

# Year-end report 2017

## Strong growth and increased profit. Bufab acquires Kian Soon in Singapore.

### Fourth quarter of 2017

- Net sales rose by 18 percent to SEK 828 million (699), of which 14 percent was organic
- Order intake increased by 16 percent and was higher than net sales
- Operating profit (EBITA) rose to SEK 72 million (55), corresponding to an operating margin of 8.7 percent (7.9)
- Earnings per share were SEK 1.39 (0.22)
- Kian Soon Mechanical Components was acquired

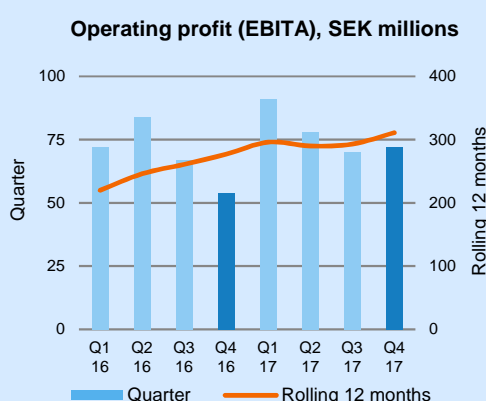
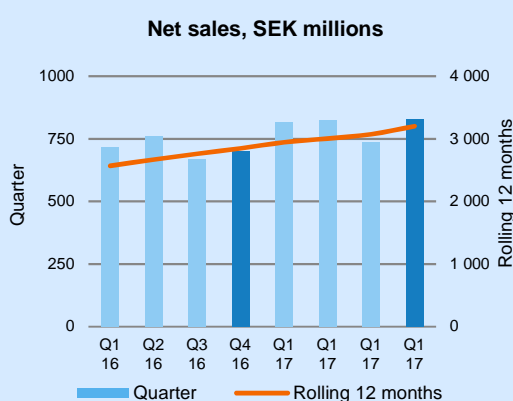
### Full-year 2017

- Net sales rose by 12 percent to SEK 3,201 million (2,847), of which 8 percent was organic
- Order intake increased by 13 percent and was higher than net sales
- Operating profit (EBITA) rose to SEK 311 million (277), corresponding to an operating margin of 9.7 percent (9.7)
- Earnings per share were SEK 5.61 (4.29)
- The Board of Directors proposes raising the dividend to SEK 2.25 (2.00) per share

### THE GROUP IN BRIEF

SEK millions	Quarter 4			Jan-Dec		
	2017	2016	Δ %	2017	2016	Δ %
Order intake	863	744	16	3,256	2,887	13
Net sales	828	699	18	3,201	2,847	12
Gross profit	238	205	16	917	828	11
	28.7%	29.4%		28.6%	29.1%	
Operating expenses*	-166	-150	11	-606	-551	10
	20.0%	21.5%		18.9%	19.4%	
Operating profit (EBITA)*	72	55	31	311	277	12
	8.7%	7.9%		9.7%	9.7%	
Operating profit	69	53	30	304	272	12
	8.3%	7.6%		9.5%	9.6%	
Profit after tax	53	8	520	213	163	31
Adjusted profit after tax	53	32	62	213	187	14
Earnings per share, SEK	1.39	0.22	532	5.61	4.29	31
Adjusted earnings per share, SEK	1.39	0.85	63	5.61	4.92	14

\*For definitions, see page 18, definitions of key figures.



**SALES GROWTH**  
**+18%**  
**OPERATING MARGIN (EBITA)**  
**8.7%**

## CEO's overview

Sales in the fourth quarter rose 18 percent, driven primarily by organic growth. The gross margin remained under pressure from higher raw material prices and was lower than in 2016. However, the margin recovered somewhat from the third quarter, mainly as a result of the price increases we implemented. Our ambition is to continue with these in 2018. Despite a lower gross margin, the strong growth generated a sharp increase in operating profit and an improved operating margin.

Segment International performed very well during the quarter. Sales climbed 20 percent, the gross margin increased and costs declined as a percentage of sales. Both the operating profit and the margin thus increased sharply. The improvement occurred across a broad front – in addition to contributions from acquisitions, we noted favourable growth and improved earnings in most markets.

Segment Sweden also displayed robust growth. The gross margin was somewhat stronger than in the preceding quarter but significantly lower than in 2016. While we see the results of the price increases we have implemented, we also see a clear need to implement further such measures. Despite this, growth in combination with a maintained cost level resulted in an improved operating profit and an operating margin in line with last year.

Thus, the quarter marked a positive end to 2017. A key factor was the favourable development of

industrial demand during the year. In parallel, we could clearly see that our strategy was delivering results. We captured market shares in nearly all markets – a result of a systematic focus on the sales organisation over many years. We continued to strengthen our purchasing organisation and supplier base. We made two additional value-generating acquisitions during the year and are continuously looking for new opportunities. Kian Soon, which was acquired during the quarter, also strengthens our position in a strategically important region, Southeast Asia. And last but not least, we have strengthened what we call Bufab Best Practice: our shared values, work methods, processes and IT systems. This will help us drive continuously improved precision, efficiency and sustainability in our operations.

There is no shortage of challenges. For instance, we have to compensate for higher raw material prices using price increases and further streamlined purchasing processes. But we see even more opportunities. The strong development of industrial demand in 2017 was kept up during the latter part of the year, which was also evident in a favourable order intake in the last quarter. This is a positive signal as we head into 2018. Against this backdrop, we are continuing to work toward our “Leadership” target, which implies that we will be the preferred choice for customers, suppliers, acquisition candidates and talents in our industry in 2020.

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 27 countries. The head office is located in Värnamo, Sweden, and Bufab has about 1,100 employees. Bufab's net sales for the past 12 months amounted to SEK 3.2 billion and the operating margin was 9.7 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

### FOURTH QUARTER

Order intake was SEK 863 million (744), which was higher than net sales. Net sales rose by 18 percent to SEK 828 million (699). The Group's organic growth was +14 percent, comprising +15 percent for segment Sweden and +13 percent for segment International.

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

Kian Soon Mechanical Components Pte. Ltd. in Singapore, with annual sales of about SEK 105 million, was acquired during the quarter. See page 16 for more information.

The gross margin was 28.7 percent (29.4) and was lower compared with the preceding year, mainly on account of rising purchasing prices in recent quarters.

EBITA rose to SEK 72 million (55), equal to a margin of 8.7 percent (7.9).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +2 million, volumes positively by SEK +27 million, the price/cost/mix/other negatively by SEK -20 million and acquisitions positively by SEK +8 million.

### JANUARY-DECEMBER

Order intake was SEK 3,256 million (2,887), which was higher than net sales. Net sales rose by 12 percent to SEK 3,201 million (2,847). The Group's organic growth was +8 percent, comprising +9 percent for segment Sweden and +7 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 during the year.

EBITA rose to SEK 311 million (277), equal to a margin of 9.7 percent (9.7).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +1 million, volumes positively by SEK +66 million, the price/cost/mix/other negatively by SEK -50 million and acquisitions positively by SEK +17 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -4 million (-8) for the fourth quarter, of which exchange-rate differences accounted for SEK +1 million (-1). For the full year, net financial items amounted to SEK -25 million (-21), of which exchange-rate differences accounted for SEK -2 million (+5). The Group's profit after financial items was SEK 65 million (45) for the quarter and SEK 279 (251) for the full year.

The tax expense for the quarter was SEK -12 million (-37). For the full year, the tax expense was SEK -65 million (-88). The high tax expense in the fourth quarter of 2016 is attributable to an additional tax of SEK 24 million in Bufab AB (publ) for disallowed deductions for certain interest expenses from previous financial years. See also Note 1 in the Consolidated Income Statement.

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

SEK millions	Quarter 4		Jan-Dec	
	2017	2016	2017	2016
Operating profit	69	53	304	272
Depreciation/amortisation and impairment	11	11	43	43
Other non-cash items	3	1	2	1
Changes in working capital	4	-22	-105	-18
<b>Cash flow from operations</b>	<b>87</b>	<b>43</b>	<b>244</b>	<b>298</b>
Investments excluding acquisitions	-29	-15	-61	-31
<b>Operating cash flow</b>	<b>58</b>	<b>28</b>	<b>183</b>	<b>267</b>

Operating cash flow amounted to SEK 58 million (28) for the quarter. The improved cash flow is due mainly to reduced tied-up capital of SEK 26 million. The deterioration in cash flow for the full year is attributable to a rise in working capital in the form of trade receivables and inventories, driven in turn by growth. Operating cash flow for the full year was SEK 183 million (267).

Average working capital in relation to net sales improved to 35.4 percent (36.2). Excluding the acquisition of Apex Stainless Fasteners Ltd, average working capital in relation to net sales improved to 32.9 percent (34.0).

On 31 December 2017, the Group's net debt totalled SEK 1,015 million (839). Despite positive operating cash flow, net debt increased due to acquisitions carried out, payment of additional purchase considerations, share repurchases and dividends paid over the past 12 months. On 31 December 2017, the debt/equity ratio was 72 percent (65).

# Segment International

## Fourth quarter

Order intake was SEK 568 million (488), which was higher than net sales.

Net sales rose by 20 percent to SEK 560 million (466). Organic growth amounted to 13 percent, which was due to distinctly higher underlying demand compared with the corresponding period in the preceding year and increased market shares.

The gross margin was 29.3 percent (28.8). Higher raw material prices were compensated by, among other things, price increases.

EBITA totalled SEK 54 million (38), equal to a margin of 9.7 percent (8.2).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +2 million, volumes positively by SEK +18 million, the price/cost/mix/other negatively by SEK -11 million and acquisitions positively by SEK +7 million.

## January-December

Order intake was SEK 2,172 million (1,907), which was higher than net sales.

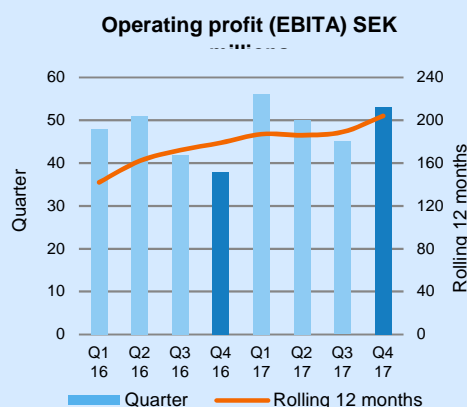
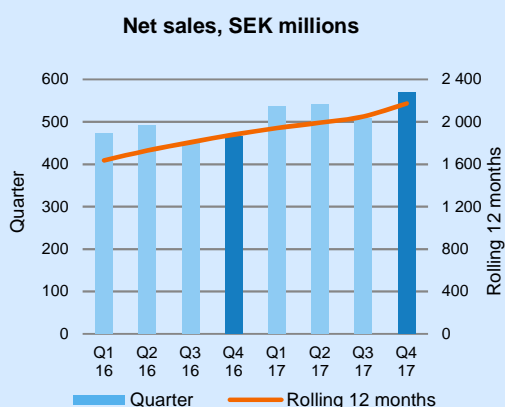
Net sales rose by 14 per cent to SEK 2,144 million (1,880). Organic growth was 7 percent, primarily due to higher market shares in most markets and higher underlying demand compared with the corresponding period in the preceding year.

The gross margin was 29.1 percent (29.1).

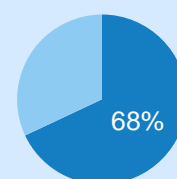
EBITA amounted to SEK 203 million (179), equal to a margin of 9.5 percent (9.5).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +3 million, volumes positively by SEK +41 million, the price/cost/mix/other negatively by SEK -34 million and acquisitions positively by SEK +14 million.

	Quarter 4			Jan-Dec		
SEK millions	2017	2016	Δ	2017	2016	Δ
Order intake	568	488	16	2,172	1,907	14
Net sales	560	466	20	2,144	1,880	14
Gross profit	164	134	23	623	547	14
	29.3%	28.8%		29.1%	29.1%	
Operating expenses	-110	-96	15	-420	-368	13
	19.6%	20.6%		19.6%	19.6%	
Operating profit (EBITA)	54	38	42	203	179	11
	9.7%	8.2%		9.5%	9.5%	



### SHARE OF TOTAL SALES



SALES GROWTH  
**+20%**

OPERATING MARGIN (EBITA)  
**9.7%**

# Segment Sweden

## Fourth quarter

Order intake was SEK 295 million (256), which was higher than net sales.

Net sales rose by 15 percent to SEK 268 million (233). Organic growth amounted to 15 percent, which was due to higher underlying demand compared with the corresponding quarter in the preceding year and increased market shares.

The gross margin declined to 29.4 percent (32.0). The decline was attributable to rising purchasing prices in recent quarters.

However, the lower gross margin was offset by a maintained cost level despite higher sales. EBITA therefore totalled SEK 35 million (31), equal to a margin of 13.1 percent (13.3).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit by SEK 0 million, volumes positively by SEK +9 million, the price/cost/mix/other negatively by SEK -5 million and acquisitions by SEK 0 million.

## January-December

Order intake was SEK 1,089 million (980), which was higher than net sales.

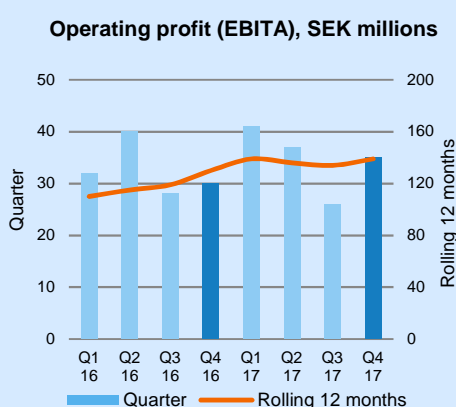
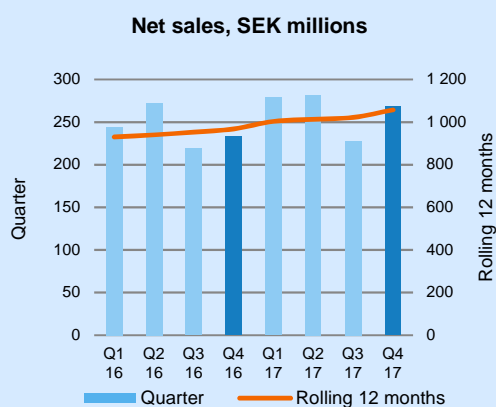
Net sales rose by 9 percent to SEK 1,057 million (968), of which 9 percent was organic. The high organic growth was a result of increased market shares and improvements in underlying demand.

The gross margin declined to 29.5 percent (30.5). The decline was attributable to rising purchasing prices in recent quarters.

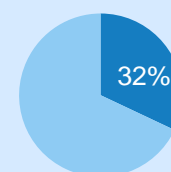
EBITA amounted to SEK 139 million (131), equal to a margin of 13.2 percent (13.5).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit negatively by SEK -2 million, volumes positively by SEK +24 million, the price/cost/mix/other negatively by SEK -15 million and acquisitions positively by SEK +1 million.

SEK millions	Quarter 4			Jan-Dec		
	2017	2016	%	2017	2016	%
Order intake	295	256	15	1,089	980	11
Net sales	268	233	15	1,057	968	9
Gross profit	79	75	6	312	295	6
	29.4%	32.0%		29.5%	30.5%	
Operating expenses	-44	-44	0	-173	-164	5
	16.4%	18.9%		16.4%	16.9%	
Operating profit (EBITA)	35	31	13	139	131	7
	13.1%	13.3%		13.2%	13.5%	



## SHARE OF TOTAL SALES



## SALES GROWTH

**+15%**

## OPERATING MARGIN (EBITA)

**13.1%**

## Consolidated Income Statement

<i>SEK millions</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net sales	828	699	3,201	2,847
Cost of goods sold	-590	-494	-2,284	-2,019
<b>Gross profit</b>	<b>238</b>	<b>205</b>	<b>917</b>	<b>828</b>
Distribution costs	-122	-104	-446	-398
Administrative expenses	-43	-44	-166	-156
Other operating income	10	10	32	32
Other operating expenses	-13	-14	-33	-34
<b>Operating profit</b>	<b>69</b>	<b>53</b>	<b>304</b>	<b>272</b>
<b>Profit from financial items</b>				
Interest income and similar income items	2	1	1	7
Interest expense and similar expense items	-6	-9	-27	-28
<b>Profit after financial items</b>	<b>65</b>	<b>45</b>	<b>278</b>	<b>251</b>
Tax on net profit for the period	Note 1	-12	-37	-65
<b>Profit after tax</b>		<b>53</b>	<b>8</b>	<b>213</b>

<b>Note 1 Items affecting comparability in the period</b>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
<i>SEK millions</i>	<i>2016</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Additional tax for previous financial years	-	-24	-	-24
<b>Total items affecting comparability with effect on profit after tax</b>	<b>0</b>	<b>-24</b>	<b>0</b>	<b>-24</b>

## Statement of Comprehensive Income

<i>SEK millions</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Profit after tax</b>	<b>53</b>	<b>8</b>	<b>213</b>	<b>163</b>
<b>Other comprehensive income</b>				
Items that cannot be reclassified to profit or loss				
Actuarial gains and losses, net after tax	-1	-2	-1	-2
Items that may be reclassified subsequently to profit or loss				
Translation differences / Currency hedging net after tax	25	-4	11	18
<b>Total other comprehensive income</b>	<b>24</b>	<b>-6</b>	<b>10</b>	<b>16</b>
<b>Total comprehensive income</b>	<b>77</b>	<b>2</b>	<b>223</b>	<b>179</b>
Total comprehensive income attributable to:				
Parent Company shareholders	77	2	223	179

## Earnings per Share

<i>SEK</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Earnings per share	1.39	0.22	5.61	4.29
Weighted number of shares outstanding, thousands	37,776.1	38,110.5	37,978.7	38,110.5
Diluted earnings per share, SEK	1.39	0.22	5.61	4.29
Weighted number of shares outstanding after dilution, thousands	37,776.1	38,110.5	37,978.7	38,110.5
Adjusted earnings per share, SEK	1.39	0.85	5.61	4.92

# Consolidated Balance Sheet

<i>SEK millions</i>	<i>31 Dec 17</i>	<i>31 Dec 16*</i>
<b>ASSETS</b>		
<b><i>Non-current assets</i></b>		
Intangible assets	1,134	1,037
Property, plant and equipment	164	132
Financial assets	23	22
<b>Total non-current assets</b>	<b>1,321</b>	<b>1,191</b>
<b><i>Current assets</i></b>		
Inventories	1,093	920
Current receivables	740	621
Cash and cash equivalents	120	122
<b>Total current assets</b>	<b>1,953</b>	<b>1,663</b>
<b>Total assets</b>	<b>3,274</b>	<b>2,854</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1,416</b>	<b>1,297</b>
<b><i>Non-current liabilities</i></b>		
Non-current liabilities, interest-bearing	1,080	884
Non-current liabilities, non-interest-bearing	102	75
<b>Total non-current liabilities</b>	<b>1,182</b>	<b>959</b>
<b><i>Current liabilities</i></b>		
Current liabilities, interest-bearing	55	76
Current liabilities, non-interest-bearing	621	522
<b>Total current liabilities</b>	<b>676</b>	<b>598</b>
<b>Total equity and liabilities</b>	<b>3,274</b>	<b>2,854</b>

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



## Consolidated Statement of Changes in Equity

<i>SEK millions</i>	31 Dec 17	31 Dec 16
<b>Equity at beginning of year</b>	<b>1,297</b>	<b>1,183</b>
<b>Comprehensive income</b>		
Profit after tax	213	163
<i>Other comprehensive income</i>		
Items that will not be reclassified in profit or loss		
Actuarial loss / profit on pension obligations, net after tax	-1	-2
Items that may be reclassified in profit or loss		
Translation differences / Currency hedging net after tax	11	18
<b>Total comprehensive income</b>	<b>223</b>	<b>179</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>1,416</b>	<b>1,297</b>

## Consolidated Cash Flow Statement

<i>SEK millions</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	2017	2016	2017	2016
<b>Operating activities</b>				
Profit before financial items	69	53	304	272
Depreciation/amortisation and impairment	11	11	43	43
Interest and other finance income	-	-	-	-
Interest and other finance expenses	-4	-8	-25	-27
Other non-cash items	3	1	2	1
Income tax paid	-5	-32	-68	-74
<b>Cash flow from operating activities before changes in working capital</b>	<b>74</b>	<b>25</b>	<b>256</b>	<b>215</b>
<b>Changes in working capital</b>				
Increase (-)/decrease (+) in inventories	-57	-38	-142	-35
Increase (-)/decrease (+) in operating receivables	-1	20	-79	-32
Increase (+)/decrease (-) in operating liabilities	62	-4	116	49
<b>Cash flow from operating activities</b>	<b>78</b>	<b>3</b>	<b>151</b>	<b>197</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	-29	-14	-61	-29
Company acquisitions including additional purchase considerations*	-97	-41	-132	-69
Acquisition of intangible assets	-	-1	-	-2
<b>Cash flow from investing activities</b>	<b>-126</b>	<b>-56</b>	<b>-193</b>	<b>-100</b>
<b>Financing activities</b>				
Dividend paid	-	-	-76	-65
Call options	-	-	3	-
Repurchase of own shares	-	-	-31	-
Increase (+)/decrease (-) in borrowings	63	45	142	-21
<b>Cash flow from financing activities</b>	<b>63</b>	<b>-45</b>	<b>38</b>	<b>-86</b>
<b>Cash flow for the period</b>	<b>15</b>	<b>-8</b>	<b>-4</b>	<b>11</b>
Cash and cash equivalents at beginning of period	103	128	122	107
Translation differences	2	2	2	4
<b>Cash and cash equivalents at end of period</b>	<b>120</b>	<b>122</b>	<b>120</b>	<b>122</b>

\*See page 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	560
Gross profit	138	144	131	134	156	155	148	164
	29.1%	29.4%	29.3%	28.8%	29.2%	28.1%	29.2%	29.3%
Operating expenses	-90	-93	-89	-96	-101	-105	-104	-110
Operating profit (EBITA)	48	51	42	38	55	50	44	54
	10.1%	10.4%	9.4%	8.2%	10.3%	9.2%	8.7%	9.6%

Sweden SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	244	272	219	233	279	282	228	268
Gross profit	72	82	66	75	86	81	66	79
	29.6%	30.3%	30.1%	32.0%	30.9%	28.9%	28.9%	29.4%
Operating expenses	-40	-42	-38	-44	-45	-44	-40	-44
Operating profit (EBITA)	32	40	28	31	41	37	26	35
	13.2%	14.7%	12.6%	13.3%	14.8%	13.2%	11.4%	13.1%

Other SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-	-	-
Gross profit	-4	-4	-3	-4	-4	-1	-5	-5
Operating expenses	-4	-4	0	-10	-2	-7	4	-12
Operating profit (EBITA)	-8	-8	-3	-14	-6	-8	-1	-17
	-	-	-	-	-	-	-	-

Group SEK millions	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	718	762	668	699	815	823	735	828
Gross profit	206	223	194	205	238	232	209	238
	28.6%	29.3%	29.0%	29.4%	29.2%	28.2%	28.4%	28.7%
Operating expenses	-134	-140	-127	-150	-147	-154	-139	-166
Operating profit (EBITA)	72	84	67	55	91	78	70	72
	10.0%	10.9%	10.0%	7.9%	11.1%	9.5%	9.5%	8.7%

## Consolidated Key Figures

	<i>Quarter 4</i>		$\Delta$	<i>Jan-Dec</i>		$\Delta$
	2017	2016	%	2017	2016	%
Order intake, SEK millions	<b>863</b>	744	16	3,256	2,887	13
Net sales, SEK millions	<b>828</b>	699	19	3,201	2,847	12
Gross profit, SEK millions	<b>238</b>	205	16	917	828	11
EBITDA, SEK millions	<b>79</b>	64	24	347	315	10
Operating profit (EBITA), SEK millions	<b>72</b>	55	31	311	277	12
Operating profit, SEK millions	<b>69</b>	53	30	304	272	12
Profit after tax, SEK millions	<b>53</b>	8	520	213	163	31
Gross margin, %	<b>28.7</b>	29.4		28.6	29.1	
Operating margin (EBITA), %	<b>8.7</b>	7.9		9.7	9.7	
Operating margin, %	<b>8.3</b>	7.6		9.5	9.6	
Net margin, %	<b>6.4</b>	1.2		6.7	5.7	
Net debt, SEK millions	<b>1,015</b>	839	21			
Debt/equity ratio, %	<b>72</b>	65				
Net debt/EBITDA*, multiple	<b>3.4</b>	2.7				
Working capital, SEK millions	<b>1,212</b>	1,055	15			
Average working capital, SEK millions	<b>1,142</b>	1,038	10			
Average working capital in relation to net sales, %	<b>35.4</b>	36.5				
Equity/assets ratio, %	<b>43</b>	45				
Operating cash flow, SEK millions	<b>58</b>	28	107	183	267	-31
Earnings per share, SEK	<b>1.39</b>	0.22	524	5.61	4.29	31

\*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 4</i>		<i>Jan-Dec</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Administrative expenses	-4	-2	-14	-11
Other operating income	2	1	6	5
<b>Operating loss</b>	<b>-2</b>	<b>-1</b>	<b>-8</b>	<b>-6</b>
<i>Profit/loss from financial items</i>				
Interest expense and similar expense items	1	-1	0	-1
<b>Loss after financial items</b>	<b>-1</b>	<b>-2</b>	<b>-8</b>	<b>-7</b>
Appropriations	89	102	89	102
Tax on net profit/loss for the period	-18	-46	-18	-45
<b>Profit after tax</b>	<b>70</b>	<b>54</b>	<b>63</b>	<b>50</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>70</b>	<b>54</b>	<b>63</b>	<b>50</b>

## Parent Company Balance Sheet

<i>SEK millions</i>	<i>31 Dec 17</i>	<i>31 Dec 16</i>
<b>ASSETS</b>		
<b><i>Non-current assets</i></b>		
Financial assets		
Participations in Group companies	845	845
<b>Total non-current assets</b>	<b>845</b>	<b>845</b>
<b><i>Current assets</i></b>		
Receivables from Group companies	166	183
Other current receivables	0	4
Cash and cash equivalents	1	1
<b>Total current assets</b>	<b>167</b>	<b>188</b>
<b>Total assets</b>	<b>1,012</b>	<b>1,033</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>872</b>	<b>913</b>
Untaxed reserves	128	109
<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><i>Current non-interest-bearing liabilities</i></b>		
Other current liabilities	12	11
<b>Total current liabilities</b>	<b>12</b>	<b>11</b>
<b>Total equity and liabilities</b>	<b>1,012</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 of January 1, 2018, Bufab will apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group's work during 2017 has shown that IFRS 9 will not have any material impact on the Group's financial statements.

IFRS 15 contains a single model for revenue recognition relating to customer contracts not covered by other standards. The Group's work during 2017 has determined that IFRS 15 will not have any material impact on the Group's financial statements, and no transitional effects will therefore arise.

As indicated under the heading "Acquisitions," an adjustment was made during the second quarter 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 a business operation 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 related-party transactions occurred during the year.

### 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 who remain as employees of the company in 2020, 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.

	<i>Date</i>	<i>Net sales*</i>	<i>Employees</i>
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
Kian Soon Mechanical Components Pte Ltd	1 Dec 2017	105	64

\*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 fourth quarter of 2017 of SEK 3 million. The amount is included in other operating expenses.

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 through steady growth has 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.

On 1 December 2017, Bufab acquired 100 percent of the shares in Kian Soon Mechanical Components Pte Ltd. Kian Soon was founded in 1977 and is one of the leading distributors in Southeast Asia. In addition to a head office in Singapore, the company has subsidiaries in Malaysia and Indonesia and an associated company in Thailand. The purchase consideration was SEK 136 million, of which SEK 93 million has been paid unconditionally and the remaining SEK 43 million is subject to conditions. The conditional portion of SEK 43 million comprises 100 percent of the maximum outcome of the additional purchase consideration and is subject to the company's future earnings performance.

Companies acquired in 2017 have added SEK 30 million to the Group's accumulated net sales since transfer. The net impact on accumulated operating

profit was SEK 3 million and the effect on profit after tax was SEK 2 million. Transaction costs for both acquisitions amounted to SEK 3 million. These two acquisitions would have positively impacted the Group's net sales by an estimated SEK 137 million, operating profit by about SEK 15 million and profit after tax for the period by about SEK 10 million had they been implemented on 1 January 2017.

The amounts of the assets and liabilities included in the acquisitions 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>

<b>Kian Soon Mechanical Components Pte Ltd</b>	<i>Carrying amount on acquisition date</i>	<i>Adjustment to fair value</i>	<i>Fair value</i>
Intangible assets		19	19
Other non-current assets	4		4
Inventories	25		25
Other current assets	29		29
Cash and cash equivalents	15		15
Deferred tax liabilities		-3	-3
Other liabilities	-19		-19
<b>Acquired net assets</b>	<b>54</b>	<b>16</b>	<b>70</b>
Goodwill			66
<b>Purchase consideration*</b>			<b>136</b>
Less: cash and cash equivalents in acquired operations			-15
Less: conditional purchase consideration			-43
<b>Effect on the Group's cash and cash equivalents</b>			<b>78</b>

\* The consideration is stated excluding acquisition expenses



The acquisition analyses above are preliminary. Goodwill arising in connection with the acquisitions is attributable to the knowledge accrued in the acquired companies 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 86 million relating to the acquisition of Thunderbolts and Kian Soon, a total of SEK 46 million was paid during the year in additional purchase considerations for previous acquisitions.

### **EMPLOYEES**

The number of full-time employees in the Group as of 31 December 2017 was 1,119 (1,020), 19 and 64 of whom stem from the acquisition of Thunderbolts Group Limited and Kian Soon Mechanical Components Pte Ltd., respectively.

### **CONTINGENT LIABILITIES**

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

### **2018 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.

The Notice of the 2018 AGM will be available on Bufab's website as of 26 March 2018 at [www.bufab.com](http://www.bufab.com).

The Annual Report for 2017 will be published no later than 5 April 2018. To order a hard copy of the annual report, e-mail [investor.relations@bufab.com](mailto:investor.relations@bufab.com).

The Board of Directors proposes a dividend of SEK 2.25 (2.00) per share for 2017, corresponding to a total dividend of SEK 85 million (76). The proposed record date is 30 April 2018 and the expected payment date for dividends is 4 May 2018. It is proposed that the share be traded without dividend entitlement as of 27 April 2018.

### **AUDIT REVIEW**

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

### **FINANCIAL REPORTING DATES**

#### **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, 9 February 2018

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

### **Operating profit (EBITA)**

Gross profit less operating expenses.

### **Adjusted profit after tax**

Profit after tax adjusted for items affecting comparability

### **Adjusted net margin, %**

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

### **Net 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 excluding depreciation, amortisation and impairment of acquisition-related intangible assets

### **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 also recognised 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 4			Jan-Dec		
	Group	Sweden	International	Group	Sweden	International
Organic growth	14	15	13	8	9	7
Currency translation effects	-1	0	-1	0	0	1
Acquisitions	5	0	8	4	0	6
<b>Recognised growth</b>	<b>18</b>	<b>15</b>	<b>20</b>	<b>12</b>	<b>9</b>	<b>14</b>

2016, %	Quarter 4			Jan-Dec		
	Group	Sweden	International	Group	Sweden	International
Organic growth	4	4	3	4	1	5
Currency translation effects	2	0	3	0	0	0
Acquisitions	8	3	12	12	2	19
<b>Recognised growth</b>	<b>14</b>	<b>7</b>	<b>18</b>	<b>16</b>	<b>3</b>	<b>24</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 4		Jan-Dec	
	2017	2016	2017	2016
<b>EBITDA</b>	<b>80</b>	<b>64</b>	<b>347</b>	<b>315</b>
Other non-cash items	3	1	2	1
Changes in inventory	57	-38	-142	-35
Changes in operating receivables	-1	20	-79	-32
Changes in operating liabilities	62	-4	116	49
<b>Cash flow from operations</b>	<b>87</b>	<b>43</b>	<b>244</b>	<b>298</b>
Investments excluding acquisitions	-29	-15	-61	-31
<b>Operating cash flow</b>	<b>58</b>	<b>28</b>	<b>183</b>	<b>267</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 4</i>		<i>Jan-Dec</i>	
	2017	2016	2017	2016
Operating profit	69	53	304	272
Depreciation/amortisation and impairment	11	11	43	43
<b>EBITDA</b>	<b>80</b>	<b>64</b>	<b>347</b>	<b>315</b>

### EBITA

Bufab's growth strategy includes the acquisition of companies. For the purpose of illustrating the underlying operation's performance, management has chosen to monitor EBITA (operating profit before depreciation, amortisation and impairment of acquired intangible assets). The key figure is defined below.

<i>SEK millions</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	2017	2016	2017	2016
Operating profit	69	53	304	272
Depreciation, amortisation and impairment of intangible assets	3	2	7	5
<b>EBITA</b>	<b>72</b>	<b>55</b>	<b>311</b>	<b>277</b>

### Operating expenses

Operating expenses is an expression of operating expenses before depreciation, amortisation and impairment of acquired intangible assets. The key figure is defined below.

<i>SEK millions</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	2017	2016	2017	2016
Distribution costs	-122	-104	-446	-398
Administrative expenses	-44	-44	-166	-156
Other operating income	10	10	32	32
Other operating expenses	-13	-14	-33	-34
Depreciation, amortisation and impairment of intangible assets	3	2	7	5
<b>Operating expenses</b>	<b>-166</b>	<b>-150</b>	<b>-606</b>	<b>-551</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>31 Dec</i>	<i>31 Dec</i>
	2017	2016
Current assets	1,953	1,663
Less: cash and cash equivalents	-120	-122
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-621	-468
<b>Working capital on balance-sheet date</b>	<b>1,212</b>	<b>1,055</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>31 Dec</i>	<i>31 Dec</i>
	<i>2017</i>	<i>2016</i>
Non-current interest-bearing liabilities	1,080	884
Current interest-bearing liabilities	55	76
Less: cash and cash equivalents	-120	-122
Less: other interest-bearing receivables	0	0
<b>Net debt on balance-sheet date</b>	<b>1,015</b>	<b>839</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 4</i>		<i>Jan-Dec</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net sales (A)	828	699	3,201	2,847
Profit after tax (B)	53	8	213	163
Items affecting comparability	-	24	-	24
<b>Adjusted profit after tax (C)</b>	<b>53</b>	<b>32</b>	<b>213</b>	<b>187</b>
Net margin, % (B/A)	6.4	1.2	6.7	5.7
<b>Adjusted net margin, % (C/A)</b>	<b>6.4</b>	<b>4.7</b>	<b>6.7</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 4</i>		<i>Jan-Dec</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Weighted number of shares outstanding, thousands (A)	37,776.1	38,110.5	37,978.7	38,110.5
Profit after tax, SEK millions (B)	53	8	213	163
Adjusted profit after tax, SEK millions (C)	53	32	213	187
Earnings per share, SEK (B/A)	1.39	0.22	5.61	4.29
<b>Adjusted earnings per share, SEK (C/A)</b>	<b>1.39</b>	<b>0.85</b>	<b>5.61</b>	<b>4.92</b>

## CONFERENCE CALL

A conference call will be held on 9 February 2018 at 9:00 a.m. CET. Jörgen Rosengren, President and CEO, and Marcus Andersson, 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 555 566, UK 08 444 933 800, Sweden 08 503 364 34 or the US 163 151 074 98. Conference code: 7899484.

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



## CONTACT

**Jörgen Rosengren**

CEO

+46 370 69 69 01

[jorgen.rosengren@bufab.com](mailto:jorgen.rosengren@bufab.com)

*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 9 February 2018 at 7:30 a.m. CET.*

Bufab Holding AB (publ) Box 2266 SE-331 02 Värnamo, Corp. Reg. No. 556685-6240

Tel: +46 370 69 69 00 Fax +46 370 69 69 10

[www.bufab.com](http://www.bufab.com)