

Interim report January – June 2020

Stable result despite a very weak market. Gradual recovery during the quarter. Cost savings program expanded to SEK 100 million. Focus on increased market share.

Second quarter of 2020

- Net sales declined by 6 percent to SEK 1,022 million (1,089). Organic growth was -25 percent and order intake was lower than net sales
- Operating profit (EBITA) declined to SEK 92 million (103) and the operating margin was 9.1 percent (9.5)
- Operating cash flow increased to SEK 116 million (94)
- Earnings per share declined to SEK 1.24 (1.91)
- The cost savings programme from 2019 was expanded to SEK 100 million, with full effect from January 2021

January – June 2020

- Net sales rose by 7 percent to SEK 2,337 million (2,180). Organic growth was -15 percent and order intake was lower than net sales
- Operating profit (EBITA) was SEK 218 million (222) and the operating margin was 9.3 percent (10.2)
- Operating cash flow increased to SEK 201 million (131)
- Earnings per share declined to SEK 3.54 (4.14)

THE GROUP IN BRIEF (FOR DEFINITIONS, SEE PAGE 20)

SEK million	Quarter 2			Jan–June			12-months rolling	Full year
	2020	2019	Δ %	2020	2019	Δ %	2020/19	2019
Order intake	987	1,080	-9	2,308	2,164	7	4,498	4,354
Net sales	1,022	1,089	-6	2,337	2,180	7	4,505	4,348
Gross profit	258	303	-15	609	607	0	1,185	1,183
%	25.2	27.8		26.1	27.8		26.3	27.2
Operating expenses	-165	-200	-18	-391	-385	2	-805	-799
%	-16.2	-18.4		-16.7	-17.6		-17.9	-18.4
Operating profit (EBITA)	92	103	-10	218	222	-2	379	384
%	9.1	9.5		9.3	10.2		8.4	8.8
Operating profit/loss	85	100	-15	203	217	-6	355	368
%	8.3	9.2		8.7	9.9		7.9	8.5
Profit/loss after tax	46	71	-35	132	155	-14	230	253
Earnings per share, SEK	1.24	1.91	-35	3.54	4.14	-14	6.15	6.75

Net sales, SEK million



Operating profit (EBITA), SEK million



SALES GROWTH

-6%

OPERATING MARGIN (EBITA)

9.1%

CEO's overview

Bufab delivered a stable result for the second quarter of 2020 despite a very weak market in the wake of the corona pandemic.

We established three main goals at an early stage: to protect our employees, our customers and Bufab from the effects of the pandemic. Our 43 subsidiaries in 28 countries embraced these goals and took the actions required.

We can now see the result of these efforts. We have avoided any spread of the disease in our workplace. We are also very proud that we have maintained unbroken precision deliveries with good quality to our thousands of customers throughout the world. This has been achieved despite the major disruptions to global supply chains during the spring. From April onwards, the pandemic forced many of our customers to reduce their production, which led to a strong decline in organic growth. To address this, we rapidly introduced comprehensive short-time work schemes and other cost-saving measures in all our subsidiaries.

As a result of these measures, we retained a stable operating margin of 9 percent, despite negative organic growth of 25 percent for the quarter. But the impact varies across our operations. Subsidiaries with broad exposure to the automotive or energy industries, to Southern Europe or the UK, and our manufacturing companies were more severely affected, which is apparent in the relatively weak performance by our Segments West and North. In Segment UK/North America, the weak market was offset by the strong contribution from our most recent acquisition in the US. In Segment East, we achieved our best operating margin ever, over 16 percent, thanks to a strong recovery in China and Singapore, and effective cost control.

We were pleased to see a gradual recovery in demand in all segments during the quarter. June was considerably stronger than April. Our view is that the stepwise recovery will continue successively during the second half of the year. However, there is still a great uncertainty and accordingly, we have chosen to expand our cost savings programme from SEK 40 million to SEK 100 million on a full-year basis, with full effect as from

January 2021. In most subsidiaries, this will be achieved through enhanced efficiency, general cost-savings and natural turnover. Redundancies may be required in some subsidiaries. Thanks to significant investments made in the organisation, processes and IT in recent years, the programme can be implemented without any negative impact on the sales organisation.

Bufab is a growth company. We have had growth for 27 consecutive quarters. This strategy stands firm and is not affected by a single quarter of negative growth.

For this reason, we will focus even more on building strong customer relations during the second half of the year and onwards. We have taken market share every year for several years and intend to increase the pace further. To help the sales organisation succeed in this, we will continue to invest in our Sales Excellence program. During the autumn, Bufab's entire organisation will be fully focused on these activities, under the theme of "Restart".

Crises create business opportunities for the strongest companies with investment capacity. We are seeing many such opportunities in all markets. We are continuing to work with promising acquisition candidates. Further reduced costs, a stable margin and strong cash flow will provide flexibility and strength, even if the market situation becomes even more difficult. With the plan that we have established, we intend to continue the investments in our organisation, processes and systems, as well as in new acquisitions, during 2021 and onwards.

I want to extend my sincere thanks to the whole team at Bufab. With hard work, personal sacrifices and cooperation, everyone has demonstrated that Bufab is a dynamic and flexible company. As a result of this, we can focus fully on the market and our customers and on continuing Bufab's profitable growth.

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 28 countries. The head office is located in Värnamo, Sweden, and Bufab has about 1,350 employees. Bufab's net sales for the past 12 months amounted to SEK 4.5 billion and the operating margin was 8.4 percent. The Bufab share is listed on Nasdaq Stockholm, under the ticker "BUFAB". Please visit www.bufab.com for more information.

The Group in brief

SECOND QUARTER

Order intake was SEK 987 million (1,080), which was lower than net sales.

Net sales declined by 6 percent to SEK 1,022 million (1,089). The market share was unchanged. Organic growth was -25 percent due to the very weak demand. However, it improved successively: -30 percent in April, -25 percent in May and -15 percent in June, adjusted for workdays.

Our view is that the recovery will continue during the third quarter. However, there is still great uncertainty and we cannot make any forecasts regarding long-term market development.

Gross margin declined to 25.2 percent (27.8). Approximately three quarters of the decline was attributable to Segment North and driven by lower volumes in the manufacturing companies and the acquisition of HT Bendix A/S. The remaining decline was due to a poorer business mix and significantly lower volumes in Segment West as well as lower cost coverage.

The share of operating expenses declined to 16.2 percent (18.4), which was due to the expanded cost savings programme from 2019 and short-time work schemes. It should be noted that the government support granted to the Group was recognised as other operating income and, accordingly, operating expenses declined, although some of the costs that the support was intended to meet were recognised in the gross margin. During the quarter, the Group expanded its existing cost savings programme to SEK 100 million. For more information, see page 4.

Operating profit (EBITA) declined to SEK 92 million (103), equal to a margin of 9.1 percent (9.5).

Exchange-rate fluctuations impacted operating profit by SEK 0 million, volumes negatively by SEK -100 million, the price/cost/mix and other factors positively by SEK +70 million and acquisitions by SEK +19 million. The cost savings were impacted by; adjustments of conditional additional considerations by SEK +10 million, restructuring costs by SEK -5 million and subsidies for short-time work by SEK +25 million.

JANUARY – JUNE

Order intake amounted to SEK 2,308 million (2,164) and was slightly lower than net sales.

Net sales increased by 7 percent to SEK 2,337 million (2,180). Organic growth was -15 percent, driven by a weaker market during the first quarter and by severe reduction in demand due to the corona pandemic during the second quarter. The market share was unchanged.

The gross margin was lower in the period compared with the preceding year, at 26.1 percent (27.8). Half of the decrease was attributable to Segment North and driven by lower volumes in the manufacturing companies and the acquisition of HT Bendix A/S. The remaining decline was due to a poorer business mix and significantly lower volumes in Segment West, as well as lower coverage of fixed costs due to reduced volumes during the second quarter.

However, the share of operating expenses declined to 16.7 percent (17.6), which was attributable to the expanded cost savings programme from 2019 and short-time work schemes.

At the end of the period, the Group expanded its existing cost savings programme to SEK 100 million on a full-year basis, see page 4.

In total, operating profit (EBITA) declined to SEK 218 million (222), equal to an operating margin of 9.3 percent (10.2).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit negatively by SEK -6 million, volumes negatively by SEK -116 million, cost savings and the price/mix/other positively by SEK +73 million and acquisitions positively by SEK +45 million. The cost savings were impacted by; adjustments of conditional additional considerations by SEK +10 million, restructuring costs by SEK -5 million and subsidies for short-time work by SEK +25 million.

The Group in brief, continue

EXPANDED COST SAVINGS PROGRAMME

During the second quarter, the Group expanded its existing cost savings programme from SEK 40 million to SEK 100 million relative to 2019 full-year's cost base adjusted for acquisitions. The programme should reach full effect as from January 2021. The programme is expected to generate restructuring costs of approximately SEK 15 million, of which SEK 5 million was charged to the second quarter and the remainder is expected to be charged to the second half of 2020. The savings will mainly be achieved through increased efficiency, general cost-savings and natural attrition, and will extend across all of the Group's segments. Redundancies may be required in some subsidiaries. The cost savings programme will not affect the Group's growth ambitions.

SUPPORT FOR SHORT-TIME WORK

During the second quarter, several of the Group's subsidiaries took part in various forms of government support programmes, which were initiated in several countries in the wake of the corona pandemic, mainly in the shape of short-term work schemes. The earnings effect of these support programmes during the second quarter amounted to approximately SEK +25 million, whereof approximately SEK +9 million is government support applied for in Sweden.

FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -25 million (-9) for the second quarter, of which exchange-rate differences accounted for SEK -10 million (+1).

During the six-month period, net financial items amounted to SEK -28 million (-18), of which exchange-rate differences accounted for SEK -2 million (+1). The Group's profit after financial items was SEK 61 million (91) for the quarter and SEK 174 (199) for the six-month period.

The decline in net financial items year-on-year was attributable to the financing of the acquisitions in recent years, interest expenses for leasing contracts in the newly acquired companies and somewhat higher market interest rates at the beginning of the year.

The tax expense for the quarter was SEK -15 million (-20), implying an effective tax rate of 24 percent

(22). The tax expense for the six-month period was SEK -42 million (-44), which implies an effective tax rate of 24 percent (22).

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

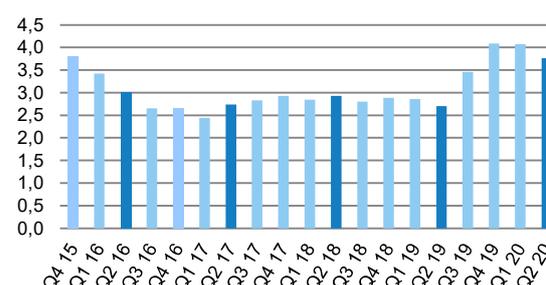
SEK million	Quarter 2		Jan-June	
	2020	2019	2020	2019
EBITDA, adjusted	103	112	239	241
Other non-cash items	-10	0	-8	0
Changes in working capital	26	-3	-17	-67
Cash flow from operations	119	109	214	174
Investments excluding acquisitions	-3	-15	-13	-41
Operating cash flow	116	94	201	131
Cash conversion ratio	113%	84%	84%	54%

Operating cash flow improved during the second quarter and strengthened significantly during the first half of the year, supported by a good development in working capital.

Average working capital in relation to net sales amounted to 34.8 percent (36.3). The improvement is primarily attributable to increasingly lower tied-up capital in the companies acquired in 2019.

Adjusted net debt amounted to SEK 1,527 million (1,218), a decrease of SEK 163 million compared with the first quarter. On 30 June 2020, the debt/equity ratio was 102 percent (93). The increase in adjusted net debt and the debt/equity ratio compared with the preceding year was attributable to completed acquisitions. The performance measure ND/EBITDA, adjusted, was at the end of the quarter 3.8 (2.7) which was higher than in the comparison quarter due to completed acquisitions. However, the ratio improved by a strong 0.3x during the year's two first quarters of 2020, mainly as a result of a strong cash flow.

Net debt / EBITDA, adjusted, multiple



Segment North

Segment North comprises Bufab's operations in Sweden, Finland, Norway and Denmark, including the new acquisition HT BENDIX A/S, and one of the purchasing offices in China, which is affiliated to one of the Swedish subsidiaries. The business mainly comprises trading companies, but also some manufacturing of particularly demanding components in proprietary plants.

SECOND QUARTER

Most of the segment's companies experienced a sharp slowdown in demand during the quarter, driven by the ongoing corona pandemic. The downturn was greatest in the segment's manufacturing units and among customers in the automotive industry. Demand was lowest during April, but then recovered gradually. Organic growth was -22 percent. Order intake was slightly lower than net sales.

The gross margin for the quarter was significantly lower than in the comparison quarter, despite the favourable contribution from purchasing savings. Three-quarters of the decline was attributable to the manufacturing companies, which were affected by considerably reduced volumes. The remainder of the decrease was attributable to the acquisition of HT BENDIX A/S, which has a lower gross margin than the rest of the segment.

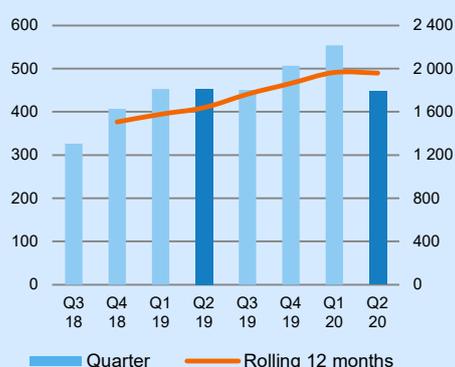
The result effect of the lower gross margin was mitigated by a significantly lower share of operating expenses. This was achieved by short-term work schemes and other cost-savings.

Overall, operating profit declined considerably relative to the comparison quarter, which was fully attributable to a very weak result in the segment's manufacturing companies. In turn, this was entirely due to reduced volumes.

As part of the Group's cost savings programme, the companies affected in the segment employed powerful measures to reverse the trend. These are expected to have full effect from the end of the year. Otherwise, the focus during the autumn will be on new sales and increased market shares, particularly in the segment's many profitable companies.

SEK million	Quarter 2			Jan-June			Rolling 12 months	Full year
	2020	2019	Δ %	2020	2019	Δ %	2020/19	2019
Order intake	437	450	-3	1,001	901	11	1,966	1,866
Net sales	448	454	-1	1,001	907	10	1,960	1,865
Gross profit	94	121	-22	231	240	-4	465	474
%	20.9	26.7		23.1	26.5		23.8	25.4
Operating expenses	-55	-74	-25	-137	-143	-4	-294	-300
%	-12.3	-16.2		-13.7	-15.8		-15.0	-16.1
Operating profit (EBITA)	39	48	-19	94	98	-4	170	174
%	8.7	10.5		9.4	10.8		8.7	9.3

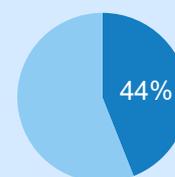
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

-1%

OPERATING MARGIN (EBITA)

8.7%

Segment West

Segment West comprises Bufab's operations in France, the Netherlands, Germany, the Czech Republic, Austria and Spain.

SECOND QUARTER

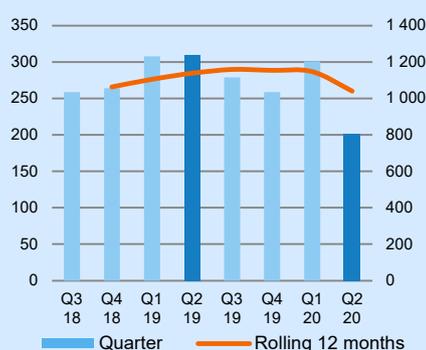
Operations in several of the segment's companies noted significantly lower demand during the quarter, driven by the ongoing corona pandemic. The decline was particularly noticeable in Germany, France, the Netherlands and Austria, and especially among customers connected with the automotive industry. The operations in the Czech Republic and Spain, however, were not subject to any significant effects of the general downturn. Overall, the segment noted a gradual recovery in demand during the quarter, although from very low levels. In total, organic growth amounted to -37 percent. Order intake was lower than net sales.

The gross margin was considerably lower than in the comparison quarter, which was due to significantly lower volumes and a poorer business mix in one of the segment's companies. The lower gross margin's effect on the operating result was mitigated by a lower share of operating expenses. In turn, this was due to various forms of short-term work schemes and other cost savings.

In total, operating profit declined significantly in relation to the strong comparison quarter. About half of the decline was attributable to cost savings not fully offsetting the loss of volume and the other half to a poorer business mix. Comprehensive measures were initiated to reverse the trend, mainly in companies with particularly weak earnings. At the same time, the segment will renew its focus on sales from the autumn and foresees favourable opportunities for continued increases in market shares.

SEK million	Quarter 2			Jan-June			Rolling 12 months	Full year
	2020	2019	Δ %	2020	2019	Δ %	2020/19	2019
Order intake	188	300	-37	487	610	-20	1,034	1,157
Net sales	202	309	-35	503	617	-18	1,041	1,155
Gross profit	49	83	-41	125	167	-25	264	306
%	24.4	26.8		24.8	27.1		25.3	26.5
Operating expenses	-33	-55	-40	-85	-106	20	-188	-207
%	-16.4	-17.7		-17.0	-17.2		-18.0	-17.9
Operating profit (EBITA)	16	28	-43	39	62	-37	76	99
%	7.9	9.1		7.8	10.0		7.3	8.6

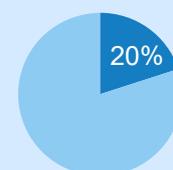
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

-35%

OPERATING MARGIN (EBITA)

7,9%

Segment East

Segment East comprises Bufab's operations in Poland, Hungary, Romania, the Baltic States, Russia, Slovakia, Turkey, China, Singapore and other countries in Southeast Asia, and India.

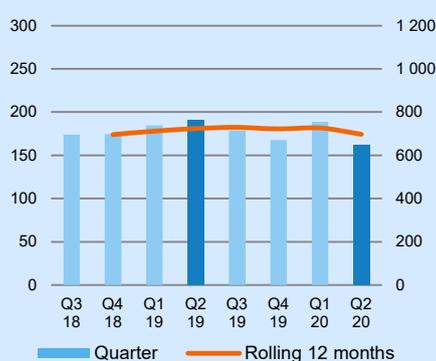
SECOND QUARTER

The segment was the first in the Group to be affected by the corona pandemic through its business in China. The segment reported positive development during the second quarter, despite a continued weak market. The operations in China and Southeast Asia performed strongly, while the operations in Eastern Europe noted a major decline in demand. In total, organic growth amounted to -15 percent. Order intake was in line with net sales.

Despite the negative growth, the segment succeeded in increasing its gross margin for the period due to positive contributions from purchasing savings. This, combined with a lower share of operating expenses, achieved through highly effective cost control, led to an increase in operating profit during the quarter. The operating margin increased to more than 16.7 percent, the highest level ever.

SEK million	Quarter 2		Δ %	Jan-June		Δ	Rolling	Full year
	2020	2019		2020	2019		12 months	
Order intake	165	194	-15	354	378	-6	697	721
Net sales	162	191	-15	351	376	-7	698	723
Gross profit	53	61	-13	112	119	-6	223	230
%	32.7	31.9		31.8	31.6		32.0	31.8
Operating expenses	-26	-35	25	-58	-67	-13	-124	-134
%	-16.0	-18.3		-16.5	-17.8		-17.8	-18.5
Operating profit (EBITA)	27	25	8	53	51	4	99	97
%	16.7	13.1		15.1	13.6		14.2	13.4

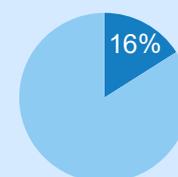
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

-15%

OPERATING MARGIN (EBITA)

16.7%

Segment UK/North America

Segment UK/North America comprises Bufab's operations in the UK, Ireland, the US and Mexico, including the new acquisition of American Bolt & Screw Mfg. Corp.

SECOND QUARTER

All of the segment's companies experienced a sharp slowdown at the beginning of the quarter, driven by the ongoing corona pandemic. At the beginning of the quarter, severe restrictions were imposed in many US states and then in Mexico and the UK. Many customers were forced to close down their operations at that time. At the end of May and in June, these restrictions were eased, and the segment had a relatively strong recovery, primarily in the North American market. In total, organic growth amounted to -40 percent. Order intake was lower than net sales.

The lower gross margin was entirely attributable to the lower volumes relative to the comparison quarter. The lower operating expenses were the result of successful efforts in reducing working hours, which was mainly achieved using various forms of short-term work schemes and other cost savings. The improved operating profit relative to the comparison quarter was fully derived from the acquisition of American Bolt & Screw, which contributed SEK 10 million during the quarter.

SEK million	Quarter 2		Δ %	Jan-June		Δ %	Rolling 12 months	Full year
	2020	2019		2020	2019		2020/19	2019
Order intake	197	134	47	465	272	71	795	602
Net sales	210	134	57	481	277	74	803	598
Gross profit	64	42	52	150	87	72	247	185
%	30.5	31.3		31.1	31.4		30.8	30.9
Operating expenses	-45	-30	-50	-101	-60	-68	-179	-138
%	-21.4	-22.4		-21.0	-21.7		-22.2	-23.1
Operating profit (EBITA)	19	12	58	49	27	81	69	47
%	9.1	8.9		10.1	9.8		8.6	7.9

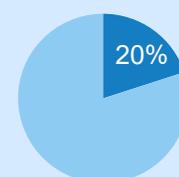
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

+57%

OPERATING MARGIN (EBITA)

9.1%

Consolidated Income Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan-June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Net sales	1,022	1,089	2,337	2,180
Cost of goods sold	-764	-786	-1,728	-1,572
Gross profit	258	303	609	607
Distribution costs	-137	-141	-298	-276
Administrative expenses	-69	-63	-147	-117
Other operating income	58	9	71	19
Other operating expenses	-24	-9	-33	-16
Operating profit	85	100	203	217
<i>Profit/loss from financial items</i>				
Interest income and similar income items	0	2	1	4
Interest expenses and similar expenses	-25	-11	-30	-22
Profit after financial items	61	91	174	199
Tax on net profit/loss for the period	-15	-20	-42	-44
Profit after tax	46	71	132	155

Statement of Comprehensive Income

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit after tax	46	71	132	155
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Translation differences / Currency hedging net after tax	-65	2	-43	40
Other comprehensive income after tax	-65	2	-43	40
Total comprehensive income	-19	74	89	195
Total comprehensive income attributable to:				
Parent Company shareholders	-19	74	89	195

Earnings per share

<i>SEK</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Earnings per share	1.24	1.91	3.54	4.14
Weighted number of shares outstanding before dilution, thousands	37,165	37,467	37,165	37,467
Diluted earnings per share, SEK	1.23	1.91	3.54	4.14
Weighted number of shares outstanding after dilution, thousands	37,442	37,467	37,304	37,467

Consolidated Balance Sheet

<i>SEK million</i>	<i>30 Jun 20</i>	<i>30 Jun19</i>	<i>31 Dec 19</i>
ASSETS			
<i>Non-current assets</i>			
Intangible assets	2,005	1,205	2,034
Property, plant and equipment	581	565	633
Financial assets	33	26	37
Total non-current assets	2,619	1,796	2,704
<i>Current assets</i>			
Inventories	1,425	1,299	1,494
Current receivables	885	958	836
Cash and cash equivalents	246	152	216
Total current assets	2,556	2,409	2,547
Total assets	5,174	4,204	5,250
EQUITY AND LIABILITIES			
Equity	1,842	1,683	1,750
<i>Non-current liabilities</i>			
Non-current liabilities, interest-bearing	1,970	1,557	2,109
Non-current liabilities, non-interest-bearing	492	95	497
Total non-current liabilities	2,462	1,651	2,606
<i>Current liabilities</i>			
Current liabilities, interest-bearing	158	158	175
Current liabilities, non-interest-bearing	712	711	719
Total current liabilities	870	870	894
Total equity and liabilities	5,174	4,204	5,250

Consolidated Statement of Changes in Equity

<i>SEK million</i>	30 Jun 20	30 Jun19
Equity at the close of the preceding year	1,750	1,600
Adjustment resulting from the introduction of IFRS 16	-	-18
Equity at beginning of year	1,750	1,581
Comprehensive income		
Profit after tax	132	155
<i>Other comprehensive income</i>		
Items that may be reclassified in profit or loss		
Translation differences / Currency hedging net after tax	-43	40
Total comprehensive income	89	195
Transactions with shareholders		-
Call option premium	3	-
Dividends	-	-94
Total transactions with shareholders	3	-
Equity at end of period	1,842	1,682

Consolidated Cash Flow Statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
<i>Operating activities</i>				
Profit before financial items	85	100	203	217
Depreciation/amortisation and impairment	43	35	91	68
Interest and other finance income	1	2	1	2
Interest and other finance expenses	-15	-11	-31	-20
Other non-cash items	-9	0	-8	0
Income tax paid	0	-23	-50	-60
Cash flow from operating activities before changes in working capital	105	103	206	207
<i>Changes in working capital</i>				
Increase (-)/decrease (+) in inventories	3	15	37	34
Increase (-)/decrease (+) in operating receivables	103	-20	-71	-133
Increase (+)/decrease (-) in operating liabilities	-80	2	17	32
Cash flow from operating activities	121	100	189	140
<i>Investing activities</i>				
Acquisition of intangible assets	0	-11	-15	-11
Acquisition of property, plant and equipment	-3	-4	0	-30
Company acquisitions including additional purchase considerations	0	-2	-13	-2
Cash flow from investing activities	-3	-17	-28	-43
<i>Financing activities</i>				
Dividend paid	0	-94	0	-94
Call options	3	0	3	0
Increase (+)/decrease (-) in borrowings	-168	9	-132	2
Cash flow from financing activities	-165	-85	-129	-92
Cash flow for the period	-37	-3	32	5
Cash and cash equivalents at beginning of period	291	154	216	144
Translation differences	-7	1	-2	4
Cash and cash equivalents at end of period	246	152	246	152

The Group's segment reporting

North	2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Net sales	393	327	407	453	454	451	507	554	448	
Gross profit	111	88	103	119	121	111	124	137	94	
%	28.3	27.0	25.4	26.2	26.7	24.6	24.4	24.8	20.9	
Operating expenses	-70	-60	-69	-69	-74	-73	-85	-82	-55	
%	-17.7	-18.5	-16.9	-15.3	-16.2	-16.2	-16.7	-14.9	-12.3	
Operating profit (EBITA)	41	28	35	50	48	38	39	55	39	
%	10.5	8.5	8.5	10.9	10.5	8.4	7.7	9.9	8.7	

West	2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Net sales	274	259	264	308	309	279	259	301	202	
Gross profit	72	70	72	84	83	74	65	75	49	
%	26.2	27.2	27.4	27.3	26.8	26.7	24.9	25.2	24.4	
Operating expenses	-48	-47	-49	-51	-55	-50	-52	-53	-33	
%	-17.7	-18.1	-18.5	-16.4	-17.7	-17.9	-20.1	-17.6	-16.4	
Operating profit (EBITA)	23	24	23	34	28	24	13	23	16	
%	8.5	9.1	8.8	10.9	9.1	8.8	4.8	7.5	7.9	

East	2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Net sales	179	174	175	185	191	179	168	189	162	
Gross profit	58	57	57	58	61	57	55	59	53	
%	32.4	32.6	32.4	31.3	31.9	31.8	32.5	31.0	32.7	
Operating expenses	-31	-33	-33	-32	-35	-31	-35	-32	-26	
%	-17.6	-18.7	-18.6	-17.5	-18.3	-17.2	-20.8	-17.1	-16.0	
Operating profit (EBITA)	27	24	24	26	25	26	20	26	27	
%	14.9	13.9	13.8	13.8	13.1	14.5	11.7	13.9	16.7	

UK/North America	2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Net sales	132	132	119	143	134	134	188	272	210	
Gross profit	47	46	39	45	42	42	56	85	64	
%	35.3	34.5	32.7	31.8	31.3	31.5	29.6	31.3	30.5	
Operating expenses	-28	-28	-30	-30	-30	-31	-47	-56	-45	
%	-21.5	-21.2	-25.3	-21.1	-22.4	-23.2	-24.8	-20.8	-21.4	
Operating profit (EBITA)	18	18	9	15	12	11	9	29	19	
%	13.8	13.4	7.4	10.7	8.9	8.3	4.7	10.5	9.1	

Other	2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Net sales	2	3	2	2	2	2	2	2	1	
Gross profit	-5	-2	0	-3	-4	-5	-2	-5	-3	
Operating expenses	-6	-10	-9	-2	-6	-6	-6	-2	-6	
Operating profit/loss (EBITA)	-12	-12	-9	-5	-10	-11	-8	-7	-8	

*Other includes unallocated costs of a Group-wide nature and costs for the Sourcing offices in China and Taiwan.

Group	2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Net sales	980	895	967	1,091	1,089	1,045	1,124	1,316	1,022	
Gross profit	282	259	271	304	303	279	297	351	258	
%	28.8	28.9	28.0	27.8	27.8	26.7	26.4	26.7	25.2	
Operating expenses	-184	-177	-189	-184	-200	-191	-224	-226	-165	
%	-18.8	-19.8	-19.6	-16.9	-18.4	-18.3	-19.9	-17.2	-16.2	
Operating profit (EBITA)	98	81	82	119	103	89	73	126	92	
%	10.0	9.1	8.5	10.9	9.5	8.5	6.5	9.5	9.1	

Consolidated Key Figures

For definitions, see page 20

	Quarter 2			Jan-June		
	2020	2019	Δ	2020	2019	Δ
Order intake, SEK million	987	1,080	-9	2,308	2,164	7
Net sales, SEK million	1,022	1,089	-6	2,337	2,180	7
Gross profit, SEK million	258	303	-15	609	607	1
EBITDA, SEK million	130	134	-3	294	284	4
EBITDA, adjusted, SEK million	103	112	-8	239	241	-1
Operating profit/loss (EBITA), SEK million	92	103	-11	218	222	-2
Operating profit/loss, SEK million	85	100	-15	203	217	-6
Profit/loss after tax, SEK million	46	71	-35	132	155	15
Gross margin, %	25.2	27.8		26.1	27.8	
Operating margin (EBITA), %	9.1	9.5		9.3	10.2	
Operating margin, %	8.3	9.2		8.7	9.9	
Net margin, %	4.5	6.6		5.6	7.1	
Net debt, SEK million	1,882	1,563	20			
Net debt, SEK million, adjusted	1,527	1,218	25			
Debt/equity ratio, %	102	93	10			
Net debt / EBITDA, adjusted, multiple ⁽¹⁾	3.6	2.9				
Working capital, SEK million	1,536	1,491	7			
Average working capital, SEK million	1,637	1,485	10			
Average working capital in relation to net sales, %	34.8	36.3				
Equity/assets ratio, %	36	40				
Operating cash flow, SEK million	116	94	23	201	131	53
Earnings per share, SEK	1.24	1.91	-35	3.54	4.14	-14

⁽¹⁾ Paid purchase prices have been charged in full to adjusted net debt while EBITDA, adjusted, has only been credited from the respective acquisition date.

Parent Company income statement

<i>SEK million</i>	<i>Quarter 2</i>		<i>Jan–June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Administrative expenses	-4	-3	-8	-7
Other operating income	1	2	3	4
Operating loss	-3	-1	-5	-3
<i>Profit/loss from financial items</i>				
Interest expenses and similar expenses	-	-	-	-
Earnings from shares in Group companies		150	-	150
Profit/loss after financial items	-3	149	-5	147
Appropriations	-	-	-	-
Tax on net profit/loss for the period	-	-	-	-
Profit/loss after tax	-3	149	-5	147
Other comprehensive income	-	-	-	-
Total comprehensive income	-3	149	-5	147

Parent Company Balance Sheet

<i>SEK million</i>	30 Jun 20	30 Jun 19	31 Dec 19
ASSETS			
<i>Non-current assets</i>			
<i>Financial assets</i>			
Participations in Group companies	845	845	845
Total non-current assets	845	845	845
<i>Current assets</i>			
Receivables from Group companies	59	114	72
Other current receivables	41	21	31
Cash and cash equivalents	-	-	-
Total current assets	100	135	103
Total assets	945	980	948
EQUITY AND LIABILITIES			
Equity	829	854	830
Untaxed reserves	100	122	100
<i>Non-current interest-bearing liabilities</i>			
Other non-current liabilities	-	-	-
Total non-current liabilities	0	0	0
<i>Current non-interest-bearing liabilities</i>			
Other current liabilities	16	4	18
Total current liabilities	16	4	18
Total equity and liabilities	945	980	948

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 2019 Annual Report. The 2019 Annual Report is available at www.bufab.com.

RISKS AND RISK MANAGEMENT

Exposure to risk is a natural part of business activity and this is reflected in Bufab's approach to risk management. The aim is to identify and prevent risks and to limit any loss or damage from these risks. The main risks to which the Group is exposed relate to the impact of the economy on demand. For further information regarding risks and risk management, see Note 3 of the 2019 Annual Report.

SEASONAL VARIATIONS

Bufab has no significant seasonal variation, 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, except for the payment of fees to the Board of Directors and the remuneration of senior executives.

LONG-TERM SHARE-BASED INCENTIVE PROGRAMME

The 2020 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, using a Black & Scholes valuation, at SEK 12.12, 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 2023–15 November 2023. The purchase price per share is SEK 90.20, corresponding to 115 percent of the

volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 5 May 2020–11 May 2020. During the interim period, a total of 277,500 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. Payment of the subsidy will occur in June 2023 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 to transfer a maximum of 350,000 of the repurchased shares to the participants of the programme. No shares were repurchased during the interim period.

ACQUISITIONS

Acquisitions made during 2018-2020.

	Date	Net sales*	Employees
Rudhäll Industri AB	5 Oct 2018	210	76
HT BENDIX A/S	16 Jul 2019	500	80
American Bolt & Screw Corp.	6 Nov 2019	500	90

*Estimated annual net sales at the date of acquisition

EMPLOYEES

The number of employees in the Group at 30 June 2020 amounted to 1,369 (1,288).

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 Q3 2020
23 October 2020

Year-end report 2020
11 February 2021

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, 16 July 2020
Bufab AB (publ)

Bengt Liljedahl
Chairman of the Board

Hans Björstrand
Board member

Per-Arne Blomquist
Board member

Johanna Hagelberg
Board member

Anna Liljedahl
Board member

Eva Nilsagård
Board member

Bertil Persson
Board member

Jörgen Rosengren
President and CEO

Definitions of key figures

Gross margin, %

Gross profit as a percentage of net sales for the period

EBITDA

Operating profit before depreciation, amortisation and impairment

EBITDA, adjusted

Operating profit before depreciation, amortisation and impairment, less amortisation on right-of-use assets according to IFRS 16 Leases. This key figure is intended to present a comparable EBITDA as though IAS 17 continued to be applied.

Operating profit (EBITA)

Gross profit less operating expenses.

Net debt, adjusted

Interest-bearing liabilities, lease liabilities according to IFRS 16, 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, adjusted, multiple

Net debt, adjusted, 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

EBITDA, adjusted, plus other non-cash items, minus 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.

2020, percentage points	Quarter 2				
	Group	North	West	East	UK/North America
Organic growth	-25	-22	-37	-15	-40
Currency translation effects	-1	-1	2	0	0
Acquisitions	+20	+21	0	-	97
Recognised growth	-6	-1	35	-15	56

2020, percentage points	Jan-June				
	Group	North	West	East	UK/North America
Organic growth	-15	-15	-18	-6	-13
Currency translation effects	-1	0	1	-1	1
Acquisitions	22	26	0	0	86
Recognised growth	7	11	-19	-7	74

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.

	Quarter 2		Jan-June	
	2020	2019	2020	2019
EBITDA, adjusted	103	112	239	241
Other non-cash items	-10	0	-8	0
Changes in inventory	3	15	37	34
Changes in operating receivables	103	-20	-71	-133
Changes in operating liabilities	-80	2	17	32
Cash flow from operations	119	109	214	174
Investments excluding acquisitions	-3	-15	-13	-41
Operating cash flow	116	94	201	131

EBITDA

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

	Quarter 2		Jan-June	
	2020	2019	2020	2019
Operating profit	85	100	203	217
Depreciation/amortisation and impairment	45	35	91	68
EBITDA	130	134	294	284

EBITDA, adjusted

The performance measure EBITDA, adjusted, is an expression of operating profit before depreciation, amortisation and impairment, less amortisation on right-of-use assets and interest expenses on lease liabilities according to IFRS 16. The performance measure is defined below.

	Quarter 2		Jan-June	
	2020	2019	2020	2019
Operating profit	85	100	203	217
Depreciation/amortisation and impairment	45	35	91	68
Less: amortisation on right-of-use assets according to IFRS 16	-24	-20	-49	-39
Less: interest expenses on lease liabilities according to IFRS 16	-3	-3	-6	-5
EBITDA, adjusted	103	112	239	241

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 performance measure is defined below.

	Quarter 2		Jan-June	
	2020	2019	2020	2019
SEK million				
Operating profit	85	100	203	217
Depreciation and amortisation of acquired intangible assets	8	3	15	5
EBITA	92	103	218	222

Operating expenses

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

	Quarter 2		Jan-June	
	2020	2019	2020	2019
SEK million				
Distribution costs	-137	-141	-298	-276
Administrative expenses	-68	-63	-146	-117
Other operating income	57	9	71	19
Other operating expenses	-24	-9	-33	-16
Depreciation and amortisation of acquired intangible assets	8	3	15	5
Operating expenses	-165	-200	-391	-385

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>30 June</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>
Current assets	2,556	2,409
Less: cash and cash equivalents	-246	-152
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-712	-766
Working capital on the balance-sheet date	1,597	1,491

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 performance measure is defined below.

	<i>30 June</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>
Non-current interest-bearing liabilities	1,970	1,557
Current interest-bearing liabilities	158	158
Less: cash and cash equivalents	-246	-152
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	1,882	1,563

Net debt, adjusted

Net debt, adjusted, is an expression of how large the financial borrowing is in the company in absolute figures after deductions for lease liabilities according to IFRS 16 and cash and cash equivalents. The performance measure is defined below.

	<i>30 June</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>
Non-current interest-bearing liabilities	1,970	1,557
Current interest-bearing liabilities	158	158
Less: lease liabilities according to IFRS 16	-355	-345
Less: cash and cash equivalents	-246	-152
Less: other interest-bearing receivables	0	0
Net debt, adjusted, on the balance-sheet date	1,527	1,218

CONFERENCE CALL

A conference call will be held on 16 July 2020 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: Standard Intl. +44 (0) 2071 928000, UK 08 445 718 892, Sweden 08 506 921 80 or the US 1 631 510 74 95. Conference code: 2070146.

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



CONTACT

Jörgen Rosengren

CEO

+46 370 69 69 00

jorgen.rosengren@bufab.com

Marcus Andersson

CFO

+46 370 69 69 66

marcus.andersson@bufab.com

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 16 July 2020 at 7:30 a.m. CET.

Bufab 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