

# Interim report January – June 2017

**Continued growth despite calendar effects, but weaker margins. Acquisition of Thunderbolts.**

## Second quarter 2017

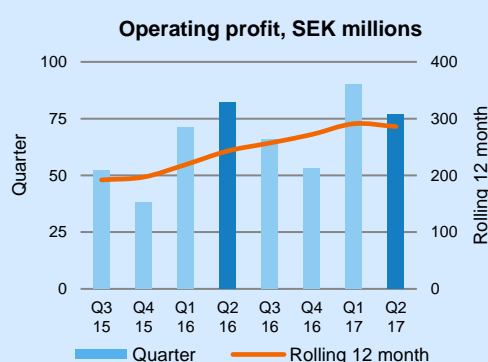
- Net sales rose by 8 percent to SEK 823 million (762). Organic growth was 3 percent
- Order intake increased 13 percent and was higher than net sales
- Operating profit declined to SEK 77 million (82) and the operating margin to 9.4 percent (10.8)
- Earnings per share were SEK 1.41 (1.55)
- Thunderbolts Group Limited was acquired

## January – June 2017

- Net sales rose by 11 percent to SEK 1,638 million (1,480). Organic growth was 6 percent
- Order intake was slightly higher than net sales
- Operating profit rose to SEK 167 million (153) and the operating margin was 10.2 percent (10.3)
- Earnings per share rose to SEK 3.05 (2.84)

## THE GROUP IN BRIEF (FOR DEFINITIONS, SEE PAGE 19)

	Quarter 2			Jan–Jun			12-months rolling	Full year
SEK millions	2017	2016	%	2017	2016	%	2016/17	2016
Order intake	833	739	13	1,644	1,478	11	3,053	2,887
Net sales	823	762	8	1,638	1,480	11	3,004	2,847
Gross profit	232	223	4	471	429	10	870	828
Gross margin, %	28.2	29.3		28.7	29.0		29.0	29.1
Operating expenses	-155	-141	10	-304	-276	10	-584	-556
Operating profit/loss	77	82	-6	167	153	9	286	272
Operating margin, %	9.4	10.8		10.2	10.3		9.5	9.6
Profit/loss after tax	54	59	-9	116	108	7	171	163
Adjusted profit/loss after tax	54	59	-9	116	108	7	195	187
Earnings per share, SEK	1.41	1.55	-9	3.05	2.84	7	4.49	4.29
Adjusted earnings per share, SEK	1.41	1.55	-9	3.05	2.84	7	5.12	4.92



NET SALES,  
DEVELOPMENT

**+8%**

OPERATING MARGIN

**9.4%**

## CEO'S overview

In the second quarter of 2017, net sales rose by 8 percent, of which 3 percent was organic growth. Organic growth was thus lower than in the first quarter, which was entirely attributable to calendar effects. However, we noted continued healthy underlying demand and a higher market share.

In the segment International, we increased our market share in most markets, which continues the good trend since many quarters. Growth was favourable in the UK and continental Europe, but softer in Norway, Finland and Asia. The segment's gross margin was weaker than in previous year.

We also continued to increase our market share in Sweden. Unfortunately, we noted a deterioration in the gross margin during the quarter compared to the same period last year and the first quarter. The decline was the result of rising purchasing prices in recent quarters, driven in turn by higher prices for raw materials, which now impacted our income statement. However, we saw signs that the trend towards rising purchasing prices slowed in the latter part of the quarter. We continue to focus on raising prices for customers, although to date these have not been enough to offset the cost increases.

The acquisitions we have completed in recent years continue to develop well. During the quarter, we completed the acquisition of Thunderbolts,

complementing our other operations in the UK. We continue looking for suitable acquisition targets.

Due to acquisition costs and to a better than expected development in acquired companies, the result was charged with SEK 3 million in the quarter.

Overall, the result in the second quarter was influenced by calendar effects and raw material prices. Looking at the first six months as a whole, sales increased by 11 percent and operating profit by 8 percent. We also noted a deterioration in the gross margin during the quarter driven primarily by rising purchasing prices. Offsetting these is our main challenge in the short term. At the same time, we will continue to work on growing our market share and to seek more value-generating acquisitions. Because of the unusually strong order intake in the quarter, we remain optimistic ahead of 2017 as a whole.

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 the customers' value chain for C-Parts.

Bufab was founded in 1977 in Småland and is an international company with operations in 24 countries. The head office is located in Värnamo, Sweden, and Bufab has about 1,000 employees. Bufab's net sales for the past 12 months amounted to SEK 3.0 billion and the operating margin was 9.5 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 was SEK 833 million (739), which was higher than net sales.

Net sales rose by 8 percent to SEK 823 million (762). The Group's organic growth was +3 percent, comprising +4 percent for segment Sweden and +2 percent for segment International. The quarter included negative calendar effects on a par with the positive effects in the first quarter, meaning ca 5 percent.

Thunderbolts in the UK, with annual sales of approximately SEK 32 million, was acquired during the quarter. Further information is provided on pages 16-17.

Underlying demand is considered to be significantly higher in Sweden and slightly higher in International compared with the same period last year. The market share is deemed to have increased in both segments.

The gross margin was lower than last year, mainly on account of rising purchasing prices in recent quarters.

Operating profit declined to SEK 77 million (82), equal to an operating margin of 9.4 percent (10.8). Operating profit was negatively impacted by acquisition-related costs of SEK 3 million.

Exchange-rate fluctuations impacted operating profit by SEK 0 million, volumes positively by SEK +6 million, the price/cost/mix, and other factors negatively by SEK -11 million and acquisitions by SEK 0 million.

### JANUARY – JUNE

Order intake amounted to SEK 1,644 million (1,478) and was somewhat higher than net sales.

Net sales rose by 11 percent to SEK 1,638 million (1,480). The Group's organic growth was +6 percent, comprising +8 percent for segment Sweden and +5 percent for segment International.

Underlying demand is considered to be significantly higher in Sweden and slightly higher in International compared to the same period last year. The market share is deemed to have increased in both segments.

The gross margin was slightly lower year-on-year,

mainly due to rising purchasing prices in recent quarters.

Operating profit rose to SEK 167 million (153), equal to an operating margin of 10.2 percent (10.3).

Exchange-rate fluctuations impacted operating profit negatively by SEK -2 million, volumes positively by SEK +26 million, the price/cost/mix, and other factors negatively by SEK -13 million and acquisitions positively by SEK +3 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -6 million (-3) for the second quarter, of which exchange-rate differences of SEK 0 million (+2) impacted the financial net. During the six-month period, net financial items amounted to SEK -13 million (-9), of which exchange-rate differences of SEK 0 million (+3) impacted the financial net.

The Group's profit after financial items was SEK 71 million (79) for the quarter and SEK 154 (144) for the six-month period.

The second-quarter tax expense was SEK -17 million (-20), implying an effective tax rate of 25 percent (25). The tax expense for the six-month period was SEK -38 million (-36), which implies an effective tax rate of 25 percent (25).

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

	Quarter 2		Jan–Jun	
SEK millions	2017	2016	2017	2016
Operating profit	77	82	167	153
Depreciation/amortisation and impairment	10	10	21	21
Other non-cash items	0	0	0	0
Changes in working capital	-41	30	-79	-2
<b>Cash flow from operations</b>	<b>46</b>	122	<b>109</b>	172
Investments excluding acquisitions	-10	-4	-18	-10
<b>Operating cash flow</b>	<b>36</b>	118	<b>91</b>	162

Operating cash flow amounted to SEK 36 million (118) for the period. The decline in cash flow for the year is mainly the result of an increase in working capital of SEK 41 million compared with a decline of

SEK 30 million in the previous year. The increase in working capital noted this year is attributable to a rise in trade receivables and inventories, driven in turn by growth. Operating cash flow amounted to SEK 91 million (162) for the first half of the year.

Average working capital in relation to net sales improved to 35.7 percent (36.5). Excluding the acquisition of Apex Stainless Fasteners Ltd,

average working capital in relation to net sales improved to 33.7 percent (34.4).

On 30 June 2017, the Group's net debt totalled SEK 902 million (849). Despite positive operating cash flow, net debt increased due to acquisitions carried out and dividends paid over the past 12 months. On 30 June 2017, the debt/equity ratio was 68 percent (69).

# Segment International

## Second quarter

Order intake was SEK 551 million (481), which was higher than net sales.

Net sales rose by 10 percent to SEK 541 million (491). Despite negative calendar effects, organic growth was +2 percent, mainly resulting from increased market shares.

Adjusted for negative calendar effects in the quarter, underlying demand is deemed to be slightly higher compared to the same quarter last year.

The gross margin declined to 28.8 percent (29.4).

Operating profit was SEK 52 million (50), equal to an operating margin of 9.6 percent (10.2). Exchange-rate fluctuations impacted operating profit positively by SEK +1 million, volumes positively by SEK +3 million, the price/cost/mix, and other factors negatively by SEK -5 million and acquisitions positively by SEK +3 million.

## January – June

Order intake amounted to SEK 1,082 million (969) and was somewhat higher than net sales.

Net sales rose by 12 percent to SEK 1,077 million (965). Organic growth was +5 percent, primarily due to higher market shares in most markets.

Underlying demand is considered slightly higher compared to the same period last year.

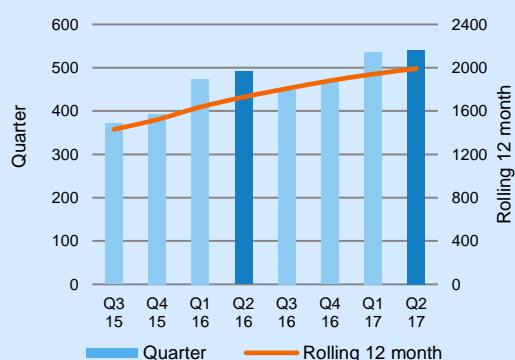
The gross margin declined marginally to 29.0 percent (29.2).

Operating profit was SEK 107 million (97), equal to an operating margin of 9.9 percent (10.0). Exchange-rate fluctuations impacted operating profit by SEK +0 million, volumes positively by SEK +14 million, the price/cost/mix, and other factors negatively by SEK -9 million and acquisitions positively by SEK +5 million.

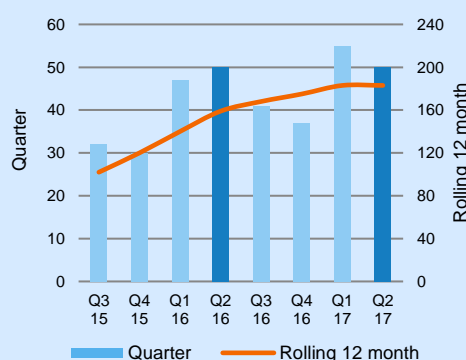
	Quarter 2			Jan–Jun			12-months rolling	Full year
SEK millions	2017	2016	%	2017	2016	%	2016/17	2016
Order intake*	551	481	14	1,082	969	12	2,020	1,907
Net sales*	541	491	10	1,077	965	12	1,992	1,880
Gross profit	156	144	8	312	282	11	577	547
Gross margin, %	28.8	29.4		29.0	29.2		29.0	29.1
Operating expenses	-104	-94	10	-205	-185	11	-392	-372
Operating profit/loss	52	50	4	107	97	10	185	175
Operating margin, %	9.6	10.2		9.9	10.0		9.3	9.3

\*Refers to net sales and order intake to external customers

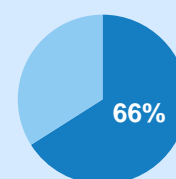
Net sales, SEK millions



Operating profit, SEK millions



SHARE OF TOTAL SALES



NET SALES DEVELOPMENT

**+10%**

OPERATING MARGIN

**9.6%**

# Segment Sweden

## Second quarter

Order intake was SEK 282 million (258) and was in line with net sales.

Despite negative calendar effects, net sales rose by 4 percent to SEK 282 million (272), of which 4 percent was organic. The growth was partly a result of higher market shares and significantly higher underlying demand.

The gross margin declined to 28.9 percent (30.3). The decline was attributable to rising purchasing prices in recent quarters.

Operating profit was SEK 37 million (40), equal to an operating margin of 13.2 percent (14.6). Exchange-rate fluctuations impacted operating profit negatively by SEK -1 million, volumes positively by SEK +3 million, the price/cost/mix, and other factors negatively by SEK -5 million and acquisitions by SEK 0 million.

## January – June

Order intake amounted to SEK 562 million (509) MSEK and was on par with net sales.

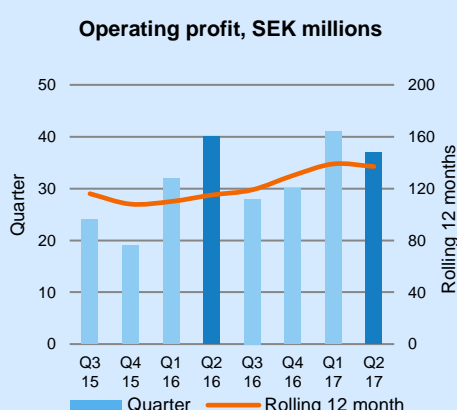
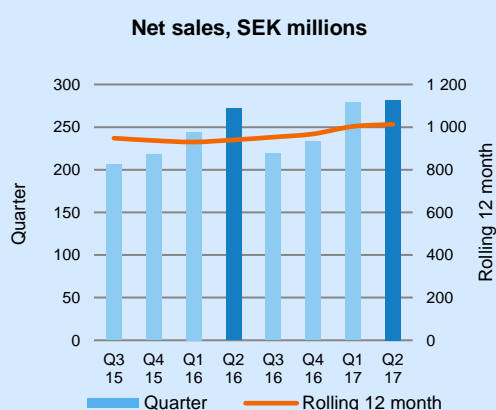
Net sales rose by 9 percent to SEK 561 million (515), of which 8 percent was organic. The high organic growth was partly a result of increased market shares and significantly higher underlying demand.

The gross margin was 29.9 percent (30.0).

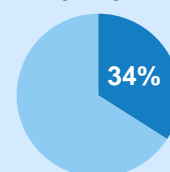
Operating profit was SEK 78 million (72), equal to an operating margin of 14.0 percent (13.9). Exchange-rate fluctuations impacted operating profit negatively by SEK -2 million, volumes positively by SEK +12 million, the price/cost/mix, and other factors negatively by SEK -5 million and acquisitions positively by SEK +1 million.

	Quarter 2			Jan–Jun			12-months Rolling	Full year
SEK millions	2017	2016	%	2017	2016	%	2016/17	2016
Order intake*	282	258	9	562	509	10	1,033	980
Net sales*	282	272	4	561	515	9	1,013	968
Gross profit/loss	81	82	-1	168	154	9	308	295
Gross margin, %	28.9	30.3		29.9	30.0		30.4	30.5
Operating expenses	-44	-42	4	-89	-82	8	-172	-165
Operating profit/loss	37	40	-6	78	72	9	137	130
Operating margin, %	13.2	14.6		14.0	13.9		13.5	13.4

\*Refers to net sales and order intake to external customers



## SHARE OF TOTAL SALES



NET SALES, DEVELOPMENT

**+4%**

OPERATING MARGIN

**13.2%**

# Consolidated Income Statement

<i>SEK millions</i>	<i>Quarter 2</i>		<i>Jan-Jun</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net sales	823	762	1,638	1,480
Cost of goods sold	-591	-539	-1,167	-1,051
<b>Gross profit</b>	<b>232</b>	<b>223</b>	<b>471</b>	<b>429</b>
Distribution costs	-113	-101	-221	-197
Administrative expenses	-42	-41	-82	-80
Other operating income	8	7	15	15
Other operating expenses	-8	-6	-16	-14
<b>Operating profit</b>	<b>77</b>	<b>82</b>	<b>167</b>	<b>153</b>
<b>Profit from financial items</b>				
Interest income and similar income items	0	3	0	3
Interest expense and similar expense items	-6	-6	-13	-12
<b>Profit after financial items</b>	<b>71</b>	<b>79</b>	<b>154</b>	<b>144</b>
Tax on net profit for the period	-17	-20	-38	-36
<b>Profit after tax</b>	<b>54</b>	<b>59</b>	<b>116</b>	<b>108</b>

# Statement of Comprehensive Income

<i>SEK millions</i>	<i>Quarter 2</i>		<i>Jan-Jun</i>	
	2017	2016	2017	2016
<b>Profit after tax</b>	<b>54</b>	<b>59</b>	<b>116</b>	<b>108</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	-6	5	-7	6
<b>Other comprehensive income after tax</b>	<b>-6</b>	<b>5</b>	<b>-7</b>	<b>6</b>
<b>Total comprehensive income</b>	<b>48</b>	<b>64</b>	<b>109</b>	<b>114</b>
Total comprehensive income attributable to:				
Parent Company shareholders	48	64	109	114

# Earnings per share

<i>SEK</i>	<i>Quarter 2</i>		<i>Jan-Jun</i>	
	2017	2016	2017	2016
Earnings per share	1.41	1.55	3.05	2.84
Weighted number of shares outstanding, thousands	38,110.5	38,110.5	38,110.5	38,110.5
Diluted earnings per share, SEK	1.41	1.55	3.05	2.84
Weighted number of shares outstanding after dilution, thousands	38,110.5	38,110.5	38,110.5	38,110.5
Adjusted earnings per share, SEK	1.41	1.55	3.05	2.84



# Consolidated Balance Sheet

<i>SEK millions</i>	<i>30 Jun 17</i>	<i>30 Jun 16</i>	<i>31 Dec 16*</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1,052	983	1,044
Property, plant and equipment	132	130	132
Financial assets	23	26	22
<b>Total non-current assets</b>	<b>1,207</b>	<b>1,139</b>	<b>1,198</b>
<b>Current assets</b>			
Inventories	951	834	920
Current receivables	726	678	621
Cash and cash equivalents	102	121	122
<b>Total current assets</b>	<b>1,779</b>	<b>1,633</b>	<b>1,663</b>
<b>Total assets</b>	<b>2,986</b>	<b>2,772</b>	<b>2,861</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,333</b>	<b>1,232</b>	<b>1,297</b>
<b>Non-current liabilities</b>			
Non-current liabilities, interest-bearing	920	796	884
Non-current liabilities, non-interest-bearing	56	81	75
<b>Total non-current liabilities</b>	<b>976</b>	<b>877</b>	<b>959</b>
<b>Current liabilities</b>			
Current liabilities, interest-bearing	85	174	76
Current liabilities, non-interest-bearing	592	489	529
<b>Total current liabilities</b>	<b>677</b>	<b>663</b>	<b>605</b>
<b>Total equity and liabilities</b>	<b>2,986</b>	<b>2,772</b>	<b>2,861</b>

\*Restated. See section "Accounting policies" on page 16 for further information.

# Consolidated Statement of Changes in Equity

<i>SEK millions</i>	<i>30 Jun 17</i>	<i>30 Jun 16</i>
<b>Equity at beginning of year</b>	<b>1,297</b>	<b>1,183</b>
<b>Comprehensive income</b>		
Profit after tax	116	108
<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	-7	6
<b>Total comprehensive income</b>	<b>109</b>	<b>114</b>
<b>Transactions with shareholders</b>		
Issued call options	3	-
Dividend to shareholders	-76	-65
<b>Total transactions with shareholders</b>	<b>-73</b>	<b>-65</b>
<b>Equity at end of period</b>	<b>1,333</b>	<b>1,232</b>

# Consolidated Cash Flow Statement

<i>SEK millions</i>	<i>Quarter 2</i>		<i>Jan-Jun</i>	
	2017	2016	2017	2016
<b>Operating activities</b>				
Profit before financial items	77	82	167	153
Depreciation/amortisation and impairment	10	10	21	21
Interest and other finance income	0	0	0	0
Interest and other finance expenses	-5	-5	-12	-12
Other non-cash items	0	0	0	0
Income tax paid	-19	-19	-43	-31
<b>Cash flow from operating activities before changes in working capital</b>	<b>63</b>	<b>68</b>	<b>133</b>	<b>131</b>
<b>Changes in working capital</b>				
Increase (-)/decrease (+) in inventories	-21	10	-30	26
Increase (-)/decrease (+) in operating receivables	-13	-40	-113	-120
Increase (+)/decrease (-) in operating liabilities	-7	60	64	92
<b>Cash flow from operating activities</b>	<b>22</b>	<b>98</b>	<b>54</b>	<b>129</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	-10	-4	-18	-9
Company acquisitions including additional purchase considerations*	-29	-	-29	-23
Acquisition of intangible assets	0	0	0	-1
<b>Cash flow from investing activities</b>	<b>-39</b>	<b>-4</b>	<b>-47</b>	<b>-33</b>
<b>Financing activities</b>				
Dividend paid	-76	-65	-76	-65
Call options	3	-	3	-
Increase (+)/decrease (-) in borrowings	62	-15	45	-18
<b>Cash flow from financing activities</b>	<b>-11</b>	<b>-80</b>	<b>-28</b>	<b>-83</b>
<b>Cash flow for the period</b>	<b>-28</b>	<b>14</b>	<b>-21</b>	<b>13</b>
Cash and cash equivalents at beginning of period	130	106	122	107
Translation differences	0	1	1	1
<b>Cash and cash equivalents at end of period</b>	<b>102</b>	<b>121</b>	<b>102</b>	<b>121</b>

\*See pages 16-17 under "Acquisitions" for more information.

# The Group's Segment Reporting

<b>International SEK millions</b>	<b>2016</b>				<b>2017</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	474	491	449	466	536	541		
Gross profit	138	144	131	134	156	156		
Gross margin, %	29.1	29.4	29.3	28.8	29.2	28.8		
Operating expenses	-91	-94	-90	-97	-101	-104		
Operating profit	47	50	41	37	55	52		
Operating margin, %	9.8	10.2	9.1	8.0	10.2	9.6		

<b>Sweden SEK millions</b>	<b>2016</b>				<b>2017</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	244	272	219	233	279	282		
Gross profit	72	82	66	75	86	81		
Gross margin, %	29.6	30.3	30.1	32.0	30.9	28.9		
Operating expenses	-40	-42	-38	-45	-45	-44		
Operating profit	32	40	28	30	41	37		
Operating margin, %	13.2	14.6	12.6	12.9	14.8	13.2		

<b>Other* SEK millions</b>	<b>2016</b>				<b>2017</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-		
Gross loss	-4	-4	-3	-4	-4	-5		
Operating expenses	-4	-4	0	-10	-2	-7		
Operating loss	-8	-8	-3	-14	-6	-12		
Operating margin, %	-	-	-	-	-	-		

\*Other includes unallocated costs  
of a Group-wide nature

<b>Group SEK millions</b>	<b>2016</b>				<b>2017</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	718	762	668	699	815	823		
Gross profit	206	223	194	205	238	232		
Gross margin, %	28.6	29.3	29.0	29.4	29.2	28.2		
Operating expenses	-135	-141	-128	-152	-148	-155		
Operating profit	71	82	66	53	90	77		
Operating margin, %	9.9	10.8	9.8	7.6	11.0	9.4		

# Consolidated Key Figures

	Quarter 2			Jan-Jun		
	2017	2016	Δ	2017	2016	Δ
Order intake, SEK millions	833	739	13	1,644	1,478	11
Net sales, SEK millions	823	762	8	1,638	1,480	11
Gross profit, SEK millions	232	223	4	471	429	10
EBITDA, SEK millions	87	92	-5	188	174	8
Operating profit/loss, SEK millions	77	82	-6	167	153	9
Profit/loss after tax, SEK millions	54	59	-9	116	108	7
Gross margin, %	28.2	29.3		28.7	29.0	
Operating margin, %	9.4	10.8		10.2	10.3	
Net margin, %	6.5	7.7		7.1	7.3	
Net debt, SEK millions	902	849	6			
Debt/equity ratio, %	68	69				
Net debt/ EBITDA*, multiple	2.7	3.0				
Working capital, SEK millions	1,139	1,023	11			
Average working capital, SEK millions	1,079	958	13			
Average working capital in relation to net sales, %	35.7	36.5				
Equity/assets ratio, %	45	44				
Operating cash flow, SEK millions	36	118	-69	91	162	-27
Earnings per share, SEK	1.41	1.55	-9	3.05	2.84	7

\*Paid purchase prices have been charged in full to net debt while EBITDA has only been credited from the acquisition date.

For definitions, see page 19.

# Parent Company Income Statement

<i>SEK millions</i>	<i>Quarter 2</i>		<i>Jan-Jun</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Administrative expenses	-4	-4	-7	-6
Other operating income	1	2	2	3
<b>Operating loss</b>	<b>-3</b>	<b>-2</b>	<b>-5</b>	<b>-3</b>
<b><i>Profit/loss from financial items</i></b>				
Interest expense and similar expense items	0	0	-1	0
<b>Loss after financial items</b>	<b>-3</b>	<b>-2</b>	<b>-6</b>	<b>-3</b>
Appropriations	-	-	-	-
Tax on net profit/loss for the period	0	0	1	1
<b>Loss after tax</b>	<b>-3</b>	<b>-2</b>	<b>-5</b>	<b>-2</b>
<b>Other comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss</b>	<b>-3</b>	<b>-2</b>	<b>-5</b>	<b>-2</b>

# Parent Company Balance Sheet

<i>SEK millions</i>	<i>30 Jun 17</i>	<i>30 Jun 16</i>	<i>31 Dec 16</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	96	101	183
Other current receivables	4	16	4
Cash and cash equivalents	2	0	1
<b>Total current assets</b>	<b>102</b>	<b>117</b>	<b>188</b>
<b>Total assets</b>	<b>947</b>	<b>962</b>	<b>1,033</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>834</b>	<b>859</b>	<b>913</b>
<b>Untaxed reserves</b>	<b>109</b>	<b>100</b>	<b>109</b>
<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>			
Other current liabilities	4	3	11
<b>Total current liabilities</b>	<b>4</b>	<b>3</b>	<b>11</b>
<b>Total equity and liabilities</b>	<b>947</b>	<b>962</b>	<b>1,033</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 financial statements 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 2016 Annual Report. The 2016 Annual Report is available at [www.bufab.com](http://www.bufab.com).

As indicated under the heading "Acquisitions," an adjustment has been made to the preliminary acquisition analysis relating to Montrose Holdings Ltd, thereby increasing the recognized goodwill and estimated additional purchase consideration by SEK 7 million. In accordance with IFRS 3, adjustments to the preliminary acquisition analysis have been recognized as of the acquisition date, and comparative figures for the 2016 financial year have therefore been restated. However, such restatements did not have any effect on recognized profit, earnings per share or consolidated equity.

### 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 relate to the impact of the economy on demand. For further information, see Note 3 of the 2016 Annual Report.

### SEASONAL VARIATIONS

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.

### RELATED-PARTY TRANSACTIONS

During the interim period, the President and senior executives subscribed for call options within the framework of the long-term share-based incentive programme adopted at the Annual General Meeting under the terms outlined in more detail below. In other respects, no other related-party transactions occurred during the period.

### LONG-TERM SHARE-BASED INCENTIVE PROGRAMME

The 2017 Annual General Meeting resolved to adopt a long-term share-based incentive programme based on call options, comprising the CEO, senior executives and other key employees within the Group. The programme comprises a

maximum of 350,000 call options, corresponding to approximately 0.9 percent of the total number of shares in the company. The purchase price for the call options has been set at SEK 10.01, corresponding to the market value of the options at the date of transfer. Each call option entitles the holder to acquire one share in Bufab during the period 15 May 2020 - 15 November 2020. The purchase price per share is SEK 120.40, corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 8 May 2017 - 12 May 2017. During the interim period, a total of 333,950 call options were subscribed for.

To encourage participation in the programme, the Board of Directors has resolved on a subsidy in the form of gross salary additions to participants, which may correspond to not more than the price paid for the call options. To hedge Bufab's delivery of shares, the Annual General Meeting also resolved to authorise the Board of Directors to repurchase a maximum of 350,000 shares in the company, and approved the transfer of a maximum of 350,000 of the company's repurchased shares to the participants of the programme. No shares were repurchased during the interim period.

### ACQUISITIONS

The following acquisitions were made during 2015-2017.

	Date	Net sales*	Employees
Flos BV	26 Feb 2015	160	52
Apex Stainless Holdings Ltd	26 Nov 2015	300	110
Magnetfabriken AB	2 Mar 2016	20	6
Montrose Holdings Ltd	5 Dec 2016	80	51
Thunderbolts Group Limited	24 May 2017	32	19

\*Estimated annual net sales at the date of acquisition

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 the second quarter of 2017 of SEK 2 million. In addition, transaction costs of SEK 1 million were recognized in the second quarter for the acquisition of Thunderbolts Group Limited. These costs were recognised under other operating expenses in segment Other.

During the interim period, the preliminary acquisition analysis for Montrose Holdings Ltd, presented in Note 35 of the 2016 Annual Report, was updated. The adjustment was the result of the receipt of information that confirmed the conditions prevailing on the acquisition date and entails an increase of



both the estimated additional purchase consideration and recognized goodwill of SEK 7 million.

On 24 May 2017, Bufab acquired 100 percent of the shares in Thunderbolts Group Limited. Thunderbolts was founded in 1991 and has through steady growth developed into a significant supplier to the construction, manufacturing, marine and healthcare industries in the south of England. The purchase consideration was SEK 25 million, of which SEK 15 million has been paid unconditionally and the remaining SEK 10 million is subject to conditions. The conditional portion of SEK 10 million comprises 100 percent of the maximum outcome of the additional purchase consideration and is subject to the company's future earnings performance.

The acquisition has added SEK 3 million to the Group's accumulated net sales since the transfer. The net impact on accumulated operating profit was SEK 0 million and the effect on profit after tax was SEK 0 million. Transaction costs for the acquisition amounted to SEK 1 million. The acquisition would have positively impacted the Group's net sales by an estimated SEK 15 million, operating profit by about SEK 2 million and profit after tax for the period by about SEK 1 million had it been implemented on 1 January 2017.

The amounts of the assets and liabilities included in the acquisition according to the preliminary acquisition analysis were as follows:

<b>Thunderbolts Group Limited</b>	<i>Carrying amount on acquisition date</i>	<i>Adjustment to fair value</i>	<i>Fair value</i>
Intangible assets		6	6
Other non-current assets	0		0
Inventories	3		3
Other current assets	7		7
Cash and cash equivalents	7		7
Deferred tax liabilities		-1	-1
Other liabilities	-5		-5
<b>Acquired net assets</b>	<b>12</b>	<b>5</b>	<b>17</b>
Goodwill			8
<b>Purchase consideration*</b>			<b>25</b>
Less: cash and cash equivalents in acquired operations			-7
Less: conditional purchase consideration			-10
<b>Effect on the Group's cash and cash equivalents</b>			<b>8</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.

In addition to the net impact on the Group's cash and cash equivalents of SEK 8 million relating to the acquisition of Thunderbolts, SEK 21 million was paid in additional purchase considerations for previous acquisitions

## EMPLOYEES

The number of full-time employees in the Group as of 30 June 2017 was 1,058 (943), 19 of whom stem from the acquisition of Thunderbolts Group Limited.

## CONTINGENT LIABILITIES

There were no significant changes to the company's contingent liabilities during the interim period.

## AUDIT REVIEW REPORT

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

## FINANCIAL REPORTING DATES

**Interim report for the third quarter of 2017**

26 October 2017

**Year-end report 2017**

9 February 2018

*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 2017

Bufab AB (publ)

**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

**Gunnar Tindberg**  
Board member

**Jörgen Rosengren**  
President and CEO

## 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

**Adjusted profit after tax**

Profit after tax adjusted for items affecting comparability

**Operating margin, %**

Operating profit as a percentage of net sales for the period

**Adjusted net margin, %**

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

**Net debt**

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 debt/EBITDA, multiple**

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 for the period divided by the average number of common shares

**Adjusted earnings per share**

Adjusted profit after tax for the period divided by the average number of common shares

## 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.

### 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.

2017, %	Quarter 2			Jan-Jun		
	Group	Sweden	International	Group	Sweden	International
Organic growth	3	4	2	6	8	5
Currency translation effects	2	0	3	2	0	2
Acquisitions	3	0	5	3	1	5
<b>Recognised growth</b>	<b>8</b>	<b>4</b>	<b>10</b>	<b>11</b>	<b>9</b>	<b>12</b>

2016, %	Quarter 2			Jan-Jun		
	Group	Sweden	International	Group	Sweden	International
Organic growth	5	2	8	4	-1	7
Currency translation effects	-2	0	-3	-1	0	-2
Acquisitions	12	2	18	14	1	22
<b>Recognised growth</b>	<b>15</b>	<b>4</b>	<b>23</b>	<b>17</b>	<b>0</b>	<b>27</b>

### 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.

SEK millions	Quarter 2		Jan-Jun	
	2017	2016	2017	2016
<b>EBITDA</b>	<b>87</b>	<b>92</b>	<b>188</b>	<b>174</b>
Other non-cash items	0	0	0	0
Changes in inventory	-21	10	-30	26
Changes in operating receivables	-13	-40	-113	-120
Changes in operating liabilities	-7	60	64	92
<b>Cash flow from operations</b>	<b>46</b>	<b>122</b>	<b>109</b>	<b>172</b>
Investments excluding acquisitions	-10	-4	-18	-10
<b>Operating cash flow</b>	<b>36</b>	<b>118</b>	<b>91</b>	<b>162</b>

## EBITDA

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

<b>SEK millions</b>	<b>Quarter 2</b>		<b>Jan-Jun</b>	
	2017	2016	2017	2016
Operating profit	77	82	167	153
Depreciation/amortisation and impairment	10	10	21	21
<b>EBITDA</b>	<b>87</b>	<b>92</b>	<b>188</b>	<b>174</b>

## Working capital

Because Bufab is a trading company, working 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.

<b>SEK millions</b>	<b>30 Jun</b>	<b>30 Jun</b>
	2017	2016
Current assets	1,779	1,633
Less: cash and cash equivalents	-102	-121
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-538	-489
<b>Working capital on balance-sheet date</b>	<b>1,139</b>	<b>1,023</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.

<b>SEK millions</b>	<b>30 Jun</b>	<b>30 Jun</b>
	2017	2016
Non-current interest-bearing liabilities	920	796
Current interest-bearing liabilities	85	174
Less: cash and cash equivalents	-102	-121
Less: other interest-bearing receivables	0	0
<b>Net debt on balance-sheet date</b>	<b>902</b>	<b>849</b>

### 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.

	<i>Quarter 2</i>		<i>Jan-Jun</i>		<i>Rolling 12 months</i>	<i>Full year</i>
<i>SEK millions</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2016/17</i>	<i>2016</i>
Net sales (A)	823	762	1638	1480	3004	2847
Profit after tax (B)	54	59	116	108	171	163
Items affecting comparability	-	-	-	-	24	24
Adjusted profit after tax (C)	<b>54</b>	<b>59</b>	<b>116</b>	<b>108</b>	<b>195</b>	<b>187</b>
Net margin, % (B/A)	6.5	7.7	7.1	7.3	5.7	5.7
Adjusted net margin, % (C/A)	<b>6.5</b>	<b>7.7</b>	<b>7.1</b>	<b>7.3</b>	<b>6.5</b>	<b>6.6</b>

### 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.

	<i>Quarter 2</i>		<i>Jan-Jun</i>		<i>Rolling 12 months</i>	<i>Full year</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2016/17</i>	<i>2016</i>
Weighted number of shares outstanding, thousands (A)	38,110.5	38,110.5	38,110.5	38,110.5	38,110.5	38,110.5
Profit after tax, SEK millions (B)	54	59	116	108	171	163
Adjusted profit after tax, SEK millions (C)	54	59	116	108	195	187
Earnings per share, SEK (B/A)	1.41	1.55	3.05	2.84	4.49	4.29
Adjusted earnings per share, SEK (C/A)	<b>1.41</b>	<b>1.55</b>	<b>3.05</b>	<b>2.84</b>	<b>5.12</b>	<b>4.92</b>

## CONFERENCE CALL

A conference call will be held on 19 July 2017 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 in the conference, use any of the following dial-in numbers: +44 1452 555566, UK: 08444933800, Sweden: 0850336434, or the US: 16315107498. Conference code: 34014806.

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 2017 at 7:30 a.m. CET.*