

# Interim report January - September 2017

**Continued strong demand and sales growth. Bufab opens a subsidiary in Mexico. Raised growth target.**

## Third quarter of 2017

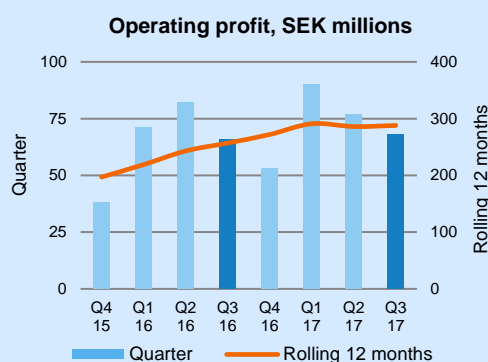
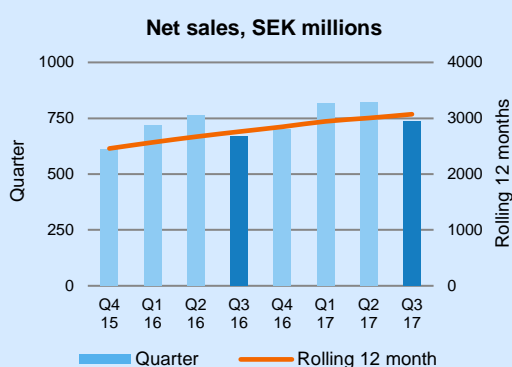
- Net sales rose by 10 percent to SEK 735 million (668) Organic growth was 6 percent
- Order intake increased 13 percent and was higher than net sales
- Operating profit rose to SEK 68 million (66) and the operating margin was 9.3 percent (9.8)
- Earnings per share were SEK 1.16 (1.22)

## January - September 2017

- Net sales rose by 10 percent to SEK 2,373 million (2,148) Organic growth was 6 percent
- Order intake increased 12 percent and was higher than net sales
- Operating profit rose to SEK 235 million (219) and the operating margin was 9.9 percent (10.2)
- Earnings per share were SEK 4.24 (4.06)

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

	Quarter 3			Jan-Sep			12-months rolling	Full year
SEK millions	2017	2016	Δ %	2017	2016	Δ %	2016/17	2016
Order intake	749	665	13	2,393	2,143	12	3,137	2,887
Net sales	735	668	10	2,373	2,148	10	3,072	2,847
Gross profit	209	194	8	679	623	9	884	828
Gross margin, %	28.4	29.0		28.6	29.0		28.8	29.1
Operating expenses	-141	-128	10	-444	-404	10	-596	-556
Operating profit	68	66	3	235	219	7	288	272
Operating margin, %	9.3	9.8		9.9	10.2		9.4	9.6
Profit after tax	44	46	-4	161	155	4	169	163
Adjusted profit after tax	44	46	-4	161	155	4	193	187
Earnings per share, SEK	1.16	1.22	-5	4.24	4.06	4	4.47	4.29
Adjusted earnings per share, SEK	1.16	1.22	-5	4.24	4.06	4	5.10	4.92



NET SALES,  
DEVELOPMENT

**+10%**

OPERATING MARGIN

**9.3%**

## CEO's overview

Bufab reported growth of 10 percent and strong order intake in the third quarter. Organic growth was solid as a result of continued favourable underlying demand and higher market shares. While an increase was noted in operating profit, the operating margin declined compared with the preceding year.

Segment International increased its net sales by 13 percent, of which organic growth accounted for 8 percent. Underlying demand was strong and we grew our market share in most markets. The gross margin was in line with the preceding year, while the operating margin was negatively impacted by higher operating expenses. We are continuing to expand and strengthen the sales organisation in the segment. These initiatives are important for Bufab in the long term, but we are nonetheless dissatisfied with the cost trend in the segment during the year.

In segment Sweden, net sales rose by 4 percent, driven entirely by organic growth. Growth was thus slightly lower than earlier in the year. Gross margin for the quarter deteriorated compared with the preceding year. The decline is the result of rising purchasing prices in recent quarters, which have now impacted our income statement. This in turn is the result of higher prices for raw materials. We are continuing to work to offset these cost increases by raising the prices for customers, but the results to date have been insufficient. We have intensified

efforts during the quarter in light of the margin trend and the risk of further increases in raw material prices.

Overall for the third quarter, Bufab reported strong growth and increased operating profit but somewhat weaker margins.

Strong order intake in the two most recent quarters and positive signals from customers and industry provide a basis for optimism ahead of the remainder of 2017. In the years ahead, we intend to grow organically with healthy margins and to make additional value-generating acquisitions. For example, Bufab has now opened a subsidiary in Mexico to leverage growth opportunities in the country. Our ambition is to be the leading player in our industry by 2020. To reflect this ambition, Bufab's Management and Board of Directors has decided to raise the Group's target for average annual growth to 10 percent.

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 25 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

### THIRD QUARTER

Order intake was SEK 749 million (665), which was higher than net sales. Net sales rose by 10 percent to SEK 735 million (668) The Group's organic growth was +6 percent, comprising +4 percent for segment Sweden and +8 per cent for segment International.

Underlying demand is considered higher and the market share slightly higher compared with the corresponding period in 2016.

The gross margin was 28.4 percent (29.0) and was lower compared with the preceding year, mainly on account of rising purchasing prices in recent quarters.

Operating profit rose to SEK 68 million (66), equal to an operating margin of 9.3 percent (9.8). Operating profit was positively impacted by SEK 4 million due to a remeasurement of reserves for additional purchase considerations but negatively by the lower gross margin and higher operating expenses.

Exchange-rate fluctuations impacted operating profit positively by SEK +2 million, volumes positively by SEK +13 million, price/cost/mix/other negatively by SEK -18 million and acquisitions positively by SEK +5 million.

### JANUARY - SEPTEMBER

Order intake was SEK 2,393 million (2,143), which was higher than net sales. Net sales rose by 10 percent to SEK 2,373 million (2,148) The Group's organic growth was +6 percent, comprising +7 percent for segment Sweden and +6 percent for segment International.

Underlying demand is considered higher in both segments compared with the corresponding period in 2016 and the market share is assessed to have increased in both segments.

The gross margin was slightly lower compared with the preceding year, mainly due to rising purchasing prices in recent quarters.

Operating profit rose to SEK 235 million (219), equal to an operating margin of 9.9 percent (10.2).

Exchange-rate fluctuations impacted operating profit by SEK 0 million, volumes positively by SEK +39 million, price/cost/mix/other negatively by SEK -31 million and acquisitions positively by SEK +8 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -9 million (-5) for the third quarter, of which exchange-rate differences accounted for SEK -3 million (+2). During the nine-month period, net financial items amounted to SEK -21 million (-13), of which exchange-rate differences accounted for SEK -3 million (+6).

The Group's profit after financial items was SEK 59 million (61) for the quarter and SEK 214 million (206) for the nine-month period.

The tax expense for the quarter was SEK -15 million (-15), which implies an effective tax rate of 25 percent (25). The tax expense for the nine-month period was SEK -53 million (-51), which implies an effective tax rate of 25 percent (25).

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

SEK millions	Quarter 3		Jan-Sep	
	2017	2016	2017	2016
Operating profit	68	66	235	219
Depreciation/amortisation and impairment	11	11	32	32
Other non-cash items	-4	0	-1	0
Changes in working capital	-29	6	-109	4
<b>Cash flow from operations</b>	<b>46</b>	<b>83</b>	<b>157</b>	<b>255</b>
Investments excluding acquisitions	-14	-6	-32	-16
<b>Operating cash flow</b>	<b>32</b>	<b>77</b>	<b>125</b>	<b>239</b>

Operating cash flow amounted to SEK 32 million (77) for the period. The decline in cash flow is mainly the result of an increase in working capital of SEK 29 million compared with a decline of SEK 6 million in the preceding year. The increase noted this year is attributable to a rise in trade receivables and inventories, driven in turn by growth. Operating cash flow for the nine-month period was SEK 125 million (239).

Average working capital in relation to net sales improved to 35.7 percent (36.6). Excluding the acquisition of Apex Stainless Fasteners Ltd, average working capital in relation to net sales improved to 33.5 percent (34.1).

On 30 September 2017, the Group's net debt totalled SEK 936 million (791). Despite positive operating cash flow, net debt increased due to acquisitions carried out, paid additional purchase considerations, share repurchases and dividends paid over the past 12 months. On 30 September 2017, the debt/equity ratio was 70 percent (61).

# Segment International

## Third quarter

Order intake was SEK 522 million (450), which was higher than net sales.

Net sales rose by 13 percent to SEK 507 million (449). Organic growth amounted to +8 percent, which was due to higher underlying demand compared with the corresponding period in the preceding year and increased market shares.

The gross margin was 29.2 percent (29.3).

Operating profit was SEK 43 million (41), equal to an operating margin of 8.5 percent (9.1) and was negatively affected by higher operating expenses. Exchange-rate fluctuations impacted operating profit positively by SEK +1 million, volumes positively by SEK +10 million, price/cost/mix/other negatively by SEK -10 million and acquisitions positively by SEK +1 million.

## January - September

Order intake was SEK 1,604 million (1,419), which was higher than net sales.

Net sales rose by 12 percent to SEK 1,584 million (1,414). Organic growth was +6 percent, primarily due to higher market shares in most markets and higher underlying demand compared with the corresponding period in the preceding year.

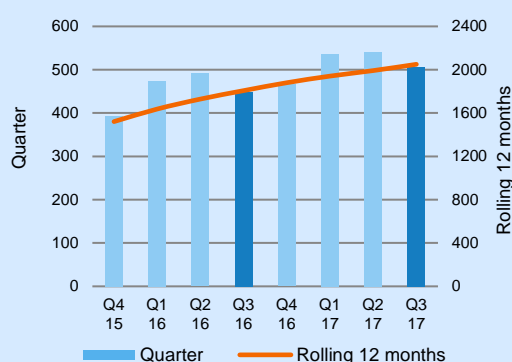
The gross margin was 29.0 percent (29.2).

Operating profit was SEK 146 million (138), equal to an operating margin of 9.2 percent (9.7) and was negatively affected by higher operating expenses. Exchange-rate fluctuations impacted operating profit positively by SEK +1 million, volumes positively by SEK +22 million, price/cost/mix/other negatively by SEK -21 million and acquisitions positively by SEK +6 million.

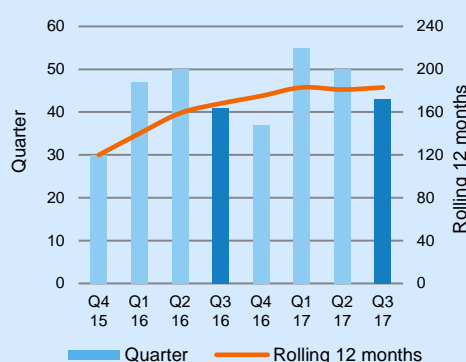
	Quarter 3			Jan-Sep			12-months Rolling	Full year
SEK millions	2017	2016	Δ	2017	2016	Δ	2016/17	2016
Order intake*	522	450	16	1,604	1,419	13	2,092	1,907
Net sales*	507	449	13	1,584	1,414	12	2,050	1,880
Gross profit	148	131	13	459	413	11	593	547
Gross margin, %	29.2	29.3		29.0	29.2		29.0	29.1
Operating expenses	-105	-90	17	-313	-276	13	-409	-372
Operating profit	43	41	5	146	138	6	183	175
Operating margin, %	8.5	9.1		9.2	9.7		8.9	9.3

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

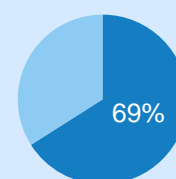
Net sales, SEK millions



Operating profit, SEK millions



SHARE OF TOTAL SALES



NET SALES, DEVELOPMENT

+13%

OPERATING MARGIN

8.5%

# Segment Sweden

## Third quarter

Order intake was SEK 227 million (215) and was in line with net sales.

Net sales rose by 4 percent to SEK 228 million (219), of which 4 percent was organic. Growth was mainly the result of improvements in underlying demand.

The gross margin declined to 28.9 percent (30.1). The decline was attributable to rising purchasing prices in recent quarters.

Operating profit was SEK 26 million (28), equal to an operating margin of 11.4 percent (12.6). Exchange-rate fluctuations impacted operating profit positively by SEK +1 million, volumes positively by SEK +3 million, price/cost/mix/other negatively by SEK -6 million and acquisitions by SEK 0 million.

## January - September

Order intake was SEK 788 million (724) and was in line with net sales.

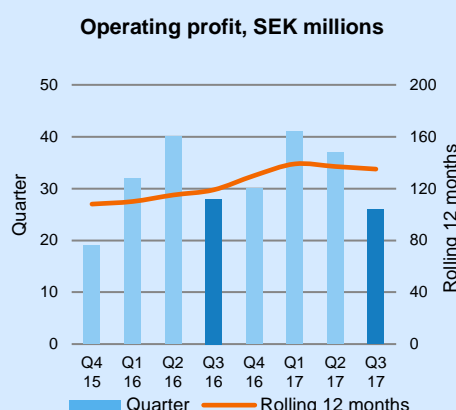
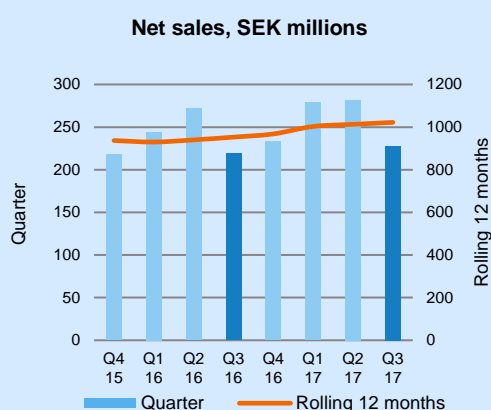
Net sales rose by 7 percent to SEK 789 million (735), of which 7 percent was organic. The high organic growth was a result of increased market shares and improvements in underlying demand.

The gross margin declined to 29.5 percent (30.0).

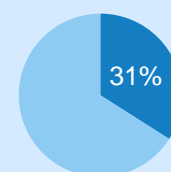
Operating profit was SEK 104 million (99), equal to an operating margin of 13.2 percent (13.5). Exchange-rate fluctuations impacted operating profit negatively by SEK -1 million, volumes positively by SEK +15 million, price/cost/mix/other negatively by SEK -10 million and acquisitions positively by SEK +1 million.

	Quarter 3			Jan-Sep			12-months Rolling	Full year
SEK millions	2017	2016	Δ	2017	2016	Δ	2016/17	2016
Order intake*	227	215	6	788	724	9	1,044	980
Net sales*	228	219	4	789	735	7	1,022	968
Gross profit	66	66	0	233	221	5	307	295
Gross margin, %	28.9	30.1		29.5	30.0		30.1	30.5
Operating expenses	-40	-38	5	-129	-121	7	-173	-165
Operating profit	26	28	-7	104	99	5	135	130
Operating margin, %	11.4	12.6		13.2	13.5		13.2	13.4

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



### SHARE OF TOTAL SALES



### NET SALES, DEVELOPMENT

+4%

### OPERATING MARGIN

11.4%

## Consolidated Income Statement

<i>SEK millions</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net sales	735	668	2,373	2,148
Cost of goods sold	-526	-474	-1,694	-1,525
<b>Gross profit</b>	<b>209</b>	<b>194</b>	<b>679</b>	<b>623</b>
Distribution costs	-104	-96	-325	-294
Administrative expenses	-40	-32	-123	-112
Other operating income	7	7	23	22
Other operating expenses	-4	-7	-19	-20
<b>Operating profit</b>	<b>68</b>	<b>66</b>	<b>235</b>	<b>219</b>
<b><i>Profit from financial items</i></b>				
Interest income and similar income items	0	2	0	6
Interest expense and similar expense items	-9	-7	-21	-19
<b>Profit after financial items</b>	<b>59</b>	<b>61</b>	<b>214</b>	<b>206</b>
Tax on net profit for the period	-15	-15	-53	-51
<b>Profit after tax</b>	<b>44</b>	<b>46</b>	<b>161</b>	<b>155</b>

## Statement of Comprehensive Income

<i>SEK millions</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Profit after tax</b>	<b>44</b>	<b>46</b>	<b>161</b>	<b>155</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	-8	17	-15	22
<b>Other comprehensive income after tax</b>	<b>-8</b>	<b>17</b>	<b>-15</b>	<b>22</b>
<b>Total comprehensive income</b>	<b>36</b>	<b>63</b>	<b>146</b>	<b>177</b>
Total comprehensive income attributable to:				
Parent Company shareholders	36	63	146	177

## Earnings per share

<i>SEK</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Earnings per share	1.16	1.22	4.24	4.06
Weighted number of shares outstanding, thousands	37,918.7	38,110.5	37,982.5	38,110.5
Diluted earnings per share, SEK	1.16	1.22	4.24	4.06
Weighted number of shares outstanding after dilution, thousands	37,918.7	38,110.5	37,982.5	38,110.5
Adjusted earnings per share, SEK	1.16	1.22	4.24	4.06

## Consolidated Balance Sheet

<i>SEK millions</i>	<i>30 Sep 17</i>	<i>30 Sep 16</i>	<i>31 Dec 16*</i>
<b>ASSETS</b>			
<b><i>Non-current assets</i></b>			
Intangible assets	1,043	985	1,044
Property, plant and equipment	142	126	132
Financial assets	22	27	22
<b>Total non-current assets</b>	<b>1,207</b>	<b>1,138</b>	<b>1,198</b>
<b><i>Current assets</i></b>			
Inventories	1,001	863	920
Current receivables	703	629	621
Cash and cash equivalents	103	128	122
<b>Total current assets</b>	<b>1,807</b>	<b>1,620</b>	<b>1,663</b>
<b>Total assets</b>	<b>3,014</b>	<b>2,758</b>	<b>2,861</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,339</b>	<b>1,295</b>	<b>1,297</b>
<b><i>Non-current liabilities</i></b>			
Non-current liabilities, interest-bearing	994	793	884
Non-current liabilities, non-interest-bearing	51	76	75
<b>Total non-current liabilities</b>	<b>1,045</b>	<b>869</b>	<b>959</b>
<b><i>Current liabilities</i></b>			
Current liabilities, interest-bearing	45	126	76
Current liabilities, non-interest-bearing	585	468	529
<b>Total current liabilities</b>	<b>630</b>	<b>594</b>	<b>605</b>
<b>Total equity and liabilities</b>	<b>3,014</b>	<b>2,758</b>	<b>2,861</b>

\*Restated. See the section "Accounting policies" on page 15 for further information.



## Consolidated Statement of Changes in Equity

<i>SEK millions</i>	30 Sep 17	30 Sep 16
<b>Equity at beginning of year</b>	<b>1,297</b>	<b>1,183</b>
<b>Comprehensive income</b>		
Profit after tax	161	155
<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	-15	22
<b>Total comprehensive income</b>	<b>146</b>	<b>177</b>
<b>Transactions with shareholders</b>		
Issued call options	3	-
Repurchase of own shares	-31	-
Dividend to shareholders	-76	-65
<b>Total transactions with shareholders</b>	<b>-104</b>	<b>-65</b>
<b>Equity at end of period</b>	<b>1,339</b>	<b>1,295</b>

## Consolidated Cash Flow Statement

<i>SEK millions</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b><i>Operating activities</i></b>				
Profit before financial items	68	66	235	219
Depreciation/amortisation and impairment	11	11	32	32
Interest and other finance income	-	-	-	-
Interest and other finance expenses	-9	-7	-21	-19
Other non-cash items	-4	-	-1	-
Income tax paid	-20	-11	-63	-42
<b>Cash flow from operating activities before changes in working capital</b>	<b>46</b>	<b>59</b>	<b>182</b>	<b>190</b>
<b><i>Changes in working capital</i></b>				
Increase (-)/decrease (+) in inventories	-55	-23	-85	3
Increase (-)/decrease (+) in operating receivables	32	68	-78	-52
Increase (+)/decrease (-) in operating liabilities	-6	-39	54	53
<b>Cash flow from operating activities</b>	<b>17</b>	<b>65</b>	<b>73</b>	<b>194</b>
<b><i>Investing activities</i></b>				
Acquisition of property, plant and equipment	-14	-6	-32	-15
Company acquisitions including additional purchase considerations*	-6	-5	-35	-28
Acquisition of intangible assets	-	-	-	-1
<b>Cash flow from investing activities</b>	<b>-20</b>	<b>-11</b>	<b>-67</b>	<b>-44</b>
<b><i>Financing activities</i></b>				
Dividend paid	-	-	-76	-65
Call options	-	-	3	-
Repurchase of own shares	-31	-	-31	-
Increase (+)/decrease (-) in borrowings	35	-48	79	-66
<b>Cash flow from financing activities</b>	<b>4</b>	<b>-48</b>	<b>-25</b>	<b>-131</b>
<b>Cash flow for the period</b>	<b>1</b>	<b>6</b>	<b>-19</b>	<b>19</b>
Cash and cash equivalents at beginning of period	102	121	122	107
Translation differences	-	1	-	2
<b>Cash and cash equivalents at end of period</b>	<b>103</b>	<b>128</b>	<b>103</b>	<b>128</b>

\*See pages 15-16 under "Acquisitions" for more information.

## The Group's Segment Reporting

International SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	474	491	449	466	536	541	507	
Gross profit	138	144	131	134	156	152	148	
Gross margin, %	29.1	29.4	29.3	28.8	29.2	28.1	29.2	
Operating expenses	-91	-94	-90	-97	-101	-104	-105	
Operating profit	47	50	41	37	55	48	43	
Operating margin, %	9.8	10.2	9.1	8.0	10.2	8.9	8.5	

Sweden SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	244	272	219	233	279	282	228	
Gross profit	72	82	66	75	86	81	66	
Gross margin, %	29.6	30.3	30.1	32.0	30.9	28.9	28.9	
Operating expenses	-40	-42	-38	-45	-45	-44	-40	
Operating profit	32	40	28	30	41	37	26	
Operating margin, %	13.2	14.6	12.6	12.9	14.8	13.2	11.4	

Other** SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-	-	
Gross loss*	-4	-4	-3	-4	-4	-1	-5	
Operating expenses	-4	-4	0	-10	-2	-7	4	
Operating loss*	-8	-8	-3	-14	-6	-8	-1	
Operating margin, %	-	-	-	-	-	-	-	

\*Gross profit and operating profit for segment International in Q2 2017 was reported too high by SEK 4 million, and corresponding profit in segment Other in the same quarter was SEK 4 million too low. The Group's profit were reported correctly. The above shows corrected profits. The correction has not affected the Group's reported income statement or balance sheet.

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

Group SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	718	762	668	699	815	823	735	
Gross profit	206	223	194	205	238	232	209	
Gross margin, %	28.6	29.3	29.0	29.4	29.2	28.2	28.4	
Operating expenses	-135	-141	-128	-152	-148	-155	-141	
Operating profit	71	82	66	53	90	77	68	
Operating margin, %	9.9	10.8	9.8	7.6	11.0	9.4	9.3	

## Consolidated Key Figures

	Quarter 3		Δ	Jan-Sep		Δ
	2017	2016	%	2017	2016	%
Order intake, SEK millions	<b>749</b>	665	13	<b>2,393</b>	2,143	12
Net sales, SEK millions	<b>735</b>	668	10	<b>2,373</b>	2,148	10
Gross profit, SEK millions	<b>209</b>	194	8	<b>679</b>	623	9
EBITDA, SEK millions	<b>79</b>	77	3	<b>267</b>	251	6
Operating profit, SEK millions	<b>68</b>	66	3	<b>235</b>	219	7
Profit/loss after tax, SEK millions	<b>44</b>	46	-4	<b>161</b>	155	4
Gross margin, %	<b>28.4</b>	29.0		<b>28.6</b>	29.0	
Operating margin, %	<b>9.3</b>	9.8		<b>9.9</b>	10.2	
Net margin, %	<b>6.0</b>	7.0		<b>6.8</b>	7.2	
Net debt, SEK millions	<b>936</b>	791	18			
Debt/equity ratio, %	<b>70</b>	61				
Net debt/ EBITDA*, multiple	<b>2.8</b>	2.7				
Working capital, SEK millions	<b>1,119</b>	1,024	9			
Average working capital, SEK millions	<b>1,103</b>	1,029	7			
Average working capital in relation to net sales, %	<b>35.7</b>	36.6				
Equity/assets ratio, %	<b>44</b>	47				
Operating cash flow, SEK millions	<b>32</b>	77	-58	<b>125</b>	239	-48
Earnings per share, SEK	<b>1.16</b>	1.22	-5	<b>4.24</b>	4.06	4

\*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 18.

## Parent Company Income Statement

<i>SEK millions</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Administrative expenses	-3	-2	-10	-9
Other operating income	2	1	4	4
<b>Operating loss</b>	<b>-1</b>	<b>-1</b>	<b>-6</b>	<b>-5</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>-1</b>	<b>-1</b>	<b>-7</b>	<b>-5</b>
Appropriations	-	-	-	-
Tax on net profit/loss for the period	0	0	1	1
<b>Loss after tax</b>	<b>-1</b>	<b>-1</b>	<b>-6</b>	<b>-4</b>
<b>Other comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss</b>	<b>-1</b>	<b>-1</b>	<b>-6</b>	<b>-4</b>

## Parent Company Balance Sheet

<i>SEK millions</i>	<i>30 Sep 17</i>	<i>30 Sep 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	62	95	183
Other current receivables	9	21	4
Cash and cash equivalents	0	0	1
<b>Total current assets</b>	<b>71</b>	<b>116</b>	<b>188</b>
<b>Total assets</b>	<b>916</b>	<b>961</b>	<b>1,033</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>803</b>	<b>858</b>	<b>913</b>
Untaxed reserves	109	100	109
<b><i>Non-current interest-bearing liabilities</i></b>			
Other non-current liabilities	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</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>916</b>	<b>961</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 recognised goodwill and estimated additional purchase consideration by SEK 7 million. In accordance with IFRS 3, adjustments to the preliminary acquisition analysis have been recognised 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 recognised 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 second quarter, 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.

### REPURCHASE OF OWN SHARES

During the third quarter, the company repurchased 333,950 own shares corresponding to an acquisition price of SEK 31 million. In other respects, no other material related-party transactions occurred during the third quarter.

### 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.

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.

### 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

A remeasurement of liabilities for conditional, not yet paid purchase considerations has entailed a reversal of debt in the third quarter of 2017 in the amount of SEK 4 million. The amount is included in other operating income.

During the second quarter, 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 recognised 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 11 million to the Group's accumulated net sales since the transfer. The net impact on accumulated operating profit was SEK 1 million and the effect on profit after tax was SEK 1 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 23 million, operating profit by about SEK 3 million and profit after tax for the period by about SEK 2 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 27 million was paid in additional purchase considerations for previous acquisitions during the nine-month period.

## EMPLOYEES

The number of full-time employees in the Group as of 30 September 2017 was 1,067 (946), 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.

## ANNUAL GENERAL MEETING

The Annual General Meeting of Bufab AB (publ) will be held in Värnamo, on 26 April 2018 at 1:30 p.m.

## SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

On 25 October 2017, Bufab published updated financial targets for the Group. The new targets, adopted by the Management and Board, reflect the greater growth ambitions of the company. The targets are average annual sales growth of 10 percent via organic growth and acquisitions, an annual operating margin (EBITA) of 12 percent over a business cycle and a dividend of 30-60 percent of annual net profit.

Bufab has started a subsidiary in Mexico.

## FINANCIAL REPORTING DATES

### Year-end report 2017

9 February 2018

### Interim report for the first quarter of 2018

26 April 2018

### Interim report for the second quarter of 2018

19 July 2018

### Interim report for the third quarter of 2018

25 October 2018

### Year-end report 2018

8 February 2019

Värnamo, 26 October 2017

Jörgen Rosengren  
President and CEO



## AUDITORS' REVIEW REPORT

Bufab AB (publ), Corp. Reg. No. 556685-6240

### Introduction

We have reviewed the condensed interim financial information (interim report) of Bufab AB (publ) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Göteborg, 26 October 2017

Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson

Authorized Public Accountant

## 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 3			Jan-Sep		
	Group	Sweden	International	Group	Sweden	International
Organic growth	6	4	8	6	7	6
Currency translation effects	0	0	-1	1	0	1
Acquisitions	4	0	6	3	0	5
<b>Recognised growth</b>	<b>10</b>	<b>4</b>	<b>13</b>	<b>10</b>	<b>7</b>	<b>12</b>

2016, %	Quarter 3			Jan-Sep		
	Group	Sweden	International	Group	Sweden	International
Organic growth	4	4	4	4	1	6
Currency translation effects	0	0	0	-1	0	-2
Acquisitions	12	2	17	13	1	22
<b>Recognised growth</b>	<b>16</b>	<b>6</b>	<b>21</b>	<b>16</b>	<b>2</b>	<b>26</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 3		Jan-Sep	
	2017	2016	2017	2016
<b>EBITDA</b>	<b>79</b>	<b>77</b>	<b>267</b>	<b>251</b>
Other non-cash items	-4	0	-1	0
Changes in inventory	-55	-23	-85	3
Changes in operating receivables	32	68	-78	-52
Changes in operating liabilities	-6	-39	54	53
<b>Cash flow from operations</b>	<b>46</b>	<b>83</b>	<b>157</b>	<b>255</b>
Investments excluding acquisitions	-14	-6	-32	-16
<b>Operating cash flow</b>	<b>32</b>	<b>77</b>	<b>125</b>	<b>239</b>

### EBITDA

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

<i>SEK millions</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Operating profit	68	66	235	219
Depreciation/amortisation and impairment	11	11	32	32
<b>EBITDA</b>	<b>79</b>	<b>77</b>	<b>267</b>	<b>251</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.

<i>SEK millions</i>	<i>30 Sep</i>	<i>30 Sep</i>
	<i>2017</i>	<i>2016</i>
Current assets	1,807	1,620
Less: cash and cash equivalents	-103	-128
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-533	-468
<b>Working capital on balance-sheet date</b>	<b>1,171</b>	<b>1,024</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>SEK millions</i>	<i>30 Sep</i>	<i>30 Sep</i>
	<i>2017</i>	<i>2016</i>
Non-current interest-bearing liabilities	994	793
Current interest-bearing liabilities	45	126
Less: cash and cash equivalents	-103	-128
Less: other interest-bearing receivables	0	0
<b>Net debt on balance-sheet date</b>	<b>936</b>	<b>791</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>SEK millions</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>		<i>Rolling</i>	<i>Full year</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>12 months</i>	<i>2016</i>
Net sales (A)	735	665	2,373	2,148	3,072	2,847
Profit after tax (B)	44	46	161	155	169	163
Items affecting comparability	-	-	-	-	24	24
Adjusted profit after tax (C)	<b>44</b>	<b>46</b>	<b>161</b>	<b>155</b>	<b>193</b>	<b>187</b>
Net margin, % (B/A)	6.0	6.9	6.8	7.2	5.5	5.7
Adjusted net margin, % (C/A)	<b>6.0</b>	<b>6.9</b>	<b>6.8</b>	<b>7.2</b>	<b>6.3</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 3</i>		<i>Jan-Sep</i>		<i>Rolling</i>	<i>Full year</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>12 months</i>	<i>2016</i>
Weighted number of shares outstanding, thousands (A)	37,918.7	38,110.5	37,982.5	38,110.5	38,110.5	38,110.5
Profit after tax, SEK millions (B)	44	46	161	155	124	163
Adjusted profit after tax, SEK millions (C)	44	46	161	155	124	187
Earnings per share, SEK (B/A)	1.16	1.22	4.24	4.06	3.25	4.29
Adjusted earnings per share, SEK (C/A)	<b>1.16</b>	<b>1.22</b>	<b>4.24</b>	<b>4.06</b>	<b>3.25</b>	<b>4.92</b>

## CONFERENCE CALL

A conference call will be held on 26 October 2017 at 10:00 a.m. CET. Jörgen Rosengren, President and CEO, 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: 95793239.

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 contact on 26 October 2017 at 7:30 a.m. CET.*

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