

# Interim report January – June 2016

## Growth, improved profitability and strong cash flow in an uncertain environment

### Second quarter 2016

- Net sales rose by 15 percent to SEK 762 million (661).  
The organic growth was 5 percent
- Order intake was lower than net sales
- Operating profit rose to SEK 82 million (58) and the operating margin to 10.8 percent (8.8)
- Earnings per share rose to SEK 1.55 (1.04)

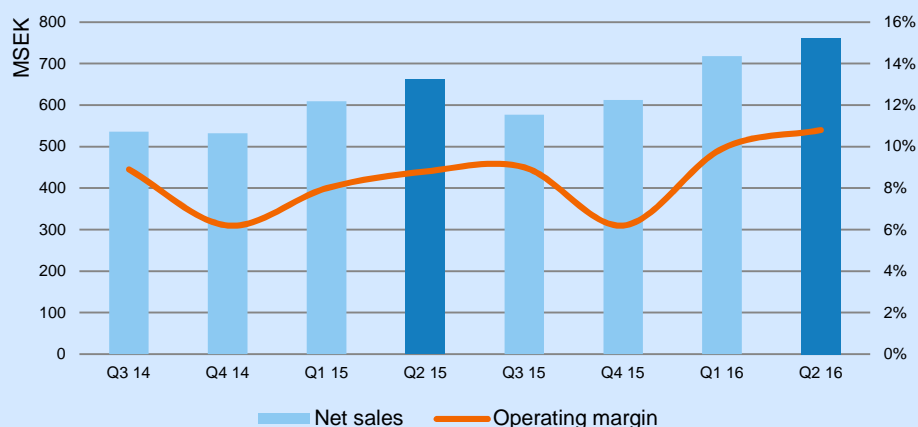
### January – June 2016

- Net sales rose by 17 percent to SEK 1,480 million (1,270).  
The organic growth was 4 percent
- Order intake was on par with net sales
- Operating profit rose to SEK 153 million (107) and the operating margin to 10.3 percent (8.4)
- Earnings per share rose to SEK 2.84 (1.92)

### THE GROUP IN BRIEF (FOR DEFINITIONS, SEE PAGE 18)

SEK million	Quarter 2			Jan–June			Rolling 12 months	Full year
	2016	2015	Δ %	2016	2015	Δ %	2015/16	2015
Order intake	739	648	14	1,478	1 263	17	2,677	2 463
Net sales	762	661	15	1,480	1 270	17	2,669	2 458
Gross profit	223	181	23	429	351	22	755	677
Gross margin, %	29.3	27.4		29.0	27.6		28.3	27.5
Operating expenses	-141	-123	15	-276	-244	13	-511	-480
Operating profit/loss	82	58	41	153	107	43	244	197
Operating margin, %	10.8	8.8		10.3	8.4		9.1	8.0
Profit after tax	59	40	48	108	73	48	160	125
Earnings per share, SEK	1.55	1.04	48	2.84	1.92	48	4.20	3.27

### QUARTERLY DEVELOPMENT



### NET SALES DEVELOPMENT

**+15%**

### OPERATING MARGIN

**10.8%**

## CEO'S OVERVIEW

During the second quarter, net sales rose by 15 percent to SEK 762 million. Most of the increase stems from our acquisitions, but we also grew organically in both operating segments due to higher market shares and, to a certain extent, calendar effects.

The quarter's gross margin improved to 29.3 percent (27.4). For some time, we have been working systematically to improve our sourcing toward gradually consolidated volumes to fewer and better suppliers. Paired with a favourable sourcing market, these efforts have generated good results. The improved gross margin and a good contribution from acquired companies led to a considerably stronger operating margin of 10.8 (8.8) percent. The operating profit of SEK 82 (58) million is Bufab's best-ever quarterly result.

Better capital efficiency resulted in a strong operating cash flow of SEK 118 (64) million.

Segment International performed well. Net sales rose by 23 percent. The organic growth of 8 percent was primarily due to higher market shares – many small won customer contracts in most of our geographic markets. Negative growth in for instance Norway and China was more than compensated for by strong growth in the rest of Europe. The acquisition of Apex Stainless, better gross margin and operating leverage on the organic growth led to a substantially improved operating margin. We continue to enhance the segment's organisation in both sales and sourcing, and feel that we have a good potential for further market share gains ahead.

In segment Sweden, net sales rose by 4 percent driven both by a recent acquisition and by organic growth. The market share was unchanged or slightly up. Margins improved. Our efforts to increase our market share continue.

Around 10 percent of Bufab's sales and 15 percent of the operating profit are generated in the UK. The result of the Brexit vote had a negligible effect on Bufab's earnings in the period. All else being equal, should the British pound and demand in the UK weaken for an extended period, the effect for Bufab would be negative. However, we feel that we can compensate higher import prices in this market with higher sales prices. While uncertainty in terms of demand in the UK and Europe has increased, we have yet to see any concrete effects.

As previously, we are continuously evaluating possibilities for further value-generating acquisitions.

Bufab has developed well this year to date, with both organic and acquired growth, higher margins, improved earnings and a healthy cash flow. Growing uncertainty in the business environment, a slightly weaker order intake and the prevailing currency rates are challenges that we will face during the rest of 2016 and in 2017. Our ambition remains unchanged. We aim to increase market shares, carefully control of our margins, and make value-generating acquisitions, and thereby secure a good development also going forward.

*Jörgen Rosengren*  
President and CEO



### About Bufab

Bufab AB (publ), Corporate Registration Number 556685-6240, is a trading company that offers its customers a full-service solution as Supply Chain Partner for sourcing, quality control and logistics for C-Parts (screws, nuts, etc.). Bufab's Global Parts Productivity™ customer offering aims to improve productivity in customers' value chain for C-Parts.

Bufab was founded in 1977 in Småland, Sweden and is an international company with operations in 23 countries. The head office is located in Värnamo, Sweden and Bufab has about 940 employees. Bufab's net sales for 2015 amounted to SEK 2.5 billion and operating margin was 8 percent. The Bufab share is listed on Nasdaq Stockholm, under the ticker "BUFAB". Please visit [www.bufab.com](http://www.bufab.com) for more information.

## The Group in brief

### SECOND QUARTER

Order intake amounted to SEK 739 million (648) and was lower than net sales.

Net sales rose by 15 percent to SEK 762 million (661). The Group's organic growth was +5 percent, +8 percent for segment International and +2 percent for segment Sweden. A positive calendar effect during the quarter had a positive impact on growth.

Underlying demand is estimated to be unchanged, and the market share slightly higher compared with the year-earlier period.

Gross margin strengthened during the quarter, both compared with last year and sequentially, due to a consistent effort to improve sourcing procedures and higher gross margin in the acquired companies.

Operating profit increased to SEK 82 million (58), corresponding to an operating margin of 10.8 percent (8.8).

Exchange-rate fluctuations had a negative impact of SEK 2 million on operating profit, volumes had a positive impact of SEK 7 million, price/cost mix and other factors a positive impact of SEK 7 million, and acquisitions a positive SEK 12 million.

### JANUARY – JUNE

Order intake amounted to SEK 1,478 million (1,263) MSEK and was on par with net sales.

Net sales increased by 17 percent to SEK 1,480 million (1,270). The Group's organic growth was 4 percent, +7 percent for segment International and -1 percent for segment Sweden.

Underlying demand is considered unchanged, and the market share slightly higher compared with the year-earlier period.

Gross margins strengthened during the period.

Operating profit increased to SEK 153 million (107), corresponding to an operating margin of 10.3 percent (8.4).

Exchange-rate fluctuations had a negative impact of SEK 6 million on operating profit, volumes had a positive impact of SEK 10 million, price/cost mix and other factors a positive impact of SEK 12 million, and acquisitions a positive SEK 30 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -3 million (-5) for the second quarter. During the quarter, exchange-rate differences had a positive impact of SEK +2 million (-1) on net financial items. During the six-month period, net financial items amounted to SEK -9 (-10) and exchange-rate differences had a positive effect of SEK 3 million (0).

The Group's profit after financial items amounted to SEK 79 million (53) for the second quarter and SEK 144 (97) for the six-month period.

The tax expense for the second quarter was SEK 20 million (13), which implies an effective tax rate of 25 percent (25). The tax expense for the six-month period was SEK 36 million (24), which implies an effective tax rate of 25 percent (25).

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

SEK million	Quarter 2		Jan–June	
	2016	2015	2016	2015
Operating profit/loss	82	58	153	107
Depreciation/amortisation and impairment	10	9	21	17
Other non-cash items	0	0	0	-1
Changes in working capital	30	-1	-2	-42
<b>Cash flow from operations</b>	<b>122</b>	<b>66</b>	<b>172</b>	<b>81</b>
Investments excluding acquisitions	-4	-2	-10	-9
<b>Operating cash flow</b>	<b>118</b>	<b>64</b>	<b>162</b>	<b>72</b>

Operating cash flow amounted to SEK 118 million (64) for the period. The increase compared with the previous year is due both to improved operating profit and more favorable development in working capital. Operating cash flow amounted to SEK 162 million (72) for the period for the first half of the year.

Average working capital in relation to net sales during the past 12 months amounted to 36.5 percent (36.5). A reduction in tied-up inventory and increase in payables had a positive impact on key figures, while the higher tied-up capital in the acquisition of Apex Stainless Fasteners had a negative impact. Excluding this acquisition, average working capital in relation to net sales during the past 12 months amounted to 34.4 percent (36.5).

On 30 June 2016, the Group's net debt totalled SEK 849 million (663). Net debt has increased mainly due to loans taken in conjunction with the acquisition of Apex Stainless Fasteners and

Magnetfabriken. On 30 June 2016, the debt/equity ratio was 69 percent (57).

### **BREXIT: BUFAB IN THE UK**

The scope of Bufab's operations in the UK has increased with the acquisition of Apex Stainless. On a full-year basis, around 10 percent of Bufab's sales and 15 percent of the operating profit stems from the UK. Consequently, changes in the exchange rate for GBP has an impact on Bufab's reported sales and operating profit to a similar extent due to translation effects.

Bufab has a net inflow of GBP that amounts to the equivalent of around SEK 120 million on a full-year basis. All else being equal, a lower GBP exchange rate has a negative impact on Bufab's earnings through transaction effects. Bufab intends to manage these by revising prices, which is facilitated by the fact that also our competitors in the UK are subject to the same transaction effects.

The portion of Bufab's equity booked in GBP is hedged through acquisition loans in GBP of the same size. The net effect on earnings due to the translation of equity and liabilities at a different exchange rate for GBP/SEK will therefore be small. This effect is recognised under Other comprehensive income.

In total, the effects of a different rate for the British pound were negligible during the second quarter. Given the current exchange rate levels, the effects on Bufab's earnings will be modest also for the full year 2016.

However, the outcome of the Brexit vote has prompted greater uncertainty in terms of future demand in the UK and Europe as a whole.

# Segment Sweden

## Second quarter

Order intake amounted to SEK 258 million (243) and was lower than net sales.

Net sales rose by 4 percent to SEK 272 million (262). Magnetfabriken was acquired in March 2016 and, adjusted for that acquisition, net sales increased by 2 percent. Underlying demand during the period is estimated to be unchanged. As in previous quarters, growth was burdened by customers' relocation of production from Sweden to other countries, primarily Eastern Europe, corresponding to around 2 percent of the segment's sales. The segment International benefits from these production relocations. The market share in Sweden is estimated to be unchanged or slightly up.

Gross margin rose to 30.3 percent (28.5). The improvement is attributable to cost savings in sourcing.

Operating profit amounted to SEK 40 million (35), corresponding to an operating margin of 14.6 percent (13.2). Exchange-rate fluctuations had a negative impact of SEK 1 million on operating profit, volumes had a positive impact of SEK 1 million, price/cost mix and other factors a positive impact of SEK 3 million, and the acquisition of Magnetfabriken a positive SEK 2 million.

## January – June

Order intake amounted to SEK 509 million (500) and was lower than net sales.

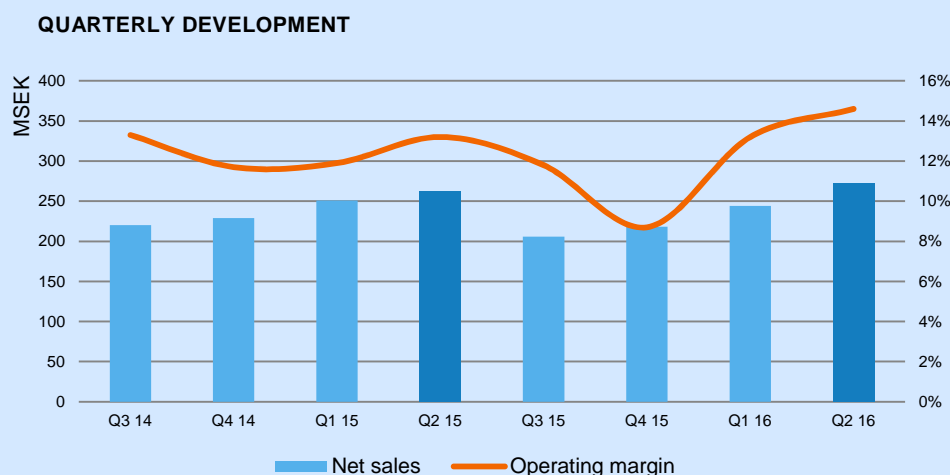
Net sales were in principle unchanged at SEK 515 million (513). Growth declined 1 percent organically. Growth was burdened by almost 2 percentage points by customers' relocation of production to primarily Eastern Europe. The underlying demand and market shares during the period are estimated to be unchanged.

Gross margin rose to 30.0 percent (28.7). The improvement is attributable to cost savings in sourcing.

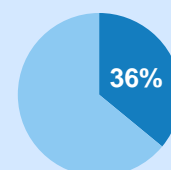
Operating profit amounted to SEK 72 million (64), corresponding to an operating margin of 13.9 percent (12.5). Exchange-rate fluctuations had a negative impact of SEK 3 million on operating profit, volumes had a negative impact of SEK 2 million, the price/cost mix and other factors a positive impact of SEK 11 million, and the acquisition of Magnetfabriken a positive SEK 2 million.

SEK million	Quarter 2		Δ	Jan–June		Δ	Rolling	Full
	2016	2015		%	2015/16		2015	%
Order intake*	258	243	6	509	500	2	941	932
Net sales*	272	262	4	515	513	0	940	937
Gross profit	82	75	10	154	147	5	276	269
Gross margin, %	30.3	28.5		30.0	28.7		29.4	28.7
Operating expenses	-42	-40	7	-82	-83	0	-161	-161
Operating profit/loss	40	35	14	72	64	11	115	108
Operating margin, %	14.6	13.2		13.9	12.5		12.2	11.5

\*Pertains to net sales and order intake from external customers



**SHARE OF NET SALES**



**NET SALES, DEVELOPMENT**

**+4%**

**OPERATING MARGIN**

**14.6%**

# Segment International

## Second quarter

Order intake amounted to SEK 481 million (405) and was lower than net sales.

Net sales rose by 23 percent to SEK 491 million (399). Organic growth was 8 percent, largely due to higher market shares in most markets. Moreover, customers' production relocations from Sweden to mostly Eastern Europe had a positive impact of just over 1 percentage point on the segment's sales. Underlying demand is estimated to be unchanged year-on-year.

Gross margin rose to 29.4 percent (27.4). Just over half of the improvement is attributable to cost savings in sourcing and almost half to the acquired company's higher gross margin.

Operating profit increased to SEK 50 million (31), corresponding to an operating margin of 10.2 percent (7.8). Exchange-rate fluctuations had a negative impact of SEK 2 million on operating profit, volumes had a positive impact of SEK 6 million, price/cost mix and other factors a positive impact of SEK 5 million, and acquisitions a positive SEK 10 million.

## January – June

Order intake amounted to SEK 969 million (764) and exceeded net sales.

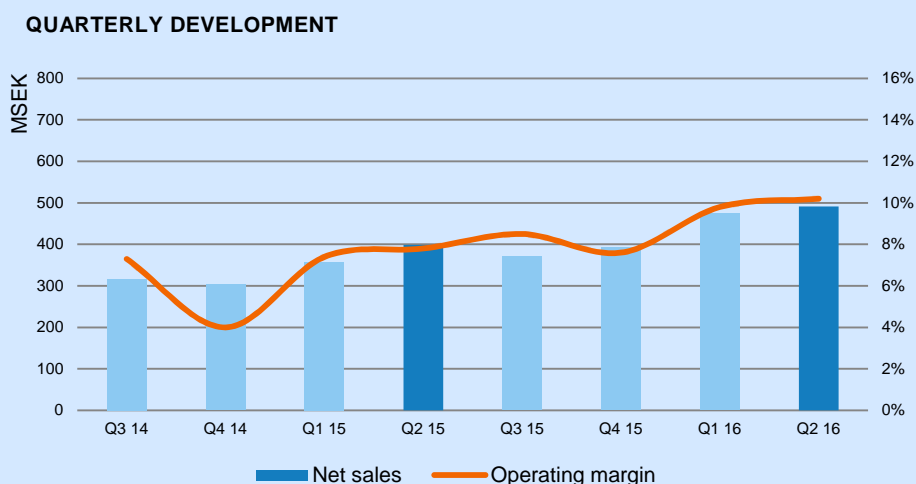
Net sales rose by 27 percent to SEK 965 million (757). Organic growth was 7 percent, due largely to higher market shares in most markets.

Gross margin rose to 29.2 percent (27.7). The acquired companies have a higher gross margin, which accounted for almost half of the increase. The remaining increase is attributable to cost savings in sourcing.

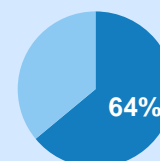
Operating profit increased to SEK 97 million (58), corresponding to an operating margin of 10.0 percent (7.6). Exchange-rate fluctuations had a negative impact of SEK 4 million on operating profit, volumes had a positive impact of SEK 12 million, the price/cost mix and other factors a positive impact of SEK 5 million, and acquisitions a positive SEK 26 million.

	Quarter 2			Jan–June			Rolling 12 months	Full year
SEK million	2016	2015	Δ	2015/16	2015	Δ	2015/16	2015
Order intake*	481	405	19	969	764	27	1,736	1,531
Net sales*	491	399	23	965	757	27	1,729	1,521
Gross profit	144	109	32	282	210	35	492	419
Gross margin, %	29.4	27.4		29.2	27.7		28.4	27.5
Operating expenses	-94	-78	21	-185	-152	22	-334	-300
Operating profit/loss	50	31	60	97	58	68	158	119
Operating margin, %	10.2	7.8		10.0	7.6		9.1	7.8

\*Pertains to net sales and order intake from external customers



**SHARE OF NET SALES**



**NET SALES, DEVELOPMENT**

**+23%**

**OPERATING MARGIN**

**10.2%**

## Consolidated Income Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Net sales	762	661	1,480	1,270
Cost of goods sold	-539	-480	-1,051	-919
<b>Gross profit</b>	<b>223</b>	<b>181</b>	<b>429</b>	<b>351</b>
Distribution costs	-101	-90	-197	-173
Administrative expenses	-41	-34	-80	-70
Other operating income	7	9	15	17
Other operating expenses	-6	-8	-14	-18
<b>Operating profit</b>	<b>82</b>	<b>58</b>	<b>153</b>	<b>107</b>
<b><i>Profit/loss from financial items</i></b>				
Interest income and similar income	3	-1	3	0
Interest expenses and similar expenses	-6	-4	-12	-10
<b>Profit after financial items</b>	<b>79</b>	<b>53</b>	<b>144</b>	<b>97</b>
Tax on net profit for the period	-20	-13	-36	-24
<b>Profit after tax</b>	<b>59</b>	<b>40</b>	<b>108</b>	<b>73</b>

## Statement of Comprehensive Income

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<b>Profit after tax</b>	<b>59</b>	<b>40</b>	<b>108</b>	<b>73</b>
<b>Other comprehensive income</b>				
Items that cannot be reclassified to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss				
Translation differences / Currency hedging net after tax	5	-8	6	-8
<b>Other comprehensive income after tax</b>	<b>5</b>	<b>-8</b>	<b>6</b>	<b>-8</b>
<b>Total comprehensive income</b>	<b>64</b>	<b>32</b>	<b>114</b>	<b>65</b>
Total comprehensive income attributable to:				
Parent Company shareholders	64	32	114	65

## Earnings per share

<i>SEK</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Earnings per share	1,55	1,04	2,84	1,92
Weighted number of shares outstanding, thousands	38,110.5	38,110.5	38,110.5	38,110.5
Diluted earnings per share, SEK	1,55	1,04	2,84	1,92
Weighted number of shares outstanding after dilution, thousands	38,110.5	38,110.5	38,110.5	38,110.5



## Consolidated Balance Sheet

<i>SEK million</i>	<i>30 June 2016</i>	<i>30 June 2015</i>	<i>31 Dec 2015</i>
<b>ASSETS</b>			
<b><i>Non-current assets</i></b>			
Intangible assets	983	819	955
Property, plant and equipment	130	137	138
Financial assets	26	28	26
<b>Total non-current assets</b>	<b>1,139</b>	<b>984</b>	<b>1,119</b>
<b><i>Current assets</i></b>			
Inventories	834	698	856
Current receivables	678	595	571
Cash and cash equivalents	121	86	107
<b>Total current assets</b>	<b>1,633</b>	<b>1,379</b>	<b>1,534</b>
<b>Total assets</b>	<b>2,772</b>	<b>2,363</b>	<b>2,653</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,232</b>	<b>1,155</b>	<b>1,183</b>
<b><i>Non-current liabilities</i></b>			
Non-current liabilities, interest-bearing	796	588	840
Non-current liabilities, non-interest-bearing	81	55	72
<b>Total non-current liabilities</b>	<b>877</b>	<b>643</b>	<b>912</b>
<b><i>Current liabilities</i></b>			
Current liabilities, interest-bearing	174	161	151
Current liabilities, non-interest-bearing	489	404	407
<b>Total current liabilities</b>	<b>663</b>	<b>565</b>	<b>558</b>
<b>Total equity and liabilities</b>	<b>2,772</b>	<b>2,363</b>	<b>2,653</b>

## Consolidated Statement of Changes in Equity

<i>SEK million</i>	30 June 2016	30 June 2015
<b>Equity at beginning of year</b>	<b>1,183</b>	<b>1,147</b>
<b>Comprehensive income</b>		
Profit after tax	108	73
<i>Other comprehensive income</i>		
Items that will not be reclassified in profit or loss	-	-
Items that may be reclassified in profit or loss		
Translation differences / Currency hedging net after tax	6	-8
<b>Total comprehensive income</b>	<b>114</b>	<b>65</b>
<b>Transactions with shareholders</b>		
Dividend to shareholders	-65	-57
<b>Total shareholder transactions</b>	<b>-65</b>	<b>-57</b>
<b>Equity at end of period</b>	<b>1,232</b>	<b>1,155</b>

## Consolidated Cash Flow Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<b><i>Operating activities</i></b>				
Profit before financial items	82	58	153	107
Depreciation / amortisation and impairment	10	9	21	17
Interest and other finance income	0	0	0	0
Interest and other finance expenses	-5	-6	-12	-11
Other non-cash items	0	0	0	-1
Income tax paid	-19	-7	-31	-20
<b>Cash flow from operating activities before changes in working capital</b>	<b>68</b>	<b>54</b>	<b>131</b>	<b>92</b>
<b><i>Changes in working capital</i></b>				
Increase (-)/decrease (+) in inventories	10	16	26	28
Increase (-)/decrease (+) in operating receivables	-40	-22	-120	-99
Increase (+)/decrease (-) in operating liabilities	60	5	92	29
<b>Cash flow from operating activities</b>	<b>98</b>	<b>53</b>	<b>129</b>	<b>50</b>
<b><i>Investing activities</i></b>				
Acquisition of property, plant and equipment	-4	-2	-9	-9
Company acquisitions *	-	-	-23	-86
Acquisition of intangible assets	0	0	-1	0
<b>Cash flow from investing activities</b>	<b>-4</b>	<b>-2</b>	<b>-33</b>	<b>-95</b>
<b><i>Financing activities</i></b>				
Dividend paid	-65	-57	-65	-57
Increase (+)/decrease (-) in borrowings	-15	1	-18	63
<b>Cash flow from financing activities</b>	<b>-80</b>	<b>-56</b>	<b>-83</b>	<b>6</b>
<b>Cash flow for the period</b>	<b>14</b>	<b>-5</b>	<b>13</b>	<b>-39</b>
Cash and cash equivalents at beginning of period	106	94	107	128
Translation differences	1	-3	1	-3
<b>Cash and cash equivalents at end of period</b>	<b>121</b>	<b>86</b>	<b>121</b>	<b>86</b>

\*See page 16 for more information.

## The Group's Segment Reporting

<b>Sweden</b>	<b>2015</b>				<b>2016</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	251	262	206	218	244	<b>272</b>		
Gross profit	73	75	60	62	72	<b>82</b>		
Gross margin, %	28.9	28.5	29.2	28.3	29.6	<b>30.3</b>		
Operating expenses	-43	-40	-36	-43	-40	<b>-42</b>		
Operating profit/loss	30	35	24	19	32	<b>40</b>		
Operating margin, %	11.9	13.2	11.8	8.7	13.2	<b>14.6</b>		

<b>International</b>	<b>2015</b>				<b>2016</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	358	399	371	393	474	<b>491</b>		
Gross profit	100	109	102	108	138	<b>144</b>		
Gross margin, %	28.0	27.4	27.5	27.5	29.1	<b>29.4</b>		
Operating expenses	-73	-78	-70	-78	-91	<b>-94</b>		
Operating profit/loss	27	31	32	30	47	<b>50</b>		
Operating margin, %	7.4	7.8	8.5	7.6	9.8	<b>10.2</b>		

<b>Other*</b>	<b>2015</b>				<b>2016</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-		
Gross profit	-3	-3	-3	-3	-4	<b>-4</b>		
Operating expenses	-5	-5	-1	-8	-4	<b>-4</b>		
Operating profit/loss	-8	-8	-4	-11	-8	<b>-8</b>		
Operating margin, %	-	-	-	-	-	-		

\*Other includes unallocated costs for Group-wide costs

<b>Group</b>	<b>2015</b>				<b>2016</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	609	661	577	612	718	<b>762</b>		
Gross profit	170	181	159	167	206	<b>223</b>		
Gross margin, %	28.0	27.4	27.5	27.4	28.6	<b>29.3</b>		
Operating expenses	-121	-123	-107	-129	-135	<b>-141</b>		
Operating profit/loss	49	58	52	38	71	<b>82</b>		
Operating margin, %	8.0	8.8	9.0	6.2	9.9	<b>10.8</b>		

## Consolidated key figures

	Quarter 2		Δ	Jan–June		Δ
	2016	2015	%	2016	2015	%
Order intake, SEK million	<b>739</b>	648	14	<b>1,478</b>	1,263	17
Net sales, SEK million	<b>762</b>	661	15	<b>1,480</b>	1,270	17
Gross profit, SEK million	<b>223</b>	181	23	<b>429</b>	351	22
EBITDA, SEK million	<b>92</b>	67	39	<b>174</b>	124	41
Operating profit/loss, SEK million	<b>82</b>	58	41	<b>153</b>	107	43
Profit/loss after tax, SEK million	<b>59</b>	40	48	<b>108</b>	73	48
Gross margin, %	<b>29.3</b>	27.4		<b>29.0</b>	27.6	
Operating margin, %	<b>10.8</b>	8.8		<b>10.3</b>	8.4	
Net margin, %	<b>7.7</b>	6.0		<b>7.3</b>	5.8	
Net debt, SEK million	<b>849</b>	663	28			
Debt/equity ratio,%	<b>69</b>	57				
Net debt/EBITDA*, multiple	<b>3.0</b>	3.0				
Working capital, SEK million	<b>1,023</b>	889	15			
Average working capital, SEK million	<b>958</b>	856	12			
Average working capital in relation to net sales, %	<b>36.5</b>	36.5				
Equity/assets ratio, %	<b>44</b>	49				
Operating cash flow, SEK million	<b>118</b>	64		<b>162</b>	72	
Earnings per share, SEK	<b>1.55</b>	1.04	49	<b>2.84</b>	1.92	

\*Paid purchase considerations for the acquired companies have been fully charged to net debt while EBITDA has only been credited from the acquisition date  
For definitions, see page 18.

## Parent Company Income Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Administrative expenses	-4	-4	-6	-6
Other operating income	2	2	3	3
<b>Operating profit</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>
<i>Profit/loss from financial items</i>				
Interest expenses and similar expenses	0	0	0	0
<b>Profit after financial items</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>
Appropriations	-	-	-	-
Tax on net profit for the period	0	0	1	1
<b>Profit after tax</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>

## Parent Company Balance Sheet

<i>SEK million</i>	<b>30 June 2016</b>	<i>30 June 2015</i>	<i>31 Dec 2015</i>
<b>ASSETS</b>			
<b><i>Non-current assets</i></b>			
Financial assets			
Participations in Group companies	845	845	845
<b>Total non-current assets</b>	<b>845</b>	<b>845</b>	<b>845</b>
<b><i>Current assets</i></b>			
Receivables from Group companies	101	105	178
Other current receivables	16	13	11
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>117</b>	<b>118</b>	<b>189</b>
<b>Total assets</b>	<b>962</b>	<b>963</b>	<b>1,034</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>859</b>	<b>878</b>	<b>928</b>
Untaxed reserves	100	80	100
<b><i>Non-current interest-bearing liabilities</i></b>			
Other non-current liabilities	-	-	-
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><i>Current non-interest-bearing liabilities</i></b>			
Liabilities to Group companies	-	0	-
Other current liabilities	3	5	6
<b>Total current liabilities</b>	<b>3</b>	<b>5</b>	<b>6</b>
<b>Total equity and liabilities</b>	<b>962</b>	<b>963</b>	<b>1,034</b>

## Other information

### ACCOUNTING POLICIES

This interim report has been prepared pursuant to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's accounts were prepared in accordance with the Swedish Annual Accounts Act, Chapter 9 and the Swedish Financial Reporting Board's recommendation RFR 2.

The accounting policies applied correspond to the accounting policies and measurement principles presented in the 2015 Annual Report. The 2015 Annual Report is available at [www.bufab.com](http://www.bufab.com)

### RISKS AND RISK MANAGEMENT

Exposure to risk is a natural part of business activity and this is 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 main risks to which the Group is exposed are related to the impact of the economy on demand. For further information, see Note 3 of the 2015 Annual Report.

### SEASONAL VARIATIONS

Bufab has no material seasonal variation, but sales throughout the year vary depending on the number of customer production days in each quarter.

### RELATED-PARTY TRANSACTIONS

There were no related-party transactions during the period.

### EMPLOYEES

The number of full-time employees in the Group as of 30 June 2016 was 943 (838), 116 of whom stem from the acquisition of Apex Stainless Holdings Ltd and Magnetfabriken AB.

### ACQUISITIONS

The following acquisitions were made during the period 2015 to 2016.

	Date	Net sales*	Employees
Flos BV	26 Feb 2015	160	52
Apex Stainless Holdings Ltd	26 Nov 2015	300	110
Magnetfabriken AB	2 March 2016	20	6

\*Estimated annual net sales at the time of acquisition

On 3 March 2016, Bufab AB (publ) acquired 100 percent of the shares in Magnetfabriken AB. Magnetfabriken AB was founded in 1992 and has since become one of the leading suppliers of magnets and magnet systems in the Nordic region. The purchase consideration amounted to SEK 36 million, of which 27 million has been paid

unconditionally and the remaining portion of SEK 9 million is a conditional purchase consideration. The conditional portion of SEK 9 million comprises about 57 percent of the additional purchase consideration. Approximately half is dependent on the acquired company's future earnings trend through to April 2016 and half to future earnings thereafter.

The acquisition has positively impacted the Group's accumulated net sales by SEK 9 million since transfer. The net impact on accumulated operating profit amounted to SEK 2 million and the effect on profit after tax was SEK 2 million. Transaction costs for the acquisition amounted to SEK 0 million. The acquisition would have positively impacted the Group's net sales by an estimated SEK 12 million, operating profit by about SEK 3 million and profit after tax for the period by about SEK 2 million if they had been implemented on 1 January 2016. The amounts of the assets and liabilities included in the acquisitions according to the preliminary acquisition analysis were as follows:

<i>Magnetfabriken AB</i>	<i>Carrying amount on acquisition date</i>	<i>Adjustment to fair value</i>	<i>Fair value</i>
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		-2	-2
Other liabilities	-2		-2
<b>Acquired net assets</b>	<b>7</b>	<b>6</b>	<b>13</b>
Goodwill			23
<b>Purchase consideration*</b>			<b>36</b>
Less: cash and cash equivalents in acquired operations			-4
Less: conditional purchase consideration			-9
<b>Effect on the Group's cash</b>			<b>23</b>

\* The consideration is stated excluding acquisition expenses

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.

### CONTINGENT LIABILITIES

As previously communicated (see 2015 Annual Report, Note 32), Bufab has in accordance with an injunctive order, conducted environmental



investigations at a property where a company which was later acquired by Bufab had been engaged in manufacturing until 1989.

The investigations revealed traces of environmental pollution. Further investigations carried out during the period confirm the previous assessment that these in all likelihood stem from the property where the company in question carried out its operations. Consulted legal and technical experts consider that it is probable that the municipality will make demands on Bufab to take some form of action, but that the scope of such measures is neither known nor can be assessed at this time.

Otherwise, there were no significant changes to the company's contingent liabilities during the interim period.

#### **ORGANISATIONAL CHANGES**

Boel Sundvall, Communications and IR Director, will resign from Bufab on 30 October 2016. Thomas Ekström, CFO, has assumed responsibility for IR as of 19 July 2016.

#### **AUDIT REVIEW**

This interim report has not been reviewed by the company's auditors.

#### **FINANCIAL REPORTING DATES**

Interim report Q3, 2016  
26 October 2016  
Year-end report 2016  
21 February 2017

*The Board of Directors and CEO assure that the six-month report provides a fair view of the Parent Company's and the Group's operations, financial position and profits, and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.*

Värnamo, 19 July 2016  
Bufab AB (publ)

**Sven-Olof Kulldorff**  
Chairman of the Board

**Hans Björstrand**  
Board member

**Johanna Hagelberg**  
Board member

**Adam Samuelsson**  
Board member

**Eva Nilsagård**  
Board member

**Bengt Liljedahl**  
Board member

**Gunnar Tindberg**  
Board member

**Johan Sjö**  
Board member

## Definitions of key figures

**Gross margin, %**

Gross profit as a percentage of net sales for the period

**EBITDA**

Operating profit before depreciation, amortisation and impairment

**Operating margin, %**

Operating profit as a percentage of net sales for the period

**Net debt**

Interest-bearing liabilities less 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 debt/adjusted EBITDA**

Net debt at the end of the period divided by adjusted EBITDA in the last twelve months

**Operating expenses**

Total distribution costs, administrative expenses, other operating income and other operating expenses

**Working capital**

Total current assets less cash and cash equivalents less current non-interest-bearing liabilities, calculated at the end of the period

**Average working capital**

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

**Average working capital in relation to 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 after tax dividend by the average number of common shares

## Alternative Performance Measures

Bufab uses certain performance measures not defined in the rule 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.

### 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	Quarter 2			Jan–June		
	Group	Sweden	International	Group	Sweden	International
Organic growth	5	2	8	4	-1	7
Currency translation effects	-2	0	-3	-1	0	-3
Acquisitions	12	2	18	14	1	23
Recognised growth	15	4	23	17	0	27

2015	Quarter 2			Jan–June		
	Group	Sweden	International	Group	Sweden	International
Organic growth	4	-3	9	4	-4	10
Currency translation effects	3	0	7	3	0	6
Acquisitions	7	0	13	5	0	10
Recognised growth	14	-3	29	12	-4	26

### 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.

	Quarter 2		Jan–June	
	2016	2015	2016	2015
<b>EBITDA</b>	<b>92</b>	<b>67</b>	<b>174</b>	<b>124</b>
Other non-cash items	0	0	0	-1
Changes in inventory	10	16	26	28
Changes in operating receivables	-40	-22	-120	-99
Changes in operating liabilities	60	5	92	29
<b>Cash flow from operations</b>	<b>122</b>	<b>66</b>	<b>172</b>	<b>81</b>
Investments excluding acquisitions	-4	-2	-10	-9
<b>Operating cash flow</b>	<b>118</b>	<b>64</b>	<b>162</b>	<b>72</b>

### EBITDA

EBITDA is an expression of operating profit before depreciation, amortisation and impairment. The key figure is defined below.

	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Operating profit/loss	82	58	153	107
Depreciation/amortisation and impairment	10	9	21	17
<b>EBITDA</b>	<b>92</b>	<b>67</b>	<b>174</b>	<b>124</b>

### Working capital

Because Bufab is a trading company, operating capital is 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 operating capital as it is defined below.

	<i>30 June</i>	<i>30 June</i>
	<i>2016</i>	<i>2015</i>
Current assets	1,633	1,379
Less: cash and cash equivalents	-121	-86
Less: current non-interest-bearing liabilities	-489	-404
<b>Working capital on balance-sheet date</b>	<b>1,023</b>	<b>889</b>

### Net debt

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.

	<i>30 June</i>	<i>30 June</i>
	<i>2016</i>	<i>2015</i>
Non-current interest-bearing liabilities	796	588
Current interest-bearing liabilities	174	161
Less: cash and cash equivalents	-121	-86
<b>Net debt on balance-sheet date</b>	<b>849</b>	<b>663</b>

## CONFERENCE CALL

A conference call will be held on 19 July 2016 at 10:00 a.m. CET. Jörgen Rosengren, President and CEO, and Thomas Ekström, CFO, will present the results. The conference call will be held in English.

To participate, please use one of the following numbers: +44 1452 555566, UK: 08444933800, Sweden: 0850336434, or US: 16315107498. Conference code: 39516122.

Please dial in 5–10 minutes ahead in order to complete the short registration process.



## CONTACT

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*This information is such that Bufab AB (publ) is obliged to disclose in accordance with the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication by the aforementioned contacts on 19 July 2016 at 8.00 a.m. CET*