

# Interim report January – June 2018

## Continued strong growth and improved margin

### Second quarter 2018

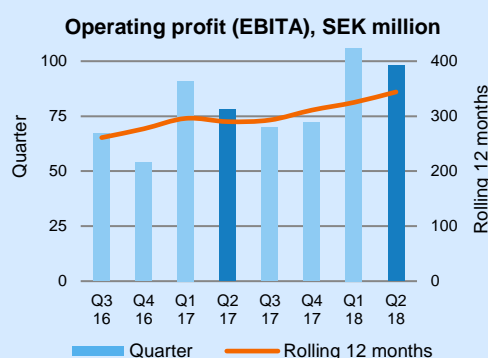
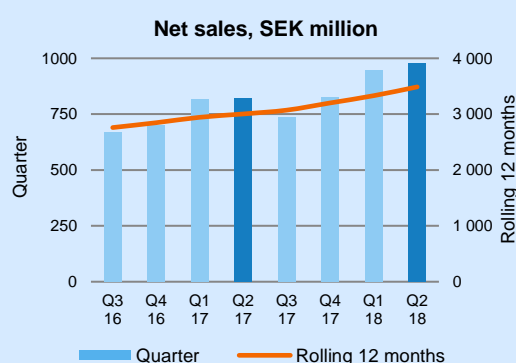
- Net sales rose by 19 percent to SEK 980 million (823). Organic growth was 9 percent
- Order intake increased 18 percent and was in line with net sales
- Operating profit (EBITA) rose to SEK 98 million (78) and the operating margin to 10.0 percent (9.5)
- Earnings per share were SEK 1.78 (1.41)

### January – June 2018

- Net sales rose by 18 percent to SEK 1,925 million (1,638). Organic growth was 10 percent
- Order intake was in line with net sales
- Operating profit (EBITA) rose to SEK 204 million (170) and the operating margin was 10.6 percent (10.4)
- Earnings per share rose to SEK 3.77 (3.05)

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

	Quarter 2			Jan–June			12-months rolling	Full year
SEK million	2018	2017	%	2018	2017	%	2017/18	2017
Order intake	979	833	18	1,923	1,644	17	3,535	3,256
Net sales	980	823	19	1,925	1,638	18	3,488	3,201
Gross profit	282	232	22	559	471	19	1,005	917
%	28.8	28.2		29.0	28.7		28.8	28.6
Operating expenses	-184	-154	19	-355	-301	18	-660	-606
%	18.8	18.7		18.4	18.4		18.9	18.9
Operating profit (EBITA)	98	78	26	204	170	20	344	310
%	10.0	9.5		10.6	10.4		9.9	9.7
Operating profit	96	77	25	200	167	20	337	304
%	9.8	9.4		10.4	10.2		9.7	9.5
Profit after tax	67	54	24	142	116	22	239	213
Earnings per share, SEK	1.78	1.41	26	3.77	3.05	24	6.33	5.61


**SALES GROWTH**
**+19%**
**OPERATING MARGIN (EBITA)**
**10.0%**

## CEO's overview

The favourable performance that marked the beginning of the year continued during the second quarter. Solid growth at 19 percent was driven by acquisitions, increased market shares and favourable underlying growth, but also by positive calendar effects.

Segment International accelerated the excellent earnings trend that we have witnessed in recent years. Through strengthened market shares in most markets and through successful acquisitions, we achieved growth of 25%. The gross margin improved significantly due to currency effects and price increases that exceeded the material-driven cost increases. It was also satisfying that the growth did not cause a corresponding rise in operating expenses. In total, operating profit grew by more than 50 percent. These successes give us confidence and scope for continued investment in the segment.

On the other hand, Segment Sweden experienced a poorer earnings trend during the quarter. Growth was good, but the gross margin was lower than earlier in the year and in 2017. This means that we have not fully succeeded in offsetting the continued negative trend for the SEK and raw materials prices through price increases to customers. However, work continues aiming at a strong and stable gross margin over time, regardless of external factors. In addition, the segment's cost level for the quarter was too high, partly due to adjustment of a and currency effects. Overall, operating profit declined, a development with which we cannot be satisfied.

The uncertainty regarding the economic development increased during the quarter, among other factors due to the fear of a trade war. This is reflected, for example, in a somewhat weaker purchasing managers' index, but has not yet made an impact on Bufab's order intake. At the same time as we are watchful for signs of a downturn, our ambition is to increase our market share at the same rate as previously, or faster.

We need to strengthen our gross margin through further price increases. In addition, we need to work to ensure that operating expenses do not increase further as a share of sales, despite the significant investments we are making in our "Leadership" programme. This requires comprehensive efficiency measures in the business in general.

For Bufab in its entirety, we are satisfied with the quarter and with the first half of 2018. Healthy growth, an improved margin and Bufab's best six-month profit to date are indications that our strategy for organic and acquisition-driven growth is working. Reinforced by this, we will continue to increase the investments in our strategy. The aim is to be the leading company in our industry by 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 1,200 employees. Bufab's net sales for the past 12 months amounted to SEK 3.5 billion and the operating margin was 10 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 979 million (833) and was in line with net sales.

Net sales rose by 19 percent to SEK 980 million (823). The Group's organic growth was +9 percent, comprising +8 percent for segment Sweden and +11 percent for segment International. The quarter had positive calendar effects that were in line with the negative effects of the first quarter, that is, approximately 3 percent. Adjusted for these, organic growth was thus somewhat lower than in the first quarter.

Underlying demand and the market share are considered to be higher in both segments compared with last year.

The gross margin was higher compared with last year, but lower than in the preceding quarter. Continued negative effects of raw material price increases during the quarter could only be partially compensated by price increases to customers.

Operating profit (EBITA) rose to SEK 98 million (78), equal to an operating margin of 10.0 percent (9.5).

Exchange-rate fluctuations impacted operating profit positively by SEK +6 million, volumes positively by SEK +27 million, the price/cost/mix and other factors negatively by SEK -22 million and acquisitions positively by SEK 8 million.

### JANUARY – JUNE

Order intake amounted to SEK 1,923 million (1,644) and was in line with net sales.

Net sales rose by 18 percent to SEK 1,925 million (1,638). The Group's organic growth was +9 percent, comprising +7 percent for segment Sweden and +10 percent for segment International.

Underlying demand and the market share are considered to be higher in both segments compared with the preceding year.

The gross margin was somewhat higher compared with the previous year, mainly due to a strong EUR and that price increases have partly compensated for increases in raw materials prices.

Operating profit (EBITA) rose to SEK 204 million (170), equal to an operating margin of 10.6 percent (10.4).

Exchange-rate fluctuations impacted operating profit positively by SEK +10 million, volumes positively by SEK +43 million, the price/cost/mix and other factors negatively by SEK -34 million and acquisitions positively by SEK +16 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -7 million (-6) for the second quarter, of which exchange-rate differences of SEK -1 million (0) impacted the financial net. During the six-month period, net financial items amounted to SEK -15 million (-13), of which exchange-rate differences of SEK +2 million (0) impacted the financial net.

The Group's profit after financial items was SEK 89 million (71) for the quarter and SEK 188 (154) for the six-month period.

The second-quarter tax expense was SEK -22 million (-17), implying an effective tax rate of 24 percent (25). The tax expense for the six-month period was SEK -46 million (-38), which implies an effective tax rate of 24 percent (25).

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

	Quarter 2		Jan-Jun	
SEK million	2018	2017	2018	2017
Operating profit	96	77	200	167
Depreciation/amortisation and impairment	12	10	24	21
Other non-cash items	1	0	1	0
Changes in working capital	-64	-41	-135	-79
<b>Cash flow from operations</b>	<b>45</b>	<b>46</b>	<b>90</b>	<b>109</b>
Investments excluding acquisitions	-12	-10	-27	-18
<b>Operating cash flow</b>	<b>33</b>	<b>36</b>	<b>63</b>	<b>91</b>

Operating cash flow amounted to SEK 33 million (36) for the period. The weak cash flow this year is primarily attributable to an increase of SEK 64 million in working capital, compared with the year-earlier increase of SEK 41 million. The increase in working capital noted this year is attributable to a

rise in trade receivables and inventories, driven in turn by favourable organic growth. Operating cash flow amounted to SEK 63 million (91) for the first half of the year.

Average working capital in relation to net sales was somewhat higher than last year 35.9 percent (35.7).

On 30 June 2018, the Group's net debt totalled SEK 1,122 million (902). Despite positive operating cash flow, net debt increased due to acquisitions, paid additional purchase considerations, dividends paid and share repurchases over the past 12 months. On 30 June 2018, the debt/equity ratio was 74 percent (68).

# Segment International

## Second quarter

Order intake amounted to SEK 675 million (551) MSEK and was in line with net sales.

Net sales rose by 25 percent to SEK 676 million (541). Organic growth was +11 percent, driven by stronger underlying demand and an increased market share in most markets.

Gross margin for the segment rose to 29.9 percent (28.6). The reason for this is a continued strong EUR rate and that it has been possible to partly compensate for increases in raw material prices by price increases to customers.

Operating profit (EBITA) amounted to SEK 77 million (50), corresponding to an operating margin of 11.4 percent (9.2).

Exchange-rate fluctuations impacted operating profit positively by SEK +9 million, volumes positively by SEK +18 million, the price/cost/mix, and other factors negatively by SEK -8 million and acquisitions positively by SEK +8 million.

## January – June

Order intake amounted to SEK 1,322 million (1,082) and was in line with net sales.

Net sales rose by 23 percent to SEK 1,323 million (1,077). Organic growth was +10 percent, driven by stronger underlying demand and an increased market share in most markets.

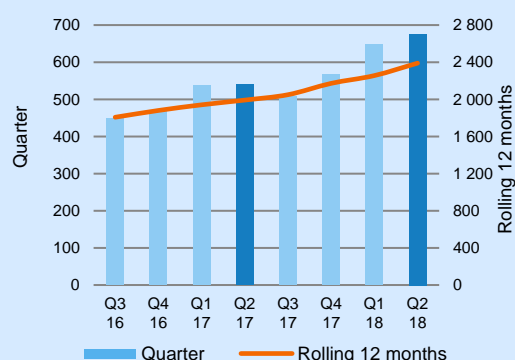
Gross margin for the segment rose to a solid 29.8 percent (28.9). The reason for this is a continued strong EUR rate and that it has been possible to partly compensate for increases in raw material prices by price increases to customers.

Operating profit (EBITA) was SEK 149 million (105), equal to an operating margin of 11.3 percent (9.7).

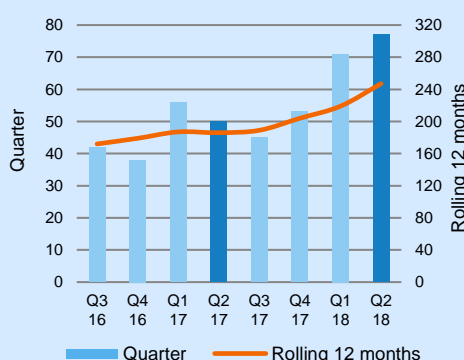
Exchange-rate fluctuations impacted operating profit positively by SEK +13 million, volumes positively by SEK +31 million, the price/cost/mix, and other factors negatively by SEK -16 million and acquisitions positively by SEK +16 million.

	Quarter 2			Jan–June			12-months Rolling	Full year
SEK million	2018	2017	%	2018	2017	%	2017/18	2017
Order intake	675	551	23	1,322	1,082	22	2,412	2,172
Net sales	676	541	25	1,323	1,077	23	2,390	2,144
Gross profit	202	155	30	394	312	26	705	623
%	29.9	28.6		29.8	28.9		29.7	29.1
Operating expenses	-125	-105	19	-245	-207	18	-458	-420
%	18.5	19.4		18.5	19.2		19.3	19.6
Operating profit (EBITA)	77	50	54	149	105	41	247	203
%	11.4	9.2		11.3	9.7		10.3	9.5

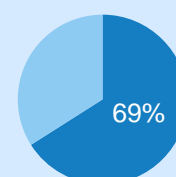
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

**+25%**

OPERATING MARGIN (EBITA)

**11.4%**

# Segment Sweden

## Second quarter

Order intake amounted to SEK 304 million (282) and was in line with net sales.

Net sales rose by 8 percent to SEK 304 million (282). Organic growth was +8 percent, driven by stronger underlying demand and increased market shares.

The gross margin declined to 28.6 percent (28.9). The decline was attributable to rising raw material prices in recent quarters and the weak SEK. These two factors have not yet been sufficiently compensated by price increases to customers.

Operating profit (EBITA) amounted to SEK 34 million (37), corresponding to an operating margin of 11.3 percent (13.2). The segment had a high cost level during the quarter, of which SEK 5 million were related to adjustment of reserves and currency effects.

Exchange-rate fluctuations impacted operating profit negatively by SEK -3 million, volumes positively by SEK +9 million, the price/cost/mix and other factors negatively by SEK -9 million and acquisitions by SEK 0 million.

## January – June

Order intake was SEK 601 million (562) and was in line with net sales.

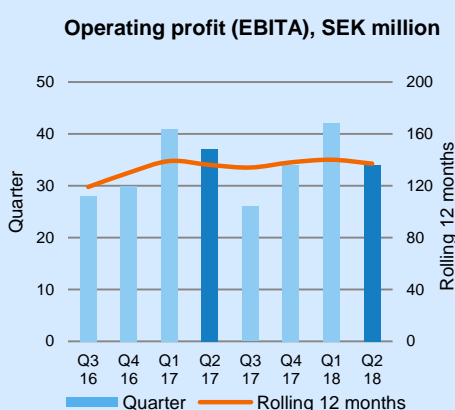
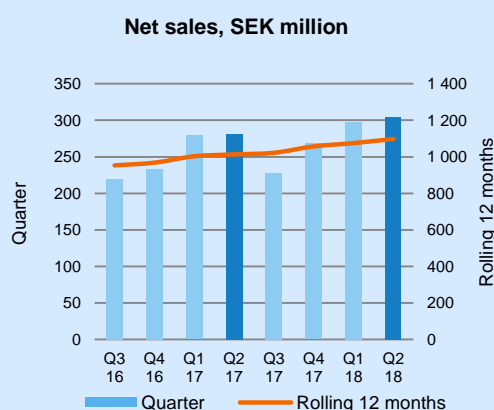
Net sales rose by 7 percent to SEK 602 million (561), of which +7 percent was organic. The high organic growth was partly a result of increased market shares and a significant improvement in underlying demand.

The gross margin declined to 29.2 percent (29.9). The decline was attributable to rising raw material prices in recent quarters and the weak Swedish krona, which was not sufficiently offset by price increases for customers.

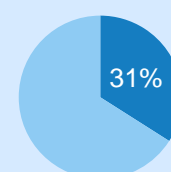
Operating profit (EBITA) amounted to SEK 76 million (79), corresponding to an operating margin of 12.6 percent (14.0).

Exchange-rate fluctuations impacted operating profit negatively by SEK -3 million, volumes positively by SEK +12 million, the price/cost/mix and other factors negatively by SEK -11 million and acquisitions by SEK 0 million.

	Quarter 2			Jan–June			12-months Rolling	Full year
SEK million	2018	2017	%	2018	2017	%	2017/18	2017
Order intake	304	282	8	601	562	7	1,128	1,089
Net sales	304	282	8	602	561	7	1,098	1,057
Gross profit	87	81	7	176	168	5	320	312
%	28.6	28.9		29.2	29.9		29.2	29.5
Operating expenses	-53	-44	20	-100	-89	12	-184	-173
%	17.4	15.6		16.6	15.9		16.8	16.4
Operating profit (EBITA)	34	37	-9	76	79	-3	137	139
%	11.3	13.2		12.6	14.0		12.4	13.1



## SHARE OF TOTAL SALES



## SALES GROWTH

**+8%**

## OPERATING MARGIN (EBITA)

**11.3%**

# Consolidated Income Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net sales	980	823	1,925	1,638
Cost of goods sold	-698	-591	-1,366	-1,167
<b>Gross profit</b>	<b>282</b>	<b>232</b>	<b>559</b>	<b>471</b>
Distribution costs	-129	-113	-253	-221
Administrative expenses	-58	-42	-109	-82
Other operating income	14	8	27	15
Other operating expenses	-13	-8	-24	-16
<b>Operating profit</b>	<b>96</b>	<b>77</b>	<b>200</b>	<b>167</b>
<b><i>Profit/loss from financial items</i></b>				
Interest income and similar income items	0	0	3	0
Interest expense and similar expense items	-7	-6	-15	-13
<b>Profit after financial items</b>	<b>89</b>	<b>71</b>	<b>188</b>	<b>154</b>
Tax on net profit for the period	-22	-17	-46	-38
<b>Profit after tax</b>	<b>67</b>	<b>54</b>	<b>142</b>	<b>116</b>

# Statement of Comprehensive Income

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b>Profit after tax</b>	<b>67</b>	<b>54</b>	<b>142</b>	<b>116</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	14	-6	75	-7
<b>Other comprehensive income after tax</b>	<b>14</b>	<b>-6</b>	<b>75</b>	<b>-7</b>
<b>Total comprehensive income</b>	<b>81</b>	<b>48</b>	<b>217</b>	<b>109</b>
Total comprehensive income attributable to:				
Parent Company shareholders	81	48	217	109

# Earnings per Share

<i>SEK</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Earnings per share	1.78	1.41	3.77	3.05
Weighted number of shares outstanding, thousands	37,467	38,110	37,621	38,110
Diluted earnings per share, SEK	1.78	1.41	3.77	3.05
Weighted number of shares outstanding after dilution, thousands	37,467	38,110	37,621	38,110
Adjusted earnings per share, SEK	1.78	1.41	3.77	3.05



# Consolidated Balance Sheet

<i>SEK million</i>	<i>30 Jun 18</i>	<i>30 Jun 17</i>	<i>31 Dec 17</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1,161	1,052	1,134
Property, plant and equipment	178	132	164
Financial assets	24	23	23
<b>Total non-current assets</b>	<b>1,364</b>	<b>1,207</b>	<b>1,321</b>
<b>Current assets</b>			
Inventories	1,185	951	1,093
Current receivables	864	726	740
Cash and cash equivalents	185	102	120
<b>Total current assets</b>	<b>2,234</b>	<b>1,779</b>	<b>1,953</b>
<b>Total assets</b>	<b>3,598</b>	<b>2,986</b>	<b>3,274</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,515</b>	<b>1,333</b>	<b>1,416</b>
<b>Non-current liabilities</b>			
Non-current liabilities, interest-bearing	1,198	920	1,080
Non-current liabilities, non-interest-bearing	102	56	102
<b>Total non-current liabilities</b>	<b>1,300</b>	<b>976</b>	<b>1,182</b>
<b>Current liabilities</b>			
Current liabilities, interest-bearing	109	85	55
Current liabilities, non-interest-bearing	674	592	621
<b>Total current liabilities</b>	<b>783</b>	<b>677</b>	<b>676</b>
<b>Total equity and liabilities</b>	<b>3,598</b>	<b>2,986</b>	<b>3,274</b>

# Consolidated Statement of Changes in Equity

<i>SEK million</i>	<i>30 Jun 18</i>	<i>30 Jun 17</i>
<b>Equity at beginning of year</b>	<b>1,416</b>	<b>1,297</b>
<b>Comprehensive income</b>		
Profit after tax	142	116
<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	75	-7
<b>Total comprehensive income</b>	<b>217</b>	<b>109</b>
<b>Transactions with shareholders</b>		
Issued call options	4	3
Repurchase of own shares	-37	-
Dividend to shareholders	-85	-76
<b>Total transactions with shareholders</b>	<b>-118</b>	<b>-73</b>
<b>Equity at end of period</b>	<b>1,515</b>	<b>1,333</b>

# Consolidated Cash Flow Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan-June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b>Operating activities</b>				
Profit before financial items	96	77	200	167
Depreciation/amortisation and impairment	12	10	24	21
Interest and other finance income	0	0	3	0
Interest and other finance expenses	-7	-5	-14	-12
Other non-cash items	1	0	1	0
Income tax paid	-19	-19	-49	-43
<b>Cash flow from operating activities before changes in working capital</b>	<b>83</b>	<b>63</b>	<b>165</b>	<b>133</b>
<b>Changes in working capital</b>				
Increase (-)/decrease (+) in inventories	-41	-21	-70	-30
Increase (-)/decrease (+) in operating receivables	-10	-13	-119	-113
Increase (+)/decrease (-) in operating liabilities	-13	-7	54	64
<b>Cash flow from operating activities</b>	<b>19</b>	<b>22</b>	<b>30</b>	<b>54</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	-12	-10	-27	-18
Company acquisitions including additional purchase considerations*	-20	-29	-20	-29
Acquisition of intangible assets	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-32</b>	<b>-39</b>	<b>-47</b>	<b>-47</b>
<b>Financing activities</b>				
Dividend paid	-85	-76	-85	-76
Call options	4	3	4	3
Repurchase of own shares	-37	0	-37	0
Increase (+)/decrease (-) in borrowings	191	62	194	45
<b>Cash flow from financing activities</b>	<b>73</b>	<b>-11</b>	<b>76</b>	<b>-28</b>
<b>Cash flow for the period</b>	<b>59</b>	<b>-28</b>	<b>59</b>	<b>-21</b>
Cash and cash equivalents at beginning of period	123	130	120	122
Translation differences	3	0	6	1
<b>Cash and cash equivalents at end of period</b>	<b>185</b>	<b>102</b>	<b>185</b>	<b>102</b>

# The Group's Segment Reporting

<b>International SEK million</b>	<b>2017</b>				<b>2018</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	536	541	507	560	648	676		
Gross profit	156 29.2%	155 28.1%	148 29.2%	164 29.3%	192 29.7%	202 29.9%		
Operating expenses	-101 18.8%	-105 18.9%	-104 20.5%	-110 19.6%	-121 18.7%	-125 18.5%		
Operating profit (EBITA)	55 10.3%	50 9.2%	44 8.7%	54 9.6%	71 11.0%	77 11.4%		

<b>Sweden SEK million</b>	<b>2017</b>				<b>2018</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	279	282	228	268	297	304		
Gross profit	86 30.9%	81 28.9%	66 28.9%	79 29.4%	89 29.9%	87 28.6%		
Operating expenses	-45 16.1%	-44 15.6%	-40 17.5%	-44 16.4%	-47 15.8%	-53 17.4%		
Operating profit (EBITA)	41 14.8%	37 13.2%	26 11.4%	35 13.1%	42 14.1%	34 11.2%		

<b>Other* SEK million</b>	<b>2017</b>				<b>2018</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-		
Gross profit	-4	-1	-5	-5	-4	-7		
Operating expenses	-2	-7	4	-12	-3	-6		
Operating profit (EBITA)	-6	-8	-1	-17	-7	-13		

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

<b>Group SEK million</b>	<b>2017</b>				<b>2018</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	815	823	735	828	945	980		
Gross profit	238 29.2%	232 28.2%	209 28.4%	238 28.7%	277 29.3%	282 28.8%		
Operating expenses	-147 18.0%	-154 18.7%	-139 18.9%	-166 20.0%	-171 18.1%	-184 18.8%		
Operating profit (EBITA)	91 11.1%	78 9.5%	70 9.5%	72 8.7%	106 11.2%	98 10.0%		

# Consolidated Key Figures

	<i>Quarter 2</i>		<i>Δ</i>	<i>Jan–June</i>		<i>Δ</i>
	<i>2018</i>	<i>2017</i>	<i>%</i>	<i>2018</i>	<i>2017</i>	<i>%</i>
Order intake, SEK million	<b>979</b>	833	18	<b>1,923</b>	1,644	17
Net sales, SEK million	<b>980</b>	823	19	<b>1,925</b>	1,638	18
Gross profit, SEK million	<b>282</b>	232	22	<b>559</b>	471	19
EBITDA, SEK million	<b>108</b>	87	24	<b>224</b>	188	19
Operating profit, SEK million	<b>96</b>	77	25	<b>200</b>	167	20
Profit after tax, SEK million	<b>67</b>	54	24	<b>142</b>	116	22
Gross margin, %	<b>28.8</b>	28.2		<b>29.0</b>	28.7	
Operating margin, %	<b>9.8</b>	9.4		<b>10.4</b>	10.2	
Net margin, %	<b>6.8</b>	6.5		<b>7.4</b>	7.1	
Net debt, SEK million	<b>1,122</b>	902	24			
Debt/equity ratio, %	<b>74</b>	68				
Net debt/EBITDA*, multiple	<b>2.9</b>	2.7				
Working capital, SEK million	<b>1,390</b>	1,139	20			
Average working capital, SEK million	<b>1,272</b>	1,079	18			
Average working capital in relation to net sales, %	<b>35.9</b>	35.7				
Equity/assets ratio, %	<b>42</b>	45				
Operating cash flow, SEK million	<b>33</b>	36	-8	<b>63</b>	91	-31
Earnings per share, SEK	<b>1.78</b>	1.41	26	<b>3.77</b>	3.05	24

\*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 million</i>	<i>Quarter 2</i>		<i>Jan-June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Administrative expenses	-4	-4	-7	-7
Other operating income	2	1	4	2
<b>Operating loss</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-5</b>
<b><i>Profit/loss from financial items</i></b>				
Interest expense and similar expense items	0	0	0	-1
<b>Loss after financial items</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-6</b>
Appropriations	-	-	-	-
Tax on net profit/loss for the period	0	0	0	1
<b>Loss after tax</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-5</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-5</b>

# Parent Company Balance Sheet

<i>SEK million</i>	<i>30 Jun 18</i>	<i>30 Jun 17</i>	<i>31 Dec 17</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	21	96	166
Other current receivables	10	4	0
Cash and cash equivalents	8	2	1
<b>Total current assets</b>	<b>39</b>	<b>102</b>	<b>167</b>
<b>Total assets</b>	<b>884</b>	<b>947</b>	<b>1,012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>751</b>	<b>834</b>	<b>872</b>
<b>Untaxed reserves</b>	<b>128</b>	<b>109</b>	<b>128</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	5	4	11
<b>Total current liabilities</b>	<b>5</b>	<b>4</b>	<b>11</b>
<b>Total equity and liabilities</b>	<b>884</b>	<b>947</b>	<b>1,011</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 2017 Annual Report. The 2017 Annual Report is available at [www.bufab.com](http://www.bufab.com).

### IFRS 9 Financial Instruments

The company has applied IFRS 9 Financial Instruments since 1 January 2018. The new standard has not had any material impact on the company's financial statements and current accounting policies. Bufab applies the simplified approach for trade receivables; i.e. the reserve will match the expected loss throughout the life of the trade receivable. The Group has not identified any material impact since bad debt losses have historically been low and the forward-looking assessment is that the risk of bad debts remains low.

### IFRS 15 Revenue from Contracts with Customers

The company has applied IFRS 15 Revenue from Contracts with Customers since 1 January 2018. The introduction of IFRS15 has had no material impact on the consolidated financial statements and, accordingly, no transitional effects have arisen.

The Group's business involves trading in fastener products. Revenue from product sales are recognised as of the date when control over the product switches to the customer. This usually occurs when the products have been delivered to the customer and the right of ownership has been transferred. The Group's customer base is diversified and comprises approximately 13,000 customers in numerous industries. The customers are also diversified geographically, with locations in the Nordic countries, the rest of Europe, Asia and the US. However, the Group's revenues are primarily followed up at segment level, which is the level at which internal recognition reflects what is reported to the chief operating decision maker. The chief operating decision maker is the function that makes decisions about resources to be allocated to the operating segments and assesses their performance. For the Group, this function has been identified as Group management. The Group has identified three segments, of which two are operational: Sweden and International, as well as Other.

### Sweden

This segment comprises Bufab's six subsidiaries in Sweden and its subsidiaries in the United States and Mexico, which work closely with other subsidiaries in the segment.

### International

This segment comprises all activities that Bufab conducts outside Sweden and North America, which includes operations in 24 countries divided over six regions. Governance of the operations occurs on a segment basis in respect of objectives, resource allocation and earnings follow-ups.

### Other

Other consists of other unallocated costs for the Parent Company and Group eliminations.

Net sales in the segments relate to net sales to external customers. No individual customer accounts for more than 10 percent of net sales in any of the segments.

### IFRS 16 Leases

Bufab will apply IFRS 16 Leases as of January 1, 2019. The standard requires that assets and liabilities attributable to all leases, with some exceptions, be recognised in the balance sheet. Depreciation of the asset and an interest expense on the lease liability are recognised in the income statement. Under the current standard (IAS 17), lease charges are expensed over the lease period for operational leasing contracts. The Group is lessee in operating leases, and accordingly will be impacted by IFRS 16. The Group has commenced but not yet completed the analysis to evaluate the impact on the consolidated financial statements.

### LONG-TERM SHARE-BASED INCENTIVE PROGRAMME

The 2018 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 13.34 through a Black-Scholes valuation, 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 17 May 2021 – 15 November 2021. The purchase price per share is SEK 133.90, corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 27 May 2018 and 4 May 2018. During the interim period, a total of 308,850 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. In this instance, payment of the subsidy will occur in June 2021 and requires that participants remain at that date in their positions or in another corresponding position of employment within the Bufab Group.

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. During the interim period, 308,850 shares were repurchased.

### 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 2017 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

There were no related-party transactions during the period.

*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 2018  
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

### EMPLOYEES

The number of employees in the Group at 30 June 2018 amounted to 1,177 (1,058).

### ACQUISITIONS

The following acquisitions were made during 2016-2018.

	Date	Net sales*	Employees
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

### CONTINGENT LIABILITIES

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

### AUDIT REVIEW

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

### FINANCIAL REPORTING DATES

#### Interim report for the third quarter of 2018

25 October 2018

#### Year-end report 2018

8 February 2019

## 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.

**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

## 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.

2018, %	Quarter 2			Jan-June		
	Group	Sweden	International	Group	Sweden	International
Organic growth	9	8	11	9	7	10
Currency translation effects	4	0	5	3	0	4
Acquisitions	6	0	9	6	0	8
<b>Recognised growth</b>	<b>19</b>	<b>8</b>	<b>25</b>	<b>18</b>	<b>7</b>	<b>23</b>

2017, %	Quarter 2			Jan-June		
	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>

### 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 million	Quarter 2		Jan-June	
	2018	2017	2018	2017
<b>EBITDA</b>	<b>108</b>	<b>87</b>	<b>224</b>	<b>188</b>
Other non-cash items	1	0	1	0
Changes in inventory	-41	-21	-70	-30
Changes in operating receivables	-10	-13	-119	-113
Changes in operating liabilities	-13	-7	54	64
<b>Cash flow from operations</b>	<b>45</b>	<b>46</b>	<b>90</b>	<b>109</b>
Investments excluding acquisitions	-12	-10	-27	-18
<b>Operating cash flow</b>	<b>33</b>	<b>36</b>	<b>63</b>	<b>91</b>

## EBITDA

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

	Quarter 2		Jan-June	
	2018	2017	2018	2017
Operating profit	96	77	200	167
Depreciation/amortisation and impairment	12	10	24	21
<b>EBITDA</b>	<b>108</b>	<b>87</b>	<b>224</b>	<b>188</b>

## EBITA

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

<i>SEK million</i>	Quarter 2		Jan-June	
	2018	2017	2018	2017
Operating profit	96	77	200	167
Depreciation, amortisation and impairment of intangible assets	2	1	4	3
<b>EBITA</b>	<b>98</b>	<b>78</b>	<b>204</b>	<b>170</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 million</i>	Quarter 2		Jan-June	
	2018	2017	2018	2017
Distribution costs	-129	-113	-253	-221
Administrative expenses	-58	-42	-109	-82
Other operating income	14	8	27	15
Other operating expenses	-13	-8	-24	-16
Depreciation, amortisation and impairment of intangible assets	2	1	4	3
<b>Operating expenses</b>	<b>-184</b>	<b>-154</b>	<b>-355</b>	<b>301</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.

	30 June	30 June
	2018	2017
Current assets	2,234	1,779
Less: cash and cash equivalents	-185	-102
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-659	-538
<b>Working capital on balance-sheet date</b>	<b>1,390</b>	<b>1,139</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.

	30 June	30 June
	2018	2017
Non-current interest-bearing liabilities	1,198	920
Current interest-bearing liabilities	109	85
Less: cash and cash equivalents	-185	-102
Less: other interest-bearing receivables	0	0
<b>Net debt on balance-sheet date</b>	<b>1,122</b>	<b>903</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 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 2071 928000, UK 08445718892, Sweden 08 50692180 or the US 16315107495. Conference code: [1355767](#).

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



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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. The information was submitted for publication by the aforementioned contacts on 19 July 2018 at 7:30 a.m. CET.*

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