

# Year-end report 2018

**Continued strong growth in sales and profit. Acquisition of Rudhäll Industri AB in October. Board proposes raised dividend.**

## Fourth quarter of 2018

- Net sales rose by 17 percent to SEK 966 million (828), of which 4 percent was organic
- Order intake increased by 14 percent and was higher than net sales
- Operating profit (EBITA) rose to SEK 82 million (72), corresponding to an operating margin of 8.5 percent (8.7)
- Earnings per share was SEK 1.65 (1.39)
- Rudhäll Industri, with sales of approximately SEK 210 million in Sweden and China, was acquired

## Full-year 2018

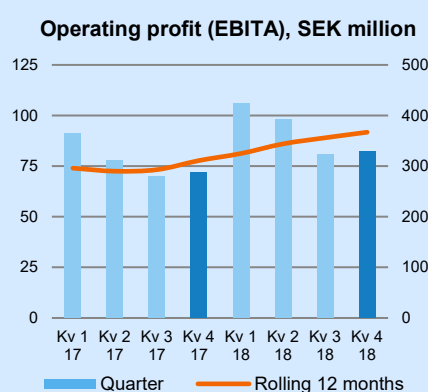
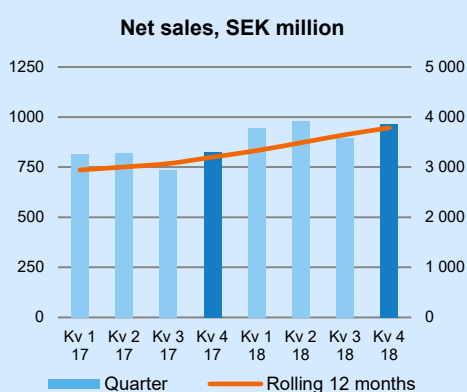
- Net sales rose by 18 percent to SEK 3,786 million (3,201), of which 8 percent was organic
- Order intake increased by 17 percent and was higher than net sales
- Operating profit (EBITA) rose to SEK 367 million (311), corresponding to an operating margin of 9.7 percent (9.7)
- Earnings per share was SEK 6.79 (5.61)
- The Board of Directors proposes raised dividend to SEK 2.50 (2.25) per share

## THE GROUP IN BRIEF

SEK million	Quarter 4			Jan-Dec		
	2018	2017	Δ %	2018	2017	Δ %
Order intake	982	863	14	3,798	3,256	17
Net sales	966	828	17	3,786	3,201	18
Gross profit	271	238	14	1,088	917	19
	28.1%	28.7%		28.7%	28.6%	
Operating expenses*	-189	-166	14	-721	-606	19
	19.6%	20.0%		19.0%	18.9%	
Operating profit (EBITA)*	82	72	14	367	311	18
	8.5%	8.7%		9.7%	9.7%	
Operating profit	79	69	14	358	304	18
	8.2%	8.3%		9.5%	9.5%	
Profit after tax	62	53	17	255	213	20
Earnings per share, SEK	1.65	1.39	19	6.79	5.61	21
Dividend per share, SEK	-	-		2,50**	2.25	11

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

\*\*Proposed by Board of Directors.



SALES GROWTH

**+17%**

OPERATING MARGIN (EBITA)

**8.5%**

## Strong end to a good year



Bufab reported 17-percent growth during the quarter. This was primarily due to strong contributions from acquisitions, but also exchange rates and market shares. Demand was unchanged compared with the third quarter, but lower than in the strong fourth quarter of 2017. Accordingly, Bufab's organic growth for the quarter ended at 4 percent.

We saw no signs of a substantial slowdown in the economy, but did note increased caution among our customers. This drove a certain postponement of volumes until after the end of the year, which, on the other hand, led to a healthy start for sales in January 2019.

The gross margin was considerably weaker than in the same period last year, and also weaker than in the third quarter. This is entirely due to the performance of segment Sweden. For the entire year, the segment was under the pressure of high purchasing prices and a weak Swedish krona. During the fourth quarter, the segment was also impacted by a lower gross margin in a newly acquired subsidiary. However, despite there being explanations, the performance is not good enough. We are determined to change this trend in 2019.

The consolidated gross margin remained unchanged in 2018. We have implemented major price increases for our customers in both segments, thereby fully offsetting the higher purchasing prices. At the end of 2018, the increases in the prices of raw materials levelled off. The prerequisites are thus favourable for purchasing savings to be made this year. As always, our ambition is to present a stable gross margin over time.

Overall, Bufab had a strong end to a good year. For the third consecutive year, we were able to note Bufab's highest ever full-year sales, operating profit

and net profit. Since we launched our growth strategy in 2012, our sales have increased by an average of 11 percent per year and operating profit by 14 percent. We see this as a clear indication that our strategy is working.

Two years ago, we established a new long-term target for Bufab - "Leadership 2020". This implies that we will become the strongest player in our industry and thus the preferred choice for customers, suppliers, acquisition candidates and talents. This was our highest priority in 2018, and will remain so in 2019.

We captured market shares throughout 2018. This was not a matter of a few random successes, but of many hundreds of new customers across all of our markets. Such a broad increase would not have been possible without the focus in prior years on recruitment, personal development, processes and tools in our sales organisation. We also significantly increased the pace of our purchasing by appointing a person in Group management in charge of this and, under her leadership, invest in our organisation, tools and processes.

In parallel, we continued our work on digitalisation, thereby making the knowledge and work approach contained in "Bufab Best Practice" simpler to use, more efficient and more precise. Our digital integration with customers and suppliers increased. The work on sustainability issues advanced. We have financed all of these, to some extent costly, measures using organic growth, thereby retaining a stable operating margin.

"Leadership" is also important for acquisitions. Our newly acquired companies gain access to our global platform and also performed strongly in 2018. Toward the end of the year, we made an additional acquisition, Rudhäll Industri, and, as usual, we have our sights set on others acquisitions.

Ahead of 2019, there is unusually large macro-economic uncertainty. However, regardless of how the market performs, we will continue to work towards our goal: to be the strongest company in our industry in 2020.

Jörgen Rosengren  
President and CEO

## The Group in brief

### FOURTH QUARTER

Order intake amounted to SEK 982 million (863), which was higher than net sales. Net sales rose by 17 percent to SEK 966 million (828). The Group's organic growth was +4 percent, comprising +1 percent for segment Sweden and +5 percent for segment International.

Underlying demand was unchanged compared with the third quarter, but lower than in the strong fourth quarter of 2017. The market share is considered to be somewhat higher.

During the quarter, Rudhäll Industri AB was acquired, with annual sales of about SEK 210 million and operations in both Sweden and China. For more information, see page 16.

The gross margin was 28.1 percent (28.7). The decline was fully attributable to segment Sweden and was due to continued negative effects of rising raw materials prices and a weak Swedish krona, as well as a lower gross margin in Rudhäll Industri. However, the Group as a whole fully offset the cost increases by corresponding price increases for its customers.

EBITA rose to SEK 82 million (72), equal to a margin of 8.5 percent (8.7).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +3 million, volumes positively by SEK +6 million, the price/cost/mix/other negatively by SEK -6 million and acquisitions positively by SEK +6 million.

### JANUARY-DECEMBER

Order intake was SEK 3,798 million (3,256), which was higher than net sales. Net sales rose by 18 percent to SEK 3,786 million (3,201). The Group's organic growth was +8 percent, comprising +6 percent for segment Sweden and +9 percent for segment International.

Underlying demand is considered higher in both segments compared with last year and the market share is considered to have increased in both segments.

Gross margin was in line with the preceding year. Negative effects of rising raw material prices were offset during the year by price increases to customers.

EBITA rose to SEK 367 million (311), equal to a margin of 9.7 percent (9.7).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +18 million, volumes positively by SEK +66 million, the price/cost/mix/other negatively by SEK -60 million and acquisitions positively by SEK +31 million.

### FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -4 million (-4) for the fourth quarter, of which exchange-rate differences accounted for SEK +4 million (+1). For the full year, net financial items amounted to SEK -29 million (-25), of which exchange-rate differences accounted for SEK -2 million (-2). The Group's profit after financial items was SEK 76 million (65) for the quarter and SEK 329 (278) for the full year.

The tax expense for the quarter was SEK -14 million (-12), which implies an effective tax rate of 18 percent (18). The full-year tax expense was SEK -74 million (-65), implying an effective tax rate of 22 percent (23).

### CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

SEK million	Quarter 4		Jan-Dec	
	2018	2017	2018	2017
Operating profit	79	69	358	304
Depreciation/amortisation and impairment	14	11	51	43
Other non-cash items	11	3	13	2
Changes in working capital	-11	4	-169	-105
<b>Cash flow from operations</b>	<b>94</b>	<b>87</b>	<b>253</b>	<b>244</b>
Investments excluding acquisitions	-31	-29	-78	-61
<b>Operating cash flow</b>	<b>63</b>	<b>58</b>	<b>175</b>	<b>183</b>

Operating cash flow amounted to SEK 63 million (58) for the quarter. Operating cash flow for the full year was SEK 175 million (183).

Average working capital in relation to net sales deteriorated to 35.7 percent (35.4).

On 31 December 2018, the Group's net debt totalled SEK 1,178 million (1,015). Despite positive operating cash flow, net debt increased due to acquisitions carried out, dividends paid, share repurchases, and disbursed purchase considerations in the past 12 months.

On 31 December 2018, the debt/equity ratio was 74 percent (72).

# Segment International

## Fourth quarter

Order intake amounted to SEK 668 million (568), which was higher than net sales.

Net sales rose by 15 percent to SEK 644 million (560). Organic growth was 5 percent, which was due to higher market shares and a somewhat higher underlying demand compared with the corresponding period last year.

Gross margin rose to a solid 30.6 percent (29.3). The reasons for this are favourable exchange rates and that it has been possible to compensate for rising purchasing prices with price increases for customers.

EBITA totalled SEK 68 million (54), equal to a margin of 10.6 percent (9.7).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +6 million, volumes positively by SEK +4 million, the price/cost/mix/other negatively by SEK -2 million and acquisitions positively by SEK +6 million.

## January-December

Order intake was SEK 2,648 million (2,172), which was higher than net sales.

Net sales rose by 22 percent to SEK 2,615 million (2,144). Organic growth was 9 percent, due to higher market shares and higher underlying demand compared with last year.

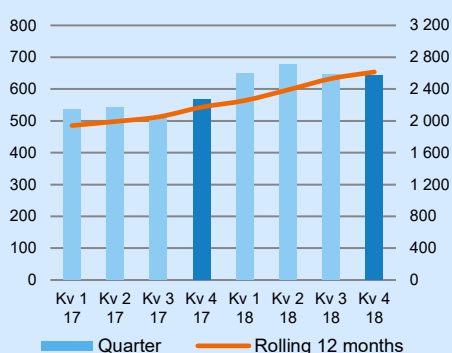
Gross margin rose to a solid 30.1 percent (29.1). The reasons for this are favourable exchange rates and that it has been possible to compensate for rising purchasing prices with price increases for customers.

EBITA amounted to SEK 290 million (203), equal to a margin of 11.1 percent (9.5).

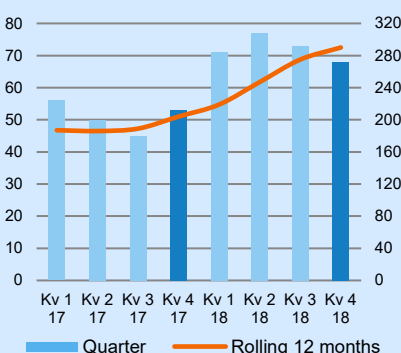
Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +27 million, volumes positively by SEK +47 million, the price/cost/mix/other negatively by SEK -19 million and acquisitions positively by SEK +31 million.

SEK million	Quarter 4			Jan-Dec		
	2018	2017	Δ %	2018	2017	Δ %
Order intake	668	568	18	2,648	2,172	22
Net sales	644	560	15	2,615	2,144	22
Gross profit	197	164	20	788	623	26
	30.6%	29.3%		30.1%	29.1%	
Operating expenses	-129	-110	16	-498	-420	19
	20.0%	19.6%		19.1%	19.6%	
Operating profit (EBITA)	68	54	28	290	203	43
	10.6%	9.7%		11.1%	9.5%	

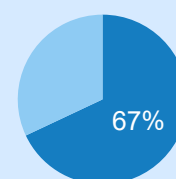
Net sales, SEK million



Operating profit (EBITA) SEK millions



SHARE OF TOTAL SALES



SALES GROWTH

**+15%**

OPERATING MARGIN (EBITA)

**10.6%**

# Segment Sweden

## Fourth quarter

Order intake amounted to SEK 314 million (295) and was lower than net sales.

Net sales rose by 20 percent to SEK 322 million (268). Organic growth was 1 percent and the remaining 19 percent is attributable to Rudhäll. Market demand is considered to be somewhat lower than previously during the year as well as the corresponding period last year. The market share is considered to have increased somewhat.

The gross margin declined to 25.1 percent (29.4), which was very low for the segment. About half of the decline was attributable to the acquisition of Rudhäll. Rudhäll has a lower gross margin, but an operating margin that is comparable with the rest of the segment. Organically, the segment's gross margin was unchanged compared with the third quarter of 2018. The organic decline compared with the preceding year was attributable to rising purchasing prices in recent quarters and a heavily weakened Swedish krona relative to the fourth quarter of 2017. Despite significant price increases to our customers, we have not succeeded in sufficiently offsetting this trend. Some price increases remain to be made in the first part of 2019. In addition, the trend in rising raw materials prices was broken at the end of 2018. Accordingly, we have intensified our work purchasing savings aimed at restoring the segment's gross margin over time.

Operating profit (EBITA) amounted to SEK 28 million (35), corresponding to an operating margin of a very weak 8.7 percent (13.1).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit negatively by SEK -3 million, volumes positively by SEK +2 million, the price/cost/mix/other negatively by SEK -9 million and acquisitions positively by SEK +3 million.

## January-December

Order intake was SEK 1,149 million (1,089), which was lower than net sales.

Net sales rose by 11 percent to SEK 1,172 million (1,057), of which 6 percent was organic. The high organic growth was a result of increased market shares and improvements in underlying demand during the first three quarters of the year.

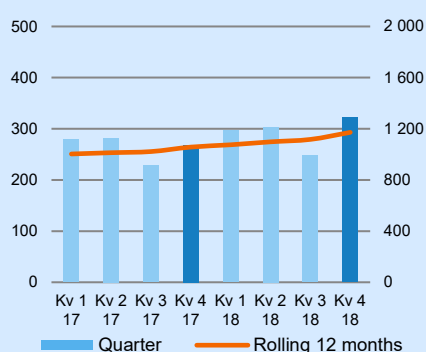
The gross margin declined to 27.6 percent (29.5). The lower gross margin was attributable to rising raw materials prices in recent quarters and a weak Swedish krona, which were not sufficiently offset by price increases for customers.

EBITA amounted to SEK 126 million (139), equal to a margin of 10.7 percent (13.2).

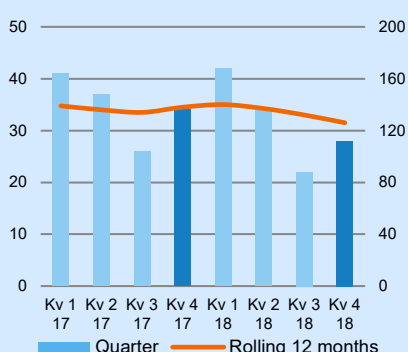
Compared with the preceding year, exchange-rate fluctuations impacted operating profit negatively by SEK -9 million, volumes positively by SEK +19 million, the price/cost/mix/other negatively by SEK -27 million and acquisitions positively by SEK +3 million.

SEK million	Quarter 4			Jan-Dec		
	2018	2017	%	2018	2017	%
Order intake	314	295	6	1,149	1,089	6
Net sales	322	268	20	1,172	1,057	11
Gross profit	81	79	2	323	312	4
	25.1%	29.4%		27.6%	29.5%	
Operating expenses	-53	-44	19	-198	-173	14
	16.5%	16.4%		16.7%	16.4%	
Operating profit (EBITA)	28	35	-19	126	139	-10
	8.7%	13.1%		10.7%	13.2%	

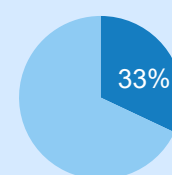
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH  
**+20%**

OPERATING MARGIN (EBITA)  
**8.7%**

## Consolidated Income Statement

<i>SEK million</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net sales	966	828	3,786	3,201
Cost of goods sold	-695	-590	-2,698	-2,284
<b>Gross profit</b>	<b>271</b>	<b>238</b>	<b>1,088</b>	<b>917</b>
Distribution costs	-134	-122	-512	-446
Administrative expenses	-55	-43	-220	-166
Other operating income	10	10	50	32
Other operating expenses	-12	-13	-48	-33
<b>Operating profit</b>	<b>79</b>	<b>69</b>	<b>358</b>	<b>304</b>
<b><i>Profit/loss from financial items</i></b>				
Interest income and similar income items	5	2	3	1
Interest expenses and similar expenses	-9	-6	-32	-27
<b>Profit after financial items</b>	<b>76</b>	<b>65</b>	<b>329</b>	<b>278</b>
Tax on net profit for the period	-14	-12	-74	-65
<b>Profit after tax</b>	<b>62</b>	<b>53</b>	<b>255</b>	<b>213</b>

## Statement of Comprehensive Income

<i>SEK million</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b>Profit after tax</b>	<b>62</b>	<b>53</b>	<b>255</b>	<b>213</b>
<b>Other comprehensive income</b>				
Items that cannot be reclassified to profit or loss				
Actuarial gains and losses, net after tax	-	-1	-	-1
Items that may be reclassified subsequently to profit or loss				
Translation differences / Currency hedging net after tax	-10	25	47	11
<b>Total other comprehensive income</b>	<b>-10</b>	<b>24</b>	<b>47</b>	<b>10</b>
<b>Total comprehensive income</b>	<b>52</b>	<b>77</b>	<b>302</b>	<b>223</b>
Total comprehensive income attributable to:				
Parent Company shareholders	52	77	302	223

## Earnings per Share

<i>SEK</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Earnings per share	1.65	1.39	6.79	5.61
Weighted number of shares outstanding, thousands	37,467	37,776	37,554	37,979
Diluted earnings per share, SEK	1.65	1.39	6.79	5.61
Weighted number of shares outstanding after dilution, thousands	37,467	37,776	37,554	37,979

## Consolidated Balance Sheet

<i>SEK million</i>	<i>31 Dec 18</i>	<i>31 Dec 17</i>
<b>ASSETS</b>		
<b><i>Non-current assets</i></b>		
Intangible assets	1,179	1,134
Property, plant and equipment	221	164
Financial assets	21	23
<b>Total non-current assets</b>	<b>1,421</b>	<b>1,321</b>
<b><i>Current assets</i></b>		
Inventories	1,315	1,093
Current receivables	814	740
Cash and cash equivalents	144	120
<b>Total current assets</b>	<b>2,273</b>	<b>1,953</b>
<b>Total assets</b>	<b>3,694</b>	<b>3,274</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1,600</b>	<b>1,416</b>
<b><i>Non-current liabilities</i></b>		
Non-current liabilities, interest-bearing	1,247	1,080
Non-current liabilities, non-interest-bearing	89	102
<b>Total non-current liabilities</b>	<b>1,336</b>	<b>1,182</b>
<b><i>Current liabilities</i></b>		
Current liabilities, interest-bearing	74	55
Current liabilities, non-interest-bearing	684	621
<b>Total current liabilities</b>	<b>758</b>	<b>676</b>
<b>Total equity and liabilities</b>	<b>3,694</b>	<b>3,274</b>



# Consolidated Statement of Changes in Equity

<i>SEK million</i>	31 Dec 18	31 Dec 17
<b>Equity at beginning of year</b>	<b>1,416</b>	<b>1,297</b>
<b>Comprehensive income</b>		
Profit after tax	255	213
<i>Other comprehensive income</i>		
Items that will not be reclassified in profit or loss		
Actuarial loss / profit on pension obligations, net after tax	-	-1
Items that may be reclassified in profit or loss		
Translation differences / Currency hedging net after tax	47	11
<b>Total comprehensive income</b>	<b>302</b>	<b>223</b>
<b>Transactions with shareholders</b>		
Issued call options	4	3
Repurchase of own shares	-37	-31
Dividend to shareholders	-85	-76
<b>Total transactions with shareholders</b>	<b>-118</b>	<b>-104</b>
<b>Equity at end of period</b>	<b>1,600</b>	<b>1,416</b>

## Consolidated Cash Flow Statement

<i>SEK million</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b><i>Operating activities</i></b>				
Profit before financial items	79	69	358	304
Depreciation/amortisation and impairment	14	11	51	43
Interest and other finance income	1	-	2	-
Interest and other finance expenses	-5	-4	-31	-25
Other non-cash items	11	3	13	2
Income tax paid	-26	-5	-93	-68
<b>Cash flow from operating activities before changes in working capital</b>	<b>75</b>	<b>74</b>	<b>300</b>	<b>256</b>
<b><i>Changes in working capital</i></b>				
Increase (-)/decrease (+) in inventories	-70	-57	-170	-142
Increase (-)/decrease (+) in operating receivables	40	-1	-20	-79
Increase (+)/decrease (-) in operating liabilities	19	62	21	116
<b>Cash flow from operating activities</b>	<b>64</b>	<b>78</b>	<b>131</b>	<b>151</b>
<b><i>Investing activities</i></b>				
Acquisition of intangible assets	-4	-	-4	-
Acquisition of intangible assets/property, plant and equipment	-27	-29	-74	-61
Company acquisitions including additional purchase considerations*	-73	-97	-98	-132
<b>Cash flow from investing activities</b>	<b>-104</b>	<b>-126</b>	<b>-176</b>	<b>-193</b>
<b><i>Financing activities</i></b>				
Dividend paid	0	-	-85	-76
Call options	0	-	4	3
Repurchase of own shares	0	-	-37	-31
Increase (+)/decrease (-) in borrowings	-2	63	182	142
<b>Cash flow from financing activities</b>	<b>-2</b>	<b>63</b>	<b>64</b>	<b>38</b>
<b>Cash flow for the period</b>	<b>-42</b>	<b>15</b>	<b>19</b>	<b>-4</b>
Cash and cash equivalents at beginning of period	187	103	120	122
Translation differences	-1	2	5	2
<b>Cash and cash equivalents at end of period</b>	<b>144</b>	<b>120</b>	<b>144</b>	<b>120</b>

\*See page 16 under "Acquisitions" for more information.

## 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	647	<b>644</b>
Gross profit	156 29.2%	155 28.1%	148 29.2%	164 29.3%	192 29.7%	202 29.9%	197 30.4%	<b>197</b> 30.6%
Operating expenses	-101 18.8%	-105 18.9%	-103 20.3%	-110 19.6%	-121 18.7%	-125 18.5%	-124 19.2%	<b>-129</b> 20.0%
Operating profit (EBITA)	55 10.3%	50 9.2%	45 8.9%	54 9.7%	71 11.0%	77 11.4%	73 11.3%	<b>68</b> 10.6%

Sweden SEK million	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	279	282	228	268	297	304	248	<b>322</b>
Gross profit	86 30.9%	81 28.9%	66 28.9%	79 29.4%	89 29.9%	87 28.6%	67 27.0%	<b>81</b> 25.1%
Operating expenses	-45 16.1%	-44 15.6%	-40 17.5%	-44 16.4%	-47 15.8%	-53 17.4%	-45 18.1%	<b>-53</b> 16.5%
Operating profit (EBITA)	41 14.8%	37 13.2%	26 11.4%	35 13.1%	42 14.1%	34 11.2%	22 8.9%	<b>28</b> 8.7%

Other* SEK million	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-	-	-
Gross profit/loss	-4	-1	-5	-5	-4	-7	-5	<b>-7</b>
Operating expenses	-2	-7	4	-12	-3	-6	-9	<b>-8</b>
Operating profit (EBITA)	-6	-8	-1	-17	-7	-13	-14	<b>-15</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	895	<b>966</b>
Gross profit	238 29.2%	232 28.2%	209 28.4%	238 28.7%	277 29.3%	282 28.8%	259 28.9%	<b>271</b> 28.1%
Operating expenses	-147 18.0%	-154 18.7%	-139 18.9%	-166 20.0%	-171 18.1%	-184 18.8%	-178 19.9%	<b>-189</b> 19.7%
Operating profit (EBITA)	91 11.1%	78 9.5%	70 9.5%	72 8.7%	106 11.2%	98 10.0%	81 9.1%	<b>82</b> 8.5%

## Consolidated Key Figures

	<b>Quarter 4</b>		<b>Δ</b>	<b>Jan-Dec</b>		<b>Δ</b>
	2018	2017	%	2018	2017	%
Order intake, SEK million	<b>982</b>	863	14	3,798	3,256	17
Net sales, SEK million	<b>966</b>	828	17	3,786	3,201	18
Gross profit, SEK million	<b>271</b>	238	14	1,088	917	19
EBITDA, SEK million	<b>93</b>	79	18	408	347	18
Operating profit (EBITA), SEK millions	<b>82</b>	72	14	367	311	18
Operating profit, SEK million	<b>79</b>	69	14	358	304	18
Profit after tax, SEK million	<b>62</b>	53	17	255	213	20
Gross margin, %	<b>28.1</b>	28.7		28.7	28.6	
Operating margin (EBITA), %	<b>8.5</b>	8.7		9.7	9.7	
Operating margin, %	<b>8.2</b>	8.3		9.5	9.5	
Net margin, %	<b>6.4</b>	6.4		6.7	6.7	
Net debt, SEK million	<b>1,178</b>	1,015	16			
Debt/equity ratio, %	<b>74</b>	72				
Net debt/EBITDA*, multiple	<b>2.9</b>	3.4				
Working capital, SEK million	<b>1,473</b>	1,212	22			
Average working capital, SEK million	<b>1,405</b>	1,142	23			
Average working capital in relation to net sales, %	<b>35.7</b>	35.4				
Equity/assets ratio, %	<b>43</b>	43				
Operating cash flow, SEK million	<b>63</b>	58	9	175	183	-4
Earnings per share, SEK	<b>1.65</b>	1.39	19	6.79	5.61	21

\*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 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Administrative expenses	-4	-4	-14	-14
Other operating income	2	2	7	6
<b>Operating loss</b>	<b>-2</b>	<b>-2</b>	<b>-7</b>	<b>-8</b>
<b><i>Profit/loss from financial items</i></b>				
Interest expenses and similar expenses	-	1	-	-
<b>Loss after financial items</b>	<b>-2</b>	<b>-1</b>	<b>-7</b>	<b>-8</b>
Appropriations	68	89	68	89
Tax on net profit/loss for the period	-14	-18	-14	-18
<b>Profit/loss after tax</b>	<b>53</b>	<b>70</b>	<b>47</b>	<b>63</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>53</b>	<b>70</b>	<b>47</b>	<b>63</b>

## Parent Company Balance Sheet

<i>SEK million</i>	<i>31 Dec 18</i>	<i>31 Dec 17</i>
<b>ASSETS</b>		
<b><i>Non-current assets</i></b>		
Financial assets		
Participations in Group companies	845	845
<b>Total non-current assets</b>	<b>845</b>	<b>845</b>
<b><i>Current assets</i></b>		
Receivables from Group companies	77	166
Other current receivables	8	-
Cash and cash equivalents	-	1
<b>Total current assets</b>	<b>85</b>	<b>167</b>
<b>Total assets</b>	<b>930</b>	<b>1,012</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>801</b>	<b>872</b>
<b>Untaxed reserves</b>	<b>122</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><i>Current non-interest-bearing liabilities</i></b>		
Other current liabilities	7	12
<b>Total current liabilities</b>	<b>7</b>	<b>12</b>
<b>Total equity and liabilities</b>	<b>930</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).

As of January 1, 2018, Bufab applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 has had no material impact on the consolidated financial statements.

IFRS 15 contains a single model for revenue recognition relating to customer contracts not covered by other standards. IFRS 15 has had no material impact on the consolidated financial statements and no transitional effects have arisen.

IFRS 16 Leases is applied as of 1 January 2019. IFRS 16 addresses the recognition of rental contracts and leases for both lessors and lessees. The implementation of this standard entails that nearly all leases will be recognised in the lessee's balance sheet, since no difference is made any longer between operational and financial leases. According to the new standard, an asset (the right to use a leased asset) and a financial liability covering the obligation to pay lease fees are to be recognised. Exceptions are made for short-term leases and leases for which the underlying assets have a low value. Bufab will apply the new standard prospectively, but will restate the right-of-use assets retrospectively with the total effect of an initial application as an adjustment of the opening amount of retained earnings on 1 January 2019. Accordingly, comparative information will not be restated.

The new standard will have a material impact on Bufab's total assets, partly in relation to the right-of-use assets, which will increase Bufab's property, plant and equipment, and regarding the lease liabilities that are now recognised in the balance sheet and will increase Bufab's interest-bearing liabilities.

The impact on the balance sheet at the beginning of 2019 is expected to be as below:

Balance sheet items	SEK million
Right-of-use assets*	+283
Deferred tax	+ 5
Prepaid expenses	- 6
Retained earnings	-18
Lease liabilities, interest-bearing	-300

\*Most of the increase in right-of-use assets relates to buildings and land.

The effect on the consolidated income statement will not be material and the effect on net income in the near future are expected to be marginal.

### 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.

During the third quarter of 2018, 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 the Group's equity. Total borrowing in foreign currencies defined as hedging instruments amounted to EUR 35 million and GBP 26 million, respectively, at 31 December 2018.

For further information regarding risks and risk management, 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 of 2018, the CEO 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 under the heading Long-term share-related incentive programs. No other material related-party transactions occurred.

### 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 2 May 2018.

To encourage participation in the programme, the Board of Directors has resolved on a subsidy in the form of gross salary additions to participants who remain as employees of the company in 2021, which may correspond to not more than the price paid for the call options.

To hedge Bufab's delivery of shares, the Annual General Meeting also resolved to authorise the Board of Directors to repurchase a maximum of 350,000 shares in the company, and approved the transfer of a maximum of 350,000 of the company's repurchased shares to the participants of the programme. During the year, 308,850 shares were repurchased.

### REPURCHASE OF OWN SHARES

During the second quarter, the company repurchased 308,850 own shares corresponding to an acquisition price of approximately SEK 37 million. In other respects, no other related-party transactions occurred during the year.

### ACQUISITIONS

The following acquisitions were made during 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 December 2017	105	64
Rudhäll Industri AB	5 October 2017	210	76

\*Estimated annual net sales at the date of acquisition

On 5 October 2018, Bufab acquired 100 percent of the shares in Rudhäll Industri AB with subsidiaries in Sweden and China. The purchase consideration was unconditional and amounted to SEK 100 million, based on the Enterprise Value.

The acquisition added SEK 53 million to the Group's accumulated net sales since the transfer. The net impact, after acquisition costs, on accumulated operating profit in the quarter was SEK 0 million and the effect on profit after tax was SEK 0 million.

These acquisitions would have positively impacted the Group's net sales by an estimated SEK 210 million, operating profit by about SEK 23 million and profit after tax for the period by about SEK 16 million had they been implemented on 1 January 2018.

The amounts of the assets and liabilities included in the acquisitions according to the preliminary acquisition analysis were as follows:

<i>Rudhäll Industri AB</i>	<i>Fair value</i>
Intangible assets	9
Other non-current assets	18
Inventories	39
Other current assets	36
Cash and cash equivalents	12
Deferred tax liabilities	-10
Other liabilities	-40
<b>Acquired net assets</b>	<b>63</b>
Goodwill	23
<b>Purchase consideration*</b>	<b>86</b>
Less: cash and cash equivalents in acquired operations	-12
Less: unconditional purchase consideration	-1
<b>Effect on the Group's cash and cash equivalents</b>	<b>73</b>

\* The consideration is stated excluding acquisition expenses

The acquisition analysis above is preliminary. Goodwill arising in connection with the acquisition is attributable to the knowledge accrued in the acquired company and the established and consolidated market positions and the anticipated profitability related to it. In addition to the net impact on the Group's cash and cash equivalents of SEK -73 million relating to the acquisition of Rudhäll AB, a total of SEK 25 million was paid during the year in additional purchase considerations for previous acquisitions.

### EMPLOYEES

The number of full-time employees in the Group as of 31 December 2018 was 1,253 (1,119), 76 of whom stem from the acquisition of Rudhäll Industri AB.

### CONTINGENT LIABILITIES

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



### **2018 ANNUAL GENERAL MEETING**

The Annual General Meeting of Bufab AB (publ) will be held in Värnamo, on 25 April 2019 at 2:00 p.m.

Notice of the 2018 AGM will be available on Bufab's website as of 25 March 2019 at [www.bufab.com](http://www.bufab.com).

The Annual Report for 2018 will be published no later than 1 April 2019. To order a hard copy of the annual report, send an e-mail to [investor.relations@bufab.com](mailto:investor.relations@bufab.com).

The Board of Directors proposes a dividend of SEK 2.50 (2.25) per share for 2018, corresponding to a total dividend of SEK 94 million (85). The proposed record date is 29 April 2019 and the expected payment date for dividends is 3 May 2019. It is proposed that the share be traded without dividend entitlement as of 26 April 2019.

### **ORGANISATION**

During the quarter, Johan Sandberg was appointed Global Business Development Director. Johan will be a member of Bufab's Group Management as of 1 January 2019.

### **AUDIT REVIEW**

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

### **FINANCIAL REPORTING DATES**

**Interim report for the first quarter of 2019**  
25 April 2019

**2018 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 2019

Värnamo, 8 February 2019

Jörgen Rosengren  
President and CEO

## Definitions of key figures

**Gross margin, %**

Gross profit as a percentage of net sales for the period

**EBITDA**

Operating profit before depreciation, amortisation and impairment

**Operating profit (EBITA)**

Gross profit less operating expenses.

**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 4			Jan-Dec		
	Group	Sweden	International	Group	Sweden	International
Organic growth	4	1	5	8	6	9
Currency translation effects	3	0	5	3	0	5
Acquisitions	10	19	5	7	5	8
<b>Recognised growth</b>	<b>17</b>	<b>20</b>	<b>15</b>	<b>18</b>	<b>11</b>	<b>22</b>

2017, %	Quarter 4			Jan-Dec		
	Group	Sweden	International	Group	Sweden	International
Organic growth	14	15	13	8	9	7
Currency translation effects	-1	0	-1	0	0	1
Acquisitions	5	0	8	4	0	6
<b>Recognised growth</b>	<b>18</b>	<b>15</b>	<b>20</b>	<b>12</b>	<b>9</b>	<b>14</b>

### 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 4		Jan-Dec	
	2018	2017	2018	2017
<b>EBITDA</b>	<b>93</b>	<b>79</b>	<b>408</b>	<b>347</b>
Other non-cash items	11	3	13	2
Changes in inventory	-74	57	-174	-142
Changes in operating receivables	32	-1	-28	-79
Changes in operating liabilities	25	62	27	116
<b>Cash flow from operations</b>	<b>88</b>	<b>87</b>	<b>247</b>	<b>244</b>
Investments excluding acquisitions	-25	-29	-72	-61
<b>Operating cash flow</b>	<b>63</b>	<b>58</b>	<b>175</b>	<b>183</b>

### EBITDA

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

<i>SEK million</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Operating profit	79	69	358	304
Depreciation/amortisation and impairment	14	11	51	43
<b>EBITDA</b>	<b>93</b>	<b>79</b>	<b>408</b>	<b>347</b>

### EBITA

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

<i>SEK million</i>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Operating profit	79	69	358	304
Depreciation, amortisation and impairment of intangible assets	3	3	9	7
<b>EBITA</b>	<b>82</b>	<b>72</b>	<b>366</b>	<b>311</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>	<i>Quarter 4</i>		<i>Jan-Dec</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Distribution costs	-134	-122	-512	-446
Administrative expenses	-55	-43	-220	-166
Other operating income	10	10	50	32
Other operating expenses	-12	-13	-48	-33
Depreciation, amortisation and impairment of intangible assets	2	3	9	7
<b>Operating expenses</b>	<b>189</b>	<b>-166</b>	<b>-721</b>	<b>-606</b>

### Working capital

Because Bufab is a trading company, working capital represents a large share of the balance sheet's value. In order to optimise the company's cash generation, management focuses on the local company's development, and thereby the entire Group's development, of working capital as it is defined below.

<i>SEK million</i>	<i>31 Dec</i>	<i>31 Dec</i>
	<i>2018</i>	<i>2017</i>
Current assets	2,273	1,953
Less: cash and cash equivalents	-144	-120
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-656	-621
<b>Working capital on balance-sheet date</b>	<b>1,473</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.

SEK million	31 Dec	31 Dec
	2018	2017
Non-current interest-bearing liabilities	1,247	1,080
Current interest-bearing liabilities	74	55
Less: cash and cash equivalents	-144	-120
Less: other interest-bearing receivables	0	0
<b>Net debt on balance-sheet date</b>	<b>1,178</b>	<b>1,015</b>

### CONFERENCE CALL

A conference call will be held on 8 February 2019 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 928 000, UK 08 445 718 892, Sweden 08 506 92 180 or the US 163 151 074 95. Conference code: 2188974.

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 and the Swedish Securities Market Act. The information was submitted for publication by the aforementioned contacts on 8 February 2019 at 7:30 a.m. CET.*

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### 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 3.8 billion and the operating margin was 9.7 percent. The Bufab share is listed on Nasdaq Stockholm, under the ticker "BUFAB". Please visit [www.bufab.com](http://www.bufab.com) for more information.