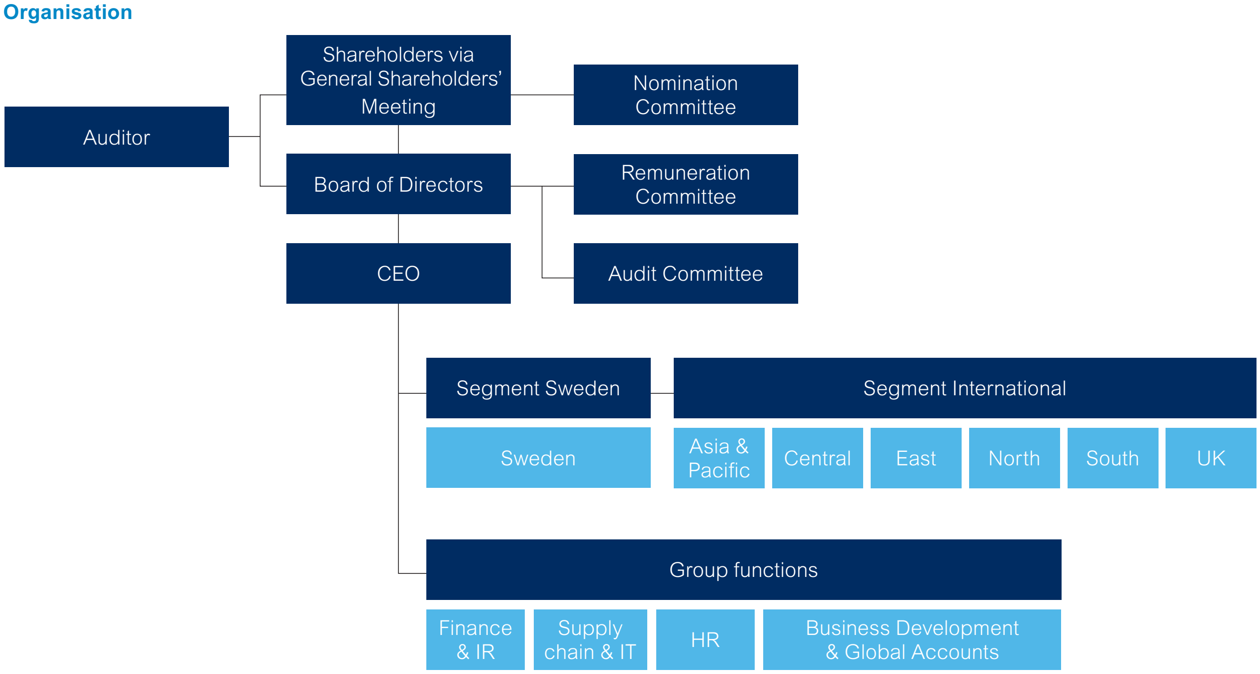
For more information about the share and shareholders, see page 55.

Nomination Committee

Principles on the composition of the Nomination Committee were resolved by the 2014 Annual General Meeting (AGM). These principles have been unchanged since then. Bufab is to have a Nomination Committee comprising one representative for each of the four largest shareholders in terms of number of votes, who on being asked expressed a wish to participate in the nomination work, as well as the Chairman of the company. The names of the four owner representatives and the shareholders they represent must be announced not later than six months prior to the AGM. The Nomination Committee's mandate is valid until a new Nomination Committee is appointed. If the group of the largest shareholders changes during the nomination process, the composition of the Nomination Committee may change. The Nomination Committee's task is to prepare proposals on the following issues:

- Chairman of the Meeting
- Board members
- Chairman of the Board
- remuneration of the Board
- auditor
- auditor's fees, and
- any changes to the Nomination Committee's instructions

Organisation



The names of the Nomination Committee's representatives and the shareholders that they represent ahead of the 2017 AGM were published in connection with the interim report for the third quarter on 26 October 2016:

- Bengt Liljedahl (Chairman), Liljedahl Group
- Viktor Henriksson, Carnegie fonder
- Adam Nyström, Didner & Gerge fonder,
- Johan Ståhl, Lannebo fonder and
- Sven-Olof Kulldorff, Chairman of the Board

General Shareholders' Meeting

The general shareholders' meeting is the company's highest decision-making body. At the general shareholders' meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the company's results, discharge from liability of Board members and the CEO, election of the Chairman, Board members and auditors and remuneration of the Board of Directors and the auditors. There are no provisions contained in the Articles of Association concerning the appointment or dismissal of Board members, or regarding changes to the Articles of Association. Further information about AGMs, the minutes of the meetings, and Bufab's Articles of Association are available on www.bufab.com.

2016 AGM

The AGM was held in Värnamo on 3 May 2016. Some 68 shareholders attended the Meeting, in person or by proxy, representing 57 per cent of the company's voting rights. The Meeting was also attended by the Board of Directors, Group management and the auditor.

The following key resolutions were made:

- Adoption of the income statement and balance sheets for 2015, appropriation of the company's results, and discharge from liability of Board members and the CEO.
- The re-election of Sven-Olof Kulldorff, Hans Björstrand, Johanna Hagelberg, Eva Nilsagård, Adam Samuelsson, Johan Sjö and Gunnar Tindberg. Jörgen Rosengren declined re-election. Bengt Liljedahl was appointed new Board member. Sven-Olof Kulldorff was elected Chairman of the Board.
- Guidelines for remuneration of senior executives

The 2017 AGM will be held on 4 May 2017 in Värnamo, Sweden. The notice convening the meeting is scheduled to be published no later than 6 April 2017. More information is available at www.bufab.com.

Board of Directors

Composition

According to Bufab's Articles of Association, the Board of Directors is to be comprised of not less than three and not more than ten AGM-elected members, with not more than three deputy members.

Since the 2016 AGM, the Board has comprised eight AGM-elected members; Sven-Olof Kulldorff (Chairman), Hans Björstrand, Johanna Hagelberg, Bengt Liljedahl, Eva Nilsagård, Adam Samuelsson, Johan Sjö and Gunnar Tindberg. All Board members are independent in relation to the company and company management. All Board members, except for Bengt Liljedahl, are independent in relation to the company's largest shareholders. Accordingly, the Board meets the requirement that at least two Board members who are independent in relation to the company and company management are also independent in relation to the largest shareholders.

Further information regarding the Board members is presented on page 52 of the Annual Report and on www.bufab.com.

Work of the Board

The Board is responsible for the organisation of the company and for managing the company's operations. The Board is also to issue guidelines and instructions to the CEO. Furthermore, the Board is to ensure that the organisation of the company regarding accounting, management of funds and financial position are controlled in a satisfactory manner. The Board of Directors applies written rules of procedure, which are revised annually and adopted by the statutory Board meeting every year. Among other aspects, the rules of procedure govern the practice of the Board of Directors, functions and the division of work between the Board of Directors and the CEO. At the statutory Board meeting, the Board of Directors also adopts instructions for the CEO, including instructions for financial reporting. The Board of Directors meets according to an annual predetermined schedule. In addition to these meetings, additional Board meetings can be convened to address issues which cannot be postponed until the next ordinary Board meeting. The Chairman of the Board and the CEO also engage in an ongoing dialogue concerning the management of the company.

The Board's obligations are partly performed by the Audit Committee and Remuneration Committee and the Board has also adopted rules of procedure for these Committees.

Evaluation of Board work

The Chairman of the Board is responsible for evaluating the Board's work, including assessing the performance of each Board member. This is performed on an annual basis according to an established process. The assessment focuses on such factors as availability of and requirement for specific expertise in the Board, commitment, the quality of the Board material and the time required for reading such material. The evaluation is reported to the Nomination Committee and comprises the basis of the Nomination Committee's proposal for Board members and fees to be paid to the Board.

Work of the Board in 2016

The Board regularly addresses strategic matters that affect Bufab's operations and orientation, potential divestments and acquisitions, as well as major investments. The company's financial statements and Annual Report are addressed at the beginning of the year, as are matters to be presented at the AGM. At the end of the year, the Board deals with the budget for the forthcoming year as well as the Group's long-term strategic plan, in addition to which it also reviews the quarterly results after each quarter. The work of the Board's two Committees is also presented at each scheduled Board meeting.

The agenda is approved by the Chairman and sent to each Board member, along with the relevant material, approximately one week before each meeting. At each meeting, the CEO presents the Group's sales and earnings, the current business situation and important external factors that may have bearing on the Group's earnings. Each Board meeting includes a discussion that is not attended by the CEO. When appropriate, other senior executives may attend and present plans and proposals. The company's auditor participates in meetings when necessary, and participates once a year without the presence of management.

In addition to the information presented in connection with Board meetings, the CEO issues a monthly report to Board members and maintains regular contact with the Chairman of the Board.

Board meetings in 2016

January, Stockholm
- Approval of budget 2016

February, Gdansk, Poland
- Approval of press release for 2015 Year-end Report
- Proposed dividends

March, Värnamo
- Report from the company's auditors
- Approval of Annual Report
- Approval of notice of AGM

April, telephone meeting
- Approval of press release about interim report for the first quarter 2016

May (statutory Board meeting in Värnamo directly following AGM)
- Adoption of the Board's rules of procedure and instructions for the CEO
- Election of Chairman and member of the Board Committees and adoption of rules of procedure of the Committees

June, Vantaa, Finland
- Discussions on strategy

July, telephone meeting
- Approval of press release about interim report for the second quarter 2016

October, Täby
- Approval of press release about interim report for the third quarter 2016
- Acquisition of Montrose Holdings Ltd
- Adoption of strategic and financial plan

December, Värnamo
- Approval of budget for 2017
- Report on Board evaluation
- Evaluation of CEO's work

Attendance and remuneration of the Board 2016

	Attendance			Remuneration			
Group	Board meetings	Audit Committee	Remuneration Committee	Board fee/ Basic salary, SEK million	Variable remuneration	Other benefits	Pension
Board of Directors							
Sven-Olof Kulldorff	9/9		2/2	0.4			
Hans Björstrand	9/9			0.2			
Eva Nilsagård	9/9	6/6		0.2			
Bengt Liljedahl [1) 2)]	5/5		1/1	0.1			
Johanna Hagelberg	9/9			0.2			
Adam Samuelsson	9/9	6/6	2/2	0.2			
Johan Sjö	9/9	6/6		0.2			
Gunnar Tindberg [2)]	9/9		1/1	0.2			
CEO							
Jörgen Rosengren [3)]	4/4			2.9	0.8	0.1	0.7
Other senior executives				6.5	1.7	0.5	1.9

1) Bengt Liljedahl was elected to the Board at the 2016 AGM.
2) Bengt Liljedahl replaced Gunnar Tindberg on the Remuneration Committee.
3) Jörgen Rosengren declined re-election to the Board at the 2016 AGM.

Audit Committee and Remuneration Committee

The Board has two Committees: an Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee is, without it affecting the responsibilities and tasks of the Board of Directors, to monitor the company's financial reporting, monitor the efficiency of the company's internal control, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated financial statements, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other non-audit services for the company, and assist the Nomination Committee in the preparation of proposals for the general shareholders' meeting's decision on election of auditors.

The Audit Committee is to comprise three members. The Board appoints Committee members every year at the statutory Board meeting or when a Committee member needs to be replaced. The Board also adopts an instruction for the Committee's work at the statutory meeting. The Committee members appointed in May 2016 were Adam Samuelsson (Chairman), Eva Nilsagård and Johan Sjö.

The Audit Committee convened six times in 2016.

Remuneration Committee

The Remuneration Committee is to prepare matters concerning remuneration principles, and remuneration and other employment terms for the CEO and senior executives.

The Remuneration Committee is to comprise three members. The Board appoints Committee members every year at the statutory Board meeting or when a Committee member needs to be replaced. The Board also adopts an instruction for the Committee's work at the statutory meeting. The Committee members appointed in May 2016 were Sven-Olof Kulldorff (Chairman), Bengt Liljedahl and Adam Samuelsson.

The Remuneration Committee convened twice in 2016.

Remuneration of Board members

Fees and other remuneration to Board members, including the Chairman, are resolved on by the AGM. At the AGM held on 3 May 2016, it was resolved that the Chairman be paid SEK 400,000 and that the other non-executive members be paid SEK 200,000. The three members of the Audit Committee were paid a further fee of SEK 25,000 each.

Board members are not entitled to any benefits after leaving their position on the Board.

CEO

The CEO is Jörgen Rosengren, and a presentation can be found on page 53 of the Annual Report and on www.bufab.com.

The CEO is subordinate to the Board of Directors and is responsible for the everyday management and operations of the company. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the CEO's instructions, which are adopted every year at the statutory Board meeting. The CEO is also responsible for the preparation of reports and compiling information from management prior to the Board meetings and for presenting such material at the Board meetings. According to the instructions for financial reporting, the CEO is responsible for the financial reporting in the company and consequently must ensure that the Board of Directors receives information adequate to enable evaluation of the company's financial position.

Remuneration guidelines for the CEO and other senior executives

The below remuneration guidelines for the CEO and other senior executives were adopted at the AGM on 3 May 2016.

Bufab strives to offer total remuneration that will attract and retain qualified employees. The total remuneration may comprise the components stated below.

Fixed salary is to be market-based and must reflect the responsibility that the work involves. The fixed salary is to be revised annually. Normally, variable salary is not to exceed 50 per cent of the fixed salary. The variable salary is to be based on established goals connected to Bufab's financial development and is to be revised annually.

The Board is to annually evaluate whether or not a long-term share-based incentive programme for senior executives and any other employees is to be proposed to the AGM.

Senior executives may be offered individual pension solutions. The pensions are, as far as possible, to be defined contribution.

Other benefits may be provided but are not to constitute a significant portion of the total remuneration.

The notice of termination between the company and the CEO is a maximum of 18 months. Other senior executives are to have a shorter notice of termination period.

The Board is entitled, in individual cases and if there are specific reasons, to deviate from the above guidelines for remuneration. Should such deviation occur, information about this and the reason must be reported at the next AGM.

Current employment agreements for the CEO and other senior executives

Decisions as to the current remuneration levels and other conditions for employment for the CEO and other senior executives have been resolved on in accordance with the existing guidelines for remuneration adopted by the AGM. All decisions on individual remuneration to senior executives have been made within these guidelines. Agreements concerning pensions are, wherever possible, to be based on fixed premiums and must correspond with the levels, practices and collective bargaining agreements applicable in the country where said senior executive is employed.

For senior executives resident in Sweden, six months' notice applies when resigning and a maximum of 12 months' notice when dismissed by the company. The CEO is to receive severance pay of up to 12 months' salary during the notice period, in addition to the salary stated above, when dismissed by the company. Refer also to Note 7 on page 23 of the Annual Report.

Auditing

The auditor is to review the company's annual reports and accounting, as well as the management of the company by the Board of Directors and the CEO. Following each financial year, the auditor is to submit an audit report and a consolidated audit report to the AGM. Pursuant to Bufab's Articles of Association, the company is to have no less than one and no more than two auditors and no more than two deputy auditors. The company's auditor until the conclusion of the 2017 AGM is Öhrlings PricewaterhouseCoopers AB, with Fredrik Göransson as Auditor in Charge. The company's auditor is presented in more detail in "Group management and auditors." Fees to auditors are to be paid in accordance with approved invoices. In 2016, the company's auditor was paid a total of SEK 5 million.

Internal control over the financial reporting

The objective of the internal financial control at Bufab is to create an efficient decision process in which requirements, targets and frameworks are clearly defined. The company and management use internal control systems to monitor the operation and the Group's financial position.

Control environment

The basis for the internal control over the financial reporting is the overall control environment. Bufab's control environment consists of sound core values, expertise, management philosophy, organisational structure, responsibility and authority. Bufab's internal instructions, policies, guidelines and manuals serve as guides for employees. The control environment also includes laws and external rules and regulations.

At Bufab, there is a distinct division between role and responsibility to efficiently handle the risks of the operations, including rules of procedure for the Board and Committees, as well as instructions for the CEO. In the operating activities, the CEO is also responsible for the system of internal controls required to generate a control environment for significant risks. Bufab also has guidelines and policies for financial control and monitoring, communication issues and business ethics. Most of the companies in the Group have the same financial system with the same accounting systems.

The Board has appointed an Audit Committee tasked to ensure compliance with established policies for financial reporting and for maintaining the internal control.

Internal audit

The company's size combined with the work of the Audit Committee and established and implemented solid control procedures mean that the Board does not believe that it need establish a separate internal audit function. However, the matter of a separate internal audit function is addressed annually.

Risk assessment and control activities

Risks of material misstatement in the annual accounts may occur in connection with accounting and the evaluation of assets, liabilities, income and expenses or deviation from disclosure requirements. Bufab's accounting function performs a risk analysis every year regarding items in the consolidated balance sheets and income statements based on qualitative and quantitative risks.

Normal control activities include reconciliation of accounts and support controls. The purpose of all control activities is to prevent, detect and correct any errors or deviations in the financial reporting. In the Group's work with internal control, the material risks identified in the financial reporting are handled through control structures, which, in all material respects, are based on deviation reporting from established goals or norms.

Information

Accurate internal and external information entails that all sections of the operations will be able to efficiently exchange and report relevant material information. In addition to managers' information responsibility, Bufab has a well-functioning intranet for exchanging information. Bufab has established a policy document to inform employees and other relevant personnel at Bufab about the applicable regulations and instructions for disclosing company information and the special requirements that apply for inside information.

For communication with external parties, there is a policy that states the guidelines for how such communication is to take place. The aim of this is to ensure compliance with information obligations and to ensure that investors receive the right information in time.

The Group has a whistle-blower function. Employees can anonymously contact a third party to report behaviour or actions that constitute breaches or suspected breaches of laws and guidelines, etc. All contact is logged and a summary about the calls and measures taken is regularly is reported to the Board.

Monitoring

The Group applied IFRS as defined in Bufab's accounting manual. This manual includes accounting and valuation rules that must be adhered to by all companies within the Group, and reporting instructions. Financial data is reported from all legal entities every month.

Reporting takes place in accordance with standardised reporting procedures documented in the Group's accounting manual. This reporting comprises the basis of the Group's consolidated financial reporting. Consolidation takes place based on a legal and operating perspective, which results in quarterly statutory reports containing complete income statements and balance sheets for every company and consolidated for the Group, and monthly operating reports.

Every Board member receives a monthly report containing consolidated income statements and balance sheets for the Group, income statements for the subsidiaries and comments. In addition to this monthly information, similar information is received in connection with Board meetings and a report that includes monitoring of tax obligations, disputes, compliance with policies, whistle-blower summaries, environment and internal audit.

Värnamo, 21 March 2017

Sven-Olof Kulldorff Chairman of the Board	**Hans Björstrand**	**Johanna Hagelberg**	**Bengt Liljedahl**
Eva Nilsagård	**Adam Samuelsson**	**Johan Sjö**	**Gunnar Tindberg**

Auditor's statement on the Corporate Governance Report

To the Annual General Meeting of Bufab AB (publ), Corporate Registration Number 556685-6240

Engagement and responsibility

The Board of Directors is responsible for the Corporate Governance Report for 2016 on pages 46-50 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the audit

The audit was conducted in accordance with FAR's auditing standard RevU16, "The auditor's examination of the Corporate Governance Statement". This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our audit provides a reasonable basis for our opinion as given below.

Opinion

A Corporate Governance Report has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the annual report and the consolidated statements and comply with the Annual Accounts Act.

Värnamo, 21 March 2017
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

Board of Directors

Sven-Olof Kulldorff
Chairman of the Board since 2006.

Born: 1954.

Education: MSc in Industrial Engineering and Management from Institute of Technology at Linköping University.

Previous assignments: Executive positions at IKEA (1978-2004, during which he served as purchasing manager of the IKEA Group in 1995-2004), and Executive Vice President of ICA.

Other Board assignments: Chairman of Mestro AB and Pierce AB. Board member of Coop Sverige AB, Nille AS, Tokmanni OY, K Hautwall OY, Stor&Liten AB and Sonat AB.

Shareholding:
Total of 335,376 shares, of which 281,238 shares through an endowment policy and 15,000 shares through company.

Hans Björstrand
Board member since 2006.

Born: 1950.

Education: Upper secondary school economics programme.

Previous assignments: President and CEO of Bufab.

Other Board assignments: Board member of Värnamo Energi AB, Stacke Hydraulik AB, Värnamo Elnät AB, Entreprenörsinvest Sverige AB, LMT Machintool AB, Nyblomgruppen AB and Värnamo Näringsliv AB. Axelent AB.

Shareholding: 150,000 shares.

Johanna Hagelberg
Board member since 2015.

Born: 1972.

Education: MSc in Industrial Engineering and Management from Institute of Technology at Linköping University and Cranfield University.

Previous assignments: SVP Procurement Stora Enso Oyj. Chief Procurement Officer at Vattenfall, RSA Scandinavia and NCC AB and senior positions in procurement in the automotive industry.

Shareholding: 0.

Bengt Liljedahl
Board member since 2016.

Born: 1947.

Education: MSc in Economics and Business Administration from School of Business Economics and Law, Gothenburg.

Previous assignments: President, CEO and founder of Liljedahl Group, Previously President of Skånebil and regional manager at AB Volvo Sverige.

Other Board assignments: Chairman of the Board of Hörle Wire Group AB, Finnvedens Lastvagnar AB, Liljedahl Bare Wire AB and LWW Group AB. Board member of LMT Group AB, Finnvedens Bil AB and Liljedahl Group Fastighets AB.

Shareholding: 0.

Ownership: 7,624,500 shares through company.

Eva Nilsagård
Board member since 2015.

Born: 1964.

Education: MSc in Business Administration from University of Gothenburg.

Previous assignments: CFO of Plastal Industri AB. Previously SVP and responsible for Strategy & Business Development in sales and marketing, EMEA, Volvo Trucks. Various positions in finance and marketing at companies including Volvo Penta, Vitrolife, AstraZeneca and SKF.

Other Board assignments: Board member of AddLife AB, Plastal Sverige AB, Plastal AS and Plastal NV. Deputy Board member of APP Europe AB and Plastal Industri AB.

Shareholding: 0.

Adam Samuelsson
Board member since 2006.

Born: 1972.

Education: MSc from Stockholm School of Economics and an MBA from Harvard Business School.

Previous assignments: CEO of Idun Handel & Industri AB.

Other Board assignments: Chairman of the Board of EKAB Elkraftservice AB, Intermercato AB, Pamaco Totalservice AB, PreCont AB and Täby Airmaintenance AB.

Shareholding: 400,000 shares through company.

Johan Sjö
Board member since 2013.

Born: 1967.

Education: MSc in Business Administration from Växjö University.

Previous assignments: President and CEO of Addtech AB. Previously B&B Tools and Alfred Berg/ABN Amro.

Other Board assignments: Chairman of the Board of AddLife AB, Board member of Addtech AB and Bergman & Beving Holding AB.

Shareholding: 5,000 shares.

Gunnar Tindberg
Board member since 2007.

Born: 1938.

Education: Qualified engineer.

Previous assignments: President and CEO (1978-2004) and Board member (1980-2007) of Indutrade AB.

Other Board assignments: Chairman of Idun Handel & Industri AB.

Shareholding: 100,000 shares.

Shareholding: including related parties as of 28 February 2017.

Group management

Jörgen Rosengren
President and CEO since 2012.

Born: 1967.

Education: MSc in Electrical Engineering from Lund University.

Previous assignments: Husqvarna, Electrolux, McKinsey and Philips.

Shareholding: 330,000 shares.

Jesper Blomquist
COO since 2013.

Born: 1968.

Education: MSc in Mechanical Engineering from the Institute of Technology at Linköping University.

Previous assignments: Swisslog, VSM Group AB and Sanmina- SCI Enclosure Systems AB.

Shareholding: 53,200 shares.

Urban Bülow
Director Global Business Development since 2014.

Born: 1965.

Education: MSc in Electrical Engineering from Chalmers University of Technology.

Previous assignments: Latour Group, Kapsch TrafficCom, SAAB and Electrolux.

Shareholding: 0.

Thomas Ekström
CFO since 2005 (employed 1999). IR Director since 2016.

Born: 1968.

Education: MSc in Business Administration from Växjö University.

Previous assignments: Ernst & Young and the Swedish Tax Agency.

Shareholding: 104,000 shares.

Mona Jeppsson
Director Human Resources since 2013 (employed 2012).

Born: 1961.

Education: MSc in Social Studies from Lund University.

Previous assignments: Proton Group, FöreningsSparbanken and Alfa Laval.

Shareholding: 200 shares.

Johan Lindqvist
CEO of Bufab Sweden since 2012, Regional Director, region Sweden since 2016 (employed since 1998).

Born: 1969.

Education: Qualified Engineer

Previous assignments: Skanska, Primo AB.

Shareholding: 112,000 shares.

Shareholding: including related parties as of 28 February 2017.

Auditors

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2005 and was re-elected at the 2016 AGM until the end of the 2017 AGM. Fredrik Göransson (born 1973) is the Auditor in Charge. Fredrik Göransson is an Authorised Public Accountant and a member of FAR (professional institute for authorised public accountants). Öhrlings PricewaterhouseCoopers AB's office address is Skånegatan 1, SE-405 32 Gothenburg, Sweden. Öhrlings PricewaterhouseCoopers AB was the company's auditor throughout period covered by the historic financial information in this Annual Report.

Five-year summary

SEK million	2016	2015	2014	2013	2012
EARNINGS					
Order intake	**2,887**	**2,463**	**2,195**	**2,072**	**2,012**
Net sales	**2,847**	**2,458**	**2,198**	**2,031**	**2,034**
Sweden	968	937	982	970	1,011
International	1,880	1,521	1,217	1,061	1,023
Gross profit	**828**	**677**	**641**	**596**	**562**
Operating profit	**272**	**197**	**174**	**201**	**137**
Sweden	130	108	144	145	113
International	175	119	75	84	59
Adjusted operating profit	**272**	**197**	**192**	**203**	**165**
Sweden	130	108	144	143	134
International	175	119	75	83	63
Net financial items	**-21**	**-26**	**-23**	**-27**	**-86**
Profit after financial items	**251**	**171**	**151**	**174**	**50**
Tax on profit for the year	**-88**	**-46**	**-39**	**-43**	**-21**
Profit for the year	**163**	**125**	**112**	**131**	**29**
MARGINS					
Gross margin, %	**29.1**	**27.5**	**29.2**	**29.3**	**27.6**
Operating margin, %	**9.5**	**8.0**	**7.9**	**9.9**	**6.7**
Sweden	13.4	11.5	14.6	14.9	11.2
International	9.3	7.8	6.2	7.9	5.8
Adjusted operating margin, %	**9.5**	**8.0**	**8.7**	**10.0**	**8.1**
Sweden	13.4	11.5	14.6	14.8	13.2
International	9.3	7.8	6.2	7.8	6.2
CAPITAL STRUCTURE					
Net indebtedness	**839**	**884**	**543**	**608**	**707**
Equity	**1,297**	**1,183**	**1,147**	**1,012**	**882**
Debt/equity ratio, %	**65**	**75**	**47**	**60**	**80**
Equity/assets ratio,%	**45**	**45**	**52**	**49**	**44**
Average working capital in relation to net sales, %	**36.5**	**36.3**	**36.6**	**35.5**	**36.7**
CASH FLOW					
Operating cash flow	**267**	**194**	**117**	**199**	**204**
KEY FIGURES PER SHARE					
Earnings per share	**4.29**	**3.27**	**2.94**	**3.43**	**n/a**
Dividend per share	**2.00 ***	**1.70**	**1.50**	**n/a**	**n/a**
EMPLOYEES					
Average number of employees	**973**	**834**	**805**	**771**	**750**

*Proposed by Board of Directors.

Bufab on the stock exchange

Listing and turnover

The Bufab share has been listed on Nasdaq Stockholm since 21 February 2014. The total turnover of Bufab shares in 2016 was 24.5 million shares for a total amount of SEK 1.6 billion and the average turnover was 96,800 shares.

Dividend and dividend policy

The Board's proposal is a dividend of SEK 2.00 per share (1.70) for 2016, which corresponds to 47 per cent of net profit. The objective is to pay 50 per cent of the net profit, taking into account the company's financial position, cash flow, acquisition opportunities and future outlook.

Brief facts

Listing: Nasdaq Stockholm
Number of shares: 38,110,533
Ticker: BUFAB
ISIN code: SE 0005677135

More information

For share-price and up-to-date information, visit www.bufab.com/investors

Share data

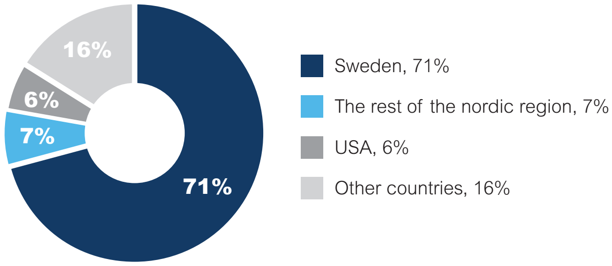
	2016	2015
Earnings per share, SEK	4.29	3.27
Earnings per share after dilution, SEK	4.29	3.27
Adjusted earnings per share, SEK	4.92	3.27
Dividend per share, SEK	2.00[1]	1.70
Yield[2], %	2.6	3.1
Share of dividend[3], %	47	52
Share price at year-end, SEK	77.75	55.50
Highest share price, SEK	77.75	63.60
Lowest share price, SEK	48.60	45.05
Number of shareholders at year-end	3,785	3,612
Market capitalisation at year-end, SEK million	2,963	2,115

[1] The dividend pertains to the Board's proposal.
[2] The dividend in relation to the share price at year-end.
[3] The dividend for the financial year in relation to profit for the year per share.

Largest shareholders on 28 February 2017

Shareholder	Share of capital and votes, %
Liljedahl Group	20.0
Didner & Gerge fonder	8.4
Lannebo fonder	6.7
Carnegie Fonder	6.4
Fondita Nordic Micro Cap SR	4.1
JP Morgan Chase N.A	3.7
Spiltan Fonder AB	3.1
Nordea Investment Funds	2.4
Handelsbanken fonder	2.3
Grandeur Peak International	1.9
Total, ten largest shareholders	**59.0**
Other shareholders	41.0
Total	**100.0**

Ownership distribution by country, 28 February 2017



Distribution of shareholdings, 28 February 2017

Shareholding	Number of shareholders	Shareholding, %
1-500	2,723	1.3
501-1,000	551	1.2
1,001-5,000	494	3.0
5,001-10,000	93	1.8
10,001-20,000	46	1.7
20,001-	110	91.0
Number of shareholders	**4,017**	**100.0**

Definitions of key figures

Gross margin, %
Gross profit as a percentage of net sales for the period

Adjusted gross profit
Gross profit adjusted for items affecting comparability

Adjusted gross margin, %
Adjusted gross profit as a percentage of net sales for the period

EBITDA
Operating profit before depreciation, amortisation and impairment

Adjusted EBITDA
Adjusted operating profit before depreciation, amortisation and impairment

Operating margin, %
Operating profit as a percentage of net sales for the period

Adjusted operating profit
Operating profit adjusted for items affecting comparability

Adjusted operating margin, %
Adjusted operating profit as a percentage of net sales for the period

Adjusted profit after tax
Profit after tax adjusted for items affecting comparability

Adjusted net margin, %
Adjusted profit after tax as a percentage of net sales during the period

Net indebtedness
Interest-bearing liabilities less cash and cash equivalents and interest-bearing assets, calculated at the end of the period

Debt/equity ratio, %
Net debt divided by equity, calculated at the end of the period

Net indebtedness/adjusted EBITDA, multiple
Net debt at the end of the period divided by adjusted EBITDA in the last twelve months

Working capital
Total current assets less cash and cash equivalents less current non-interest-bearing liabilities, excluding liabilities for additional purchase prices, calculated at the end of the period

Average working capital
Average working capital calculated as the average of the past four quarters

Working capital/net sales, %
Average working capital as a percentage of net sales in the last twelve months

Equity/assets ratio, %
Equity as a percentage of total assets, calculated at the end of the period

Operating cash flow
Operating profit adjusted for depreciation/amortisation, impairment and other non-cash items less changes in working capital and investments

Earnings per share
Profit for the period divided by the average number of ordinary shares adjusted for the set-off issue and 80:1 split conducted in the first quarter of 2014

Adjusted earnings per share
Adjusted profit for the period after tax divided by the average number of ordinary shares adjusted for the set-off issue and 80:1 split conducted in the first quarter of 2014

Performance measures not defined in accordance with IFRS

Bufab uses certain performance measures not defined in the rules for financial reporting adopted by Bufab. The purpose of these performance measures is to provide a better understanding of the performance of the operations. It should be pointed out that these alternative performance measures, as they are defined, are not fully comparable with other companies' performance measures with the same name.

Operating cash flow

In order to improve its total cash flow, Bufab continuously measures the cash flow generated by operations in all its companies. This is expressed as Operating cash flow and defined below.

	2016	2015
Operating profit before depreciation, amortisation and impairment	**315**	**232**
Other non-cash items	1	-1
Changes in inventory	-35	-3
Changes in operating receivables	-32	-3
Changes in operating liabilities	49	1
Cash flow from operations	**298**	**226**
Investments excluding acquisitions	-31	-32
Operating cash flow	**267**	**194**

Working capital

Because Bufab is a trading company, operating capital represents a large share of the balance sheet's value. In order to optimise the company's cash generation, management focuses on the local company's development, and thereby the entire Group's development, of working capital as it is defined below.

	2016	2015
Current assets	1,663	1,534
Less: cash and cash equivalents	-122	-107
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-486	-407
Working capital on balance-sheet date	**1,055**	**1,020**

Net indebtedness

Net debt is an expression of how large the financial borrowing is in the company in absolute figures after deductions for cash and cash equivalents. The key figure is defined below.

	2016	2015
Non-current interest-bearing liabilities	884	840
Current interest-bearing liabilities	76	151
Less: cash and cash equivalents	-122	-107
Less: Other interest-bearing receivables	0	0
Net debt on balance-sheet date	**839**	**884**

Adjusted profit after tax and adjusted net margin

In order to show Bufab's profit after tax adjusted for items affecting comparability, the adjusted profit after tax and adjusted net margin are reported in the calculation below.

	2016	2015
Net sales (A)	2,847	2,458
Profit after tax (B)	163	125
Items affecting comparability	24	-
Adjusted profit after tax (C)	187	125
Net margin, % (B/A)	5.7	5.1
Adjusted net margin, % (C/A)	**6.6**	**5.1**

Adjusted earnings per share

In order to show Bufab's earnings per share adjusted for items affecting comparability, the adjusted earnings per share is reported in the calculation below.

	2016	2015
Weighted number of shares outstanding, thousands (A)	38,110.5	38,110.5
Profit after tax, SEK millions (B)	163	125
Adjusted profit after tax, SEK millions (C)	187	125
Earnings per share, SEK (B/A)	4.29	3.27
Adjusted earnings per share, SEK (C/A)	**4.92**	**3.27**

Organic growth

Because Bufab has operations in many countries with different currencies, it is essential to provide an understanding of the company's performance without current effects when translating foreign subsidiaries. In addition, Bufab has an important strategic objective in carrying out value-generating acquisitions. For these reasons, growth is recognised also excluding currency effects when translating foreign subsidiaries and excluding acquired operations within the term Organic growth. This performance measure is expressed in percentage points of last year's net sales.

	2016			2015		
	Group	**Sweden**	**International**	Group	Sweden	International
Organic growth	4	1	5	3	-4	9
Currency translation effects	0	0	0	2	0	4
Acquisitions	12	2	19	7	0	12
Recognised growth	16	3	24	12	-4	25

Box 2266
SE-331 02 Värnamo, Sweden.
Visiting address: Stenfalksvägen 1, Värnamo, Sweden.
Tel: +46 370 69 69 00
www.bufab.com