

# Interim report January - September 2018

**Continued strong growth and improved earnings.  
Acquisition of Rudhäll Industri AB in Sweden and China in October.**

## Third quarter of 2018

- Net sales rose by 22 percent to SEK 895 million (735), of which 9 percent was organic
- Order intake increased 19 percent and was in line with net sales
- Operating profit (EBITA) rose to SEK 81 million (70) and the operating margin declined to 9.1 percent (9.5)
- Earnings per share rose to SEK 1.37 (1.16)
- After the end of the quarter, Rudhäll Industri AB, with annual sales of approximately SEK 210 million, was acquired. Acquisition costs of SEK 5 million were charged to the third quarter

## January - September 2018

- Net sales rose by 19 percent to SEK 2,820 million (2,373), of which 10 percent was organic.
- Order intake was in line with net sales
- Operating profit (EBITA) rose to SEK 285 million (240) and the operating margin was 10.1 percent (10.1)
- Earnings per share rose to SEK 5.14 (4.24)

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

SEK million	Quarter 3			Jan-Sep			12-months rolling	Full year
	2018	2017	%	2018	2017	%	2017/18	2017
Order intake	893	749	19	2,816	2,393	18	3,679	3,256
Net sales	895	735	22	2,820	2,373	19	3,648	3,201
Gross profit	259	209	24	817	679	20	1,055	917
%	28.9	28.4		29.0	28.5		28.9	28.6
Operating expenses	-178	-139	28	-532	-439	21	-699	-606
%	19.9	18.9		18.9	18.5		19.2	18.9
Operating profit (EBITA)	81	70	16	285	240	19	356	311
%	9.1	9.5		10.1	10.1		9.8	9.7
Operating profit	79	68	16	279	235	19	348	304
%	8.8	9.3		9.9	9.9		9.7	9.5
Profit after tax	51	44	16	193	161	20	245	213
Earnings per share, SEK	1.37	1.16	16	5.14	4.24	20	6.46	5.61



SALES GROWTH  
**+22%**

OPERATING MARGIN (EBITA)  
**9.1%**

## CEO's overview

In the third quarter, Bufab experienced the same favourable level of demand as earlier in the year. Sales rose by a full 22%.

Segment International noted an improvement in earnings performance during the quarter, even compared with the very strong second quarter. Increased market shares and successful acquisitions contributed to growth of 28 percent, of which 10 percent was organic. The gross margin strengthened further due to price increases and favourable currency effects despite cost increases driven by raw material prices. We also succeeded in achieving growth without a corresponding increase in operating expenses. Overall, operating profit increased by more than 60 percent, primarily as a result of a very healthy organic growth.

However, Segment Sweden had a poorer earnings trend during the quarter, as it did in the second quarter. Growth was good, but the gross margin was far too low. Despite significant price increases, we did not succeed in fully offsetting the weak Swedish krona combined with high raw materials prices. Accordingly, a weakening of the Swedish krona adversely impacted segment Sweden but benefitted segment International during the period.

The segment's earnings were not good enough. We continue the work on price increases and have intensified our focus on cost savings for sourcing. Earnings were also burdened by high operating expenses. Operating profit fell overall compared with 2017, an unsatisfactory trend that we intend to reverse.

It is gratifying, however, that we completed a good complementary acquisition in segment Sweden at the beginning of October in the form of Rudhäll Industrier AB. Rudhäll is a well-managed group of companies with a combination of trading and in-house production, which will strengthen Bufab's offering of special products.

Both invoicing and order intake remained at the same high level as during the second quarter. Thus, we have not yet seen any clear impact of the uncertainty regarding the economic development. We continue to carefully monitor the signals, but are mainly focused on continuing to increase our market shares in both operating segments at the same pace as previously.

We are also making significant investments in our organisation and in processes and systems within the framework of our "Leadership 2020" programme. These activities impacted our operating expenses during the quarter. It is our long-term aim that operating expenses should not increase as a share of net sales. This requires comprehensive efficiency measures in the business in general.

Profit for the period rose by 16 percent despite acquisition costs of SEK 5 million. Without these costs, profit would have risen by 27 percent. Looking at Bufab overall, we are satisfied with the quarter and optimistic about the rest of the year.



### 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 3.6 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

### THIRD QUARTER

Order intake amounted to SEK 893 million (749) and was in line with net sales.

Net sales rose by 22 percent to SEK 895 million (735). The Group's organic growth was +9 percent, comprising +9 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 last year.

The gross margin was higher than in the preceding year. 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 81 million (70), equal to an operating margin of 9.1 percent (9.5). The operating margin declined, mainly due to acquisition costs of SEK 5 million.

Exchange-rate fluctuations impacted operating profit positively by SEK +5 million, volumes positively by SEK +17 million, the price/cost/mix and other factors negatively by SEK -15 million and acquisitions positively by SEK +4 million.

### JANUARY - SEPTEMBER

Order intake amounted to SEK 2,816 million (2,393) and was in line with net sales.

Net sales rose by 19 percent to SEK 2,820 million (2,373). The Group's organic growth was +10 percent, comprising +8 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 last year.

The gross margin was higher than in the preceding year. 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 285 million (240), equal to an operating margin of 10.1 percent (10.1).

Exchange-rate fluctuations impacted operating profit positively by SEK +15 million, volumes positively by SEK +60 million, the price/cost/mix and other factors negatively by SEK -49 million and acquisitions positively by SEK +20 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -14 million (-9) for the third quarter, of which exchange-rate differences accounted for SEK -8 million (-3). During the nine-month period, net financial items amounted to SEK -25 million (-21), of which exchange-rate differences accounted for SEK -6 million (-3).

The Group's profit after financial items was SEK 65 million (59) for the quarter and SEK 253 (214) for the nine-month period.

The third-quarter tax expense was SEK -14 million (-15), implying an effective tax rate of 21 percent (24). The tax expense for the nine-month period was SEK -60 million (-53), which implies an effective tax rate of 24 percent (25).

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

SEK million	Quarter 3		Jan-Sep	
	2018	2017	2018	2017
Operating profit	79	68	278	235
Depreciation/amortisation and impairment	13	11	37	32
Other non-cash items	1	-4	2	-1
Changes in working capital	-23	-29	-158	-109
<b>Cash flow from operations</b>	<b>69</b>	<b>46</b>	<b>159</b>	<b>157</b>
Investments excluding acquisitions	-20	-14	-47	-32
<b>Operating cash flow</b>	<b>49</b>	<b>32</b>	<b>112</b>	<b>125</b>

Operating cash flow amounted to SEK 49 million (32) for the period. The improved cash flow is primarily attributable to higher operating profit. The increase in working capital is attributable to a rise in trade receivables and inventories, driven in turn by favourable organic growth. Operating cash flow for the nine-month period was SEK 112 million (125).

Average working capital in relation to net sales was higher than in the preceding year at 36.5 percent (35.7).

On 30 September 2018, the Group's net debt totalled SEK 1,109 million (936).

On 30 September 2018, the debt/equity ratio was 72 percent (70). The net indebtedness/EBITDA was 2.8 (2.8).

# Segment International

## Third quarter

Order intake amounted to SEK 658 million (522) and was higher than net sales.

Net sales rose by 28 percent to SEK 647 million (507). Organic growth was +10 percent, driven by stronger underlying demand and increased market shares in most markets.

Gross margin for the segment rose to a solid 30.4 percent (29.2). The reasons for this are favourable exchange rates and that it has been possible to compensate for rising raw materials prices with price increases for customers.

Operating profit (EBITA) amounted to SEK 73 million (45), corresponding to an operating margin of 11.3 percent (8.9).

Exchange-rate fluctuations impacted operating profit positively by SEK +8 million, volumes positively by SEK +12 million, the price/cost/mix and other factors positively by SEK +1 million and acquisitions positively by SEK +9 million.

## January - September

Order intake amounted to SEK 1,980 million (1,604) and was higher than net sales.

Net sales rose by 24 percent to SEK 1,971 million (1,584). Organic growth was +10 percent, driven by stronger underlying demand and increased market shares in most markets.

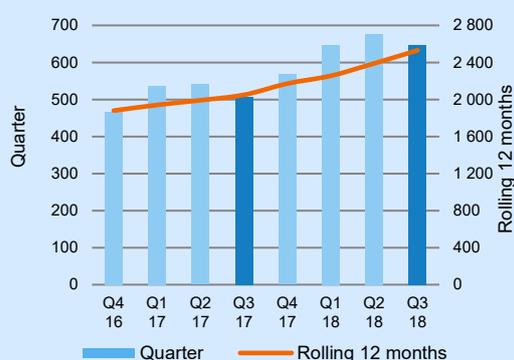
Gross margin for the segment rose to a solid 30.0 percent (29.0). The reasons for this are favourable exchange rates and that it has been possible to compensate for rising raw materials prices with price increases for customers.

Operating profit (EBITA) was SEK 222 million (150), equal to an operating margin of 11.3 percent (9.5).

Exchange-rate fluctuations impacted operating profit positively by SEK +21 million, volumes positively by SEK +43 million, the price/cost/mix and other factors negatively by SEK -17 million and acquisitions positively by SEK +25 million.

	Quarter 3			Jan-Sep			12-months Rolling	Full year
SEK million	2018	2017	%	2018	2017	%	2017/18	2017
Order intake	658	522	26	1,980	1,604	23	2,548	2,172
Net sales	647	507	28	1,971	1,584	24	2,531	2,144
Gross profit	197	148	33	591	459	29	756	623
%	30.4	29.2		30.0	29.0		29.9	29.1
Operating expenses	-124	-103	20	-369	-309	19	-480	-420
%	19.2	20.3		18.7	19.5		19.0	19.6
Operating profit (EBITA)	73	44	62	222	150	49	275	203
%	11.3	8.9		11.3	9.5		10.9	9.5

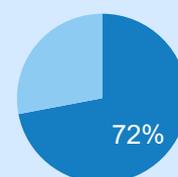
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

**+28%**

OPERATING MARGIN (EBITA)

**11.3%**

# Segment Sweden

## Third quarter

Order intake amounted to SEK 235 million (227) and was lower than net sales.

Net sales rose by 9 percent to SEK 248 million (228). Organic growth was +9 percent, driven by stronger underlying demand and increased market shares.

The gross margin declined to 27.0 percent (28.9). The decline was attributable to rising raw materials prices in recent quarters and the continued weak Swedish krona. These two factors have not yet been sufficiently offset through price increases for customers.

Operating profit (EBITA) amounted to SEK 22 million (26), corresponding to an operating margin of a very weak 8.9 percent (11.4).

Exchange-rate fluctuations impacted operating profit negatively by SEK -3 million, volumes positively by SEK +5 million, the price/cost/mix and other factors negatively by SEK -7 million and acquisitions by SEK 0 million.

## January - September

Order intake amounted to SEK 836 million (788) and was lower than net sales.

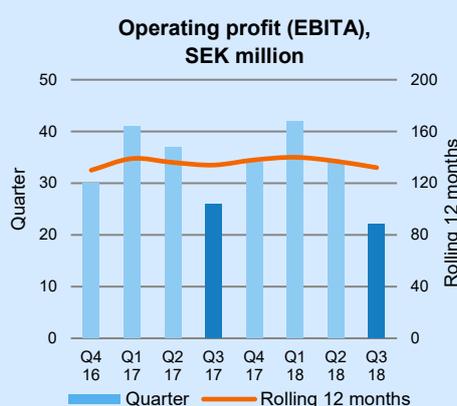
Net sales rose by 8 percent to SEK 849 million (789), of which +8 percent was organic. The high organic growth was a result of increased market shares and improved underlying demand.

The gross margin declined to 28.6 percent (29.5). The lower gross margin was attributable to rising raw materials prices in recent quarters and the weak Swedish krona, which were not sufficiently offset by price increases for customers.

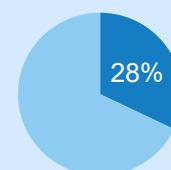
Operating profit (EBITA) amounted to SEK 99 million (105), equal to an operating margin of 11.7 percent (13.3).

Exchange-rate fluctuations impacted operating profit negatively by SEK -6 million, volumes positively by SEK +17 million, the price/cost/mix and other factors negatively by SEK -18 million and acquisitions by SEK 0 million.

	Quarter 3			Jan-Sep			12-months Rolling	Full year
SEK million	2018	2017	%	2018	2017	%	2017/18	2017
Order intake	235	227	4	836	788	6	1,137	1,089
Net sales	248	228	9	849	789	8	1,117	1,057
Gross profit	67	66	2	243	233	4	322	312
%	27.0	28.9		28.6	29.5		28.9	29.5
Operating expenses	-45	-40	12	-144	-128	13	-189	-173
%	18.1	17.5		17.0	16.2		16.9	16.4
Operating profit (EBITA)	22	26	-15	99	105	-6	132	139
%	8.9	11.4		11.7	13.3		11.8	13.1



### SHARE OF TOTAL SALES



### SALES GROWTH

+9%

### OPERATING MARGIN (EBITA)

8.9%

## Consolidated Income Statement

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net sales	895	735	2,820	2,373
Cost of goods sold	-636	-526	-2,003	-1,694
<b>Gross profit</b>	<b>259</b>	<b>209</b>	<b>817</b>	<b>679</b>
Distribution costs	-125	-104	-378	-325
Administrative expenses	-56	-40	-165	-123
Other operating income	13	7	40	23
Other operating expenses	-12	-4	-36	-19
<b>Operating profit</b>	<b>79</b>	<b>68</b>	<b>278</b>	<b>235</b>
<b><i>Profit/loss from financial items</i></b>				
Interest income and similar income items	1	0	2	0
Interest expense and similar expense items	-15	-9	-27	-21
<b>Profit after financial items</b>	<b>65</b>	<b>59</b>	<b>253</b>	<b>214</b>
Tax on net profit for the period	-14	-15	-60	-53
<b>Profit after tax</b>	<b>51</b>	<b>44</b>	<b>193</b>	<b>161</b>

## Statement of Comprehensive Income

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b>Profit after tax</b>	<b>51</b>	<b>44</b>	<b>193</b>	<b>161</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	-18	-8	57	-15
<b>Other comprehensive income after tax</b>	<b>-18</b>	<b>-8</b>	<b>57</b>	<b>-15</b>
<b>Total comprehensive income</b>	<b>33</b>	<b>36</b>	<b>250</b>	<b>146</b>
Total comprehensive income attributable to:				
Parent Company shareholders	33	36	250	146

## Earnings per Share

<i>SEK</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Earnings per share	1.37	1.16	5.13	4.24
Weighted number of shares outstanding, thousands	37,467	37,919	37,622	37,983
Diluted earnings per share, SEK	1.37	1.16	5.13	4.24
Weighted number of shares outstanding after dilution, thousands	37,467	37,919	37,622	37,983

## Consolidated Balance Sheet

<i>SEK million</i>	<i>30 Sep 18</i>	<i>30 Sep 17</i>	<i>31 Dec 17</i>
<b>ASSETS</b>			
<b><i>Non-current assets</i></b>			
Intangible assets	1,150	1,043	1,134
Property, plant and equipment	193	142	164
Financial assets	24	22	23
<b>Total non-current assets</b>	<b>1,367</b>	<b>1,207</b>	<b>1,321</b>
<b><i>Current assets</i></b>			
Inventories	1,204	1,001	1,093
Current receivables	804	703	740
Cash and cash equivalents	187	103	120
<b>Total current assets</b>	<b>2,195</b>	<b>1,807</b>	<b>1,953</b>
<b>Total assets</b>	<b>3,562</b>	<b>3,014</b>	<b>3,274</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,549</b>	<b>1,339</b>	<b>1,416</b>
<b><i>Non-current liabilities</i></b>			
Non-current liabilities, interest-bearing	1,189	994	1,080
Non-current liabilities, non-interest-bearing	75	51	102
<b>Total non-current liabilities</b>	<b>1,264</b>	<b>1,045</b>	<b>1,182</b>
<b><i>Current liabilities</i></b>			
Current liabilities, interest-bearing	107	45	55
Current liabilities, non-interest-bearing	642	585	621
<b>Total current liabilities</b>	<b>749</b>	<b>630</b>	<b>676</b>
<b>Total equity and liabilities</b>	<b>3,562</b>	<b>3,014</b>	<b>3,274</b>

## Consolidated Statement of Changes in Equity

<i>SEK million</i>	30 Sep 18	30 Sep 17	31 Dec 17
<b>Equity at beginning of year</b>	<b>1,416</b>	<b>1,297</b>	<b>1,297</b>
<b>Comprehensive income</b>			
Profit after tax	193	161	213
<i>Other comprehensive income</i>			
Items that will not be reclassified in profit or loss	-	-	-1
Items that may be reclassified in profit or loss			
Translation differences / Currency hedging net after tax	57	-15	11
<b>Total comprehensive income</b>	<b>250</b>	<b>146</b>	<b>223</b>
<b>Transactions with shareholders</b>			
Issued call options	4	3	3
Repurchase of own shares	-37	-31	-31
Dividend to shareholders	-85	-76	-76
<b>Total transactions with shareholders</b>	<b>-118</b>	<b>-104</b>	<b>-104</b>
<b>Equity at end of period</b>	<b>1,549</b>	<b>1,339</b>	<b>1,416</b>

## Consolidated Cash Flow Statement

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b><i>Operating activities</i></b>				
Profit before financial items	79	68	278	235
Depreciation/amortisation and impairment	13	11	37	32
Interest and other finance income	-2	0	1	0
Interest and other finance expenses	-12	-9	-26	-21
Other non-cash items	1	-4	2	-1
Income tax paid	-18	-20	-67	-63
<b>Cash flow from operating activities before changes in working capital</b>	<b>60</b>	<b>46</b>	<b>225</b>	<b>182</b>
<b><i>Changes in working capital</i></b>				
Increase (-) / decrease (+) in inventories	-30	-55	-100	-85
Increase (-) / decrease (+) in operating receivables	59	32	-60	-78
Increase (+) / decrease (-) in operating liabilities	-52	-6	2	54
<b>Cash flow from operating activities</b>	<b>37</b>	<b>17</b>	<b>67</b>	<b>73</b>
<b><i>Investing activities</i></b>				
Acquisition of property, plant and equipment	-20	-14	-47	-32
Company acquisitions including additional purchase considerations	-5	-6	-25	-35
Acquisition of intangible assets	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-25</b>	<b>-20</b>	<b>-72</b>	<b>-67</b>
<b><i>Financing activities</i></b>				
Dividend paid	0	-	-85	-76
Call options	0	-	4	3
Repurchase of own shares	0	-31	-37	-31
Increase (+) / decrease (-) in borrowings	-10	35	184	79
<b>Cash flow from financing activities</b>	<b>-10</b>	<b>4</b>	<b>66</b>	<b>-25</b>
<b>Cash flow for the period</b>	<b>2</b>	<b>1</b>	<b>61</b>	<b>-19</b>
Cash and cash equivalents at beginning of period	185	102	120	122
Translation differences	0	0	6	0
<b>Cash and cash equivalents at end of period</b>	<b>187</b>	<b>103</b>	<b>187</b>	<b>103</b>

## The Group's Segment Reporting

International SEK million	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	536	541	507	560	648	676	<b>647</b>	
Gross profit	156 29.2%	155 28.1%	148 29.2%	164 29.3%	192 29.7%	202 29.9%	<b>197</b> <b>30.4%</b>	
Operating expenses	-101 18.8%	-105 18.9%	-103 20.3%	-110 19.6%	-121 18.7%	-125 18.5%	<b>-124</b> <b>19.2%</b>	
Operating profit (EBITA)	55 10.3%	50 9.2%	45 8.9%	54 9.6%	71 11.0%	77 11.4%	<b>73</b> <b>11.3%</b>	

Sweden SEK million	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	279	282	228	268	297	304	<b>248</b>	
Gross profit	86 30.9%	81 28.9%	66 28.9%	79 29.4%	89 29.9%	87 28.6%	<b>67</b> <b>27.0%</b>	
Operating expenses	-45 16.1%	-44 15.6%	-40 17.5%	-44 16.4%	-47 15.8%	-53 17.4%	<b>-45</b> <b>18.1%</b>	
Operating profit (EBITA)	41 14.8%	37 13.2%	26 11.4%	35 13.1%	42 14.1%	34 11.2%	<b>22</b> <b>8.9%</b>	

Other* SEK million	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-	-	
Gross profit	-4	-1	-5	-5	-4	-7	<b>-5</b>	
Operating expenses	-2	-7	4	-12	-3	-6	<b>-9</b>	
Operating profit (EBITA)	-6	-8	-1	-17	-7	-13	<b>-14</b>	

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

Group SEK million	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	815	823	735	828	945	980	<b>895</b>	
Gross profit	238 29.2%	232 28.2%	209 28.4%	238 28.7%	277 29.3%	282 28.8%	<b>259</b> <b>28.9%</b>	
Operating expenses	-147 18.0%	-154 18.7%	-139 18.9%	-166 20.0%	-171 18.1%	-184 18.8%	<b>-178</b> <b>19.9%</b>	
Operating profit (EBITA)	91 11.1%	78 9.5%	70 9.5%	72 8.7%	106 11.2%	98 10.0%	<b>81</b> <b>9.1%</b>	

## Consolidated Key Figures

	<i>Quarter 3</i>		<i>Δ</i>	<i>Jan-Sep</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>893</b>	749	19	<b>2,816</b>	2,393	18
Net sales, SEK million	<b>895</b>	735	22	<b>2,820</b>	2,373	19
Gross profit, SEK million	<b>259</b>	209	24	<b>817</b>	679	20
EBITDA, SEK million	<b>92</b>	79	16	<b>316</b>	267	18
Operating profit, SEK million	<b>79</b>	68	16	<b>279</b>	235	19
Profit after tax, SEK million	<b>51</b>	44	16	<b>193</b>	161	20
Gross margin, %	<b>28.9</b>	28.4		<b>29.0</b>	28.5	
Operating margin, %	<b>8.8</b>	9.3		<b>9.9</b>	9.9	
Net margin, %	<b>5.7</b>	6.0		<b>6.8</b>	6.8	
Net debt, SEK million	<b>1,109</b>	936	18			
Debt/equity ratio, %	<b>72</b>	70				
Net debt/EBITDA*, multiple	<b>2.8</b>	2.8				
Working capital, SEK million	<b>1,392</b>	1,119	24			
Average working capital, SEK million	<b>1,340</b>	1,103	21			
Average working capital in relation to net sales, %	<b>36.5</b>	35.7				
Equity/assets ratio, %	<b>44</b>	44				
Operating cash flow, SEK million	<b>49</b>	32	53	<b>112</b>	125	-10
Earnings per share, SEK	<b>1.37</b>	1.16	16	<b>5.14</b>	4.24	20

\*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 3</i>		<i>Jan-Sep</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Administrative expenses	-4	-3	-11	-10
Other operating income	2	2	6	4
<b>Operating loss</b>	<b>-2</b>	<b>-1</b>	<b>-5</b>	<b>-6</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>-1</b>	<b>-5</b>	<b>-7</b>
Appropriations	-	-	-	-
Tax on net profit/loss for the period	0	0	0	1
<b>Loss after tax</b>	<b>-2</b>	<b>-1</b>	<b>-5</b>	<b>-6</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-2</b>	<b>-1</b>	<b>-6</b>	<b>-6</b>

## Parent Company Balance Sheet

<i>SEK million</i>	30 Sep 18	30 Sep 17	31 Dec 17
<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	14	62	166
Other current receivables	16	9	0
Cash and cash equivalents	7	-	1
<b>Total current assets</b>	<b>37</b>	<b>71</b>	<b>167</b>
<b>Total assets</b>	<b>882</b>	<b>916</b>	<b>1,012</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>749</b>	<b>803</b>	<b>872</b>
Untaxed reserves	128	109	128
<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	12
<b>Total current liabilities</b>	<b>5</b>	<b>4</b>	<b>11</b>
<b>Total equity and liabilities</b>	<b>882</b>	<b>916</b>	<b>1,012</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 IFRS 15 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.

### RISKS AND RISK MANAGEMENT

Exposure to risk is a natural part of business activity. This is reflected in Bufab's approach to risk management, which aims to identify and prevent risks arising and limiting any damage from these risks. The main risks to which the Group is exposed relate to the impact of the economy on demand.

During the third quarter, the Group increased its hedging of net assets in foreign currencies by borrowing in the corresponding currency with the aim of reducing the impact of currency exposure on Group's equity. Total borrowing in foreign currencies defined as hedging instruments amounted to EUR 20 million and GBP 26 million, respectively, at 30 September. 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

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 second quarter, the company repurchased 308,850 own shares corresponding to an acquisition price of SEK 37 million. No material related-party transactions occurred during the third quarter.

## 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 April 2018 and 4 May 2018. In the second quarter, 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 second quarter, 308,850 shares were repurchased.

## ACQUISITIONS

The following acquisitions were made during Q3 2017-2018.

	<i>Date</i>	<i>Net sales*</i>	<i>Employees</i>
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.

## ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of Bufab AB (publ) will be held in Värnamo, on 25 April 2019.

## ORGANISATION

Bufab's Director of Human Resources, Mona Jeppsson, has chosen to leave her position to pursue challenges outside the Group. Work has begun to recruit a replacement.

As communicated previously, Bufab's focus on "Leadership 2020" includes investing in expansion in North America. Bufab's Director of Global Business Development, Urban Bülow, will therefore relocate to the US to take over responsibility within Group Management for Bufab's North American operations. Work has begun to recruit a successor to Urban Bülow in the role of Director of Business Development.

## SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

On 5 October 2018, Bufab acquired the Swedish company Rudhäll Industri AB ("Rudhäll"), which includes three wholly owned subsidiaries ("Rudhällgruppen"). In 2017, Rudhällgruppen had 74 employees and sales of approximately SEK 210 million with an operating margin of 9 percent. The price amounted to SEK 100 million on an Enterprise Value basis, of which most was paid on transfer. The acquisition will be reported in Bufab's segment Sweden.

## FINANCIAL REPORTING DATES

### Year-end report 2018

7 February 2019

### Interim report for the first quarter of 2019

25 April 2019

### 2019 Annual General Meeting

25 April 2019

### Interim report for the second quarter of 2019

18 July 2019

### Interim report for the third quarter of 2019

25 October 2019

### Year-end report 2019

11 February 2020

Värnamo October 25, 2018

Jörgen Rosengren  
President and CEO

## AUDITORS' REVIEW REPORT

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

### Introduction

We have conducted a review of the financial information in summary (interim report) for Bufab AB (publ) (556685-6240) as of 30 September 2018 and the nine-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

### Focus and scope of the review

We have conducted our review in accordance with the Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information 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). The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Opinion

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

Gothenburg, 25 October 2018

Öhrlings PricewaterhouseCoopers

Fredrik Göransson  
Authorised 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

**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 3			Jan-Sep		
	Group	Sweden	International	Group	Sweden	International
Organic growth	9	9	10	10	8	10
Currency translation effects	7	0	9	3	0	6
Acquisitions	6	0	8	6	0	8
<b>Recognised growth</b>	<b>22</b>	<b>9</b>	<b>27</b>	<b>19</b>	<b>8</b>	<b>24</b>

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>

### 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 3		Jan-Sep	
	2018	2017	2018	2017
<b>EBITDA</b>	<b>92</b>	<b>79</b>	<b>315</b>	<b>267</b>
Other non-cash items	1	-4	2	-1
Changes in inventory	-30	-55	-100	-85
Changes in operating receivables	59	32	-60	-78
Changes in operating liabilities	-52	-6	2	54
<b>Cash flow from operations</b>	<b>69</b>	<b>46</b>	<b>159</b>	<b>157</b>
Investments excluding acquisitions	-20	-14	-47	-32
<b>Operating cash flow</b>	<b>49</b>	<b>32</b>	<b>112</b>	<b>125</b>

### EBITDA

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

	Quarter 3		Jan-Sep	
	2018	2017	2018	2017
Operating profit	79	68	279	235
Depreciation/amortisation and impairment	13	11	37	32
<b>EBITDA</b>	<b>92</b>	<b>79</b>	<b>316</b>	<b>267</b>

### Operating profit (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.

SEK million	Quarter 3		Jan-Sep	
	2018	2017	2018	2017
Operating profit	79	68	279	235
Depreciation, amortisation and impairment of intangible assets	2	2	6	5
<b>Operating profit (EBITA)</b>	<b>81</b>	<b>70</b>	<b>285</b>	<b>240</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.

SEK million	Quarter 3		Jan-Sep	
	2018	2017	2018	2017
Distribution costs	-125	-104	-378	-325
Administrative expenses	-56	-40	-165	-123
Other operating income	13	7	40	23
Other operating expenses	-12	-4	-36	-19
Depreciation, amortisation and impairment of intangible assets	2	2	6	5
<b>Operating expenses</b>	<b>-178</b>	<b>-139</b>	<b>-532</b>	<b>-439</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 Sep	30 Sep	31 Dec
	2018	2017	2017
Current assets	2,195	1,807	1,953
Less: cash and cash equivalents	-187	-103	-120
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-616	-533	-621
<b>Working capital on balance-sheet date</b>	<b>1,392</b>	<b>1,119</b>	<b>1,212</b>

### Net debt

Net debt is an expression of how large the financial borrowing is in the company in absolute figures after deductions for cash and cash equivalents. The key figure is defined below.

	<b>30 Sep</b>	<b>30 Sep</b>	<b>31 Dec</b>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
Non-current interest-bearing liabilities	1,189	994	1,080
Current interest-bearing liabilities	107	45	55
Less: cash and cash equivalents	-187	-103	-120
Less: other interest-bearing receivables	0	0	0
<b>Net debt on balance-sheet date</b>	<b>1,109</b>	<b>936</b>	<b>1,015</b>

### CONFERENCE CALL

A conference call will be held on 25 October 2018 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 (0) 2071 928000, UK 08445718892, Sweden 08 50692180 or the US 16315107495. Conference code: [3399788](#)

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. The information was submitted for publication by the aforementioned contact on 25 October 2018 at 7:30 a.m. CET.*

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