ANNUAL REPORT

2019

WORKING TOWARD LEADERSHIP

BUFAB

Contents

Year in Brief

- Order intake increased by 15 percent and was in line with net sales
- Net sales increased by 15 percent to SEK 4,348 million (3,786), of which 1 percent was organic
- Operating profit (EBITA) amounted to SEK 384 million (367), corresponding to a margin of 8.8 percent (9.7)
- Earnings per share amounted to SEK 6.75 (6.79)
- Operating cash flow increased to SEK 351 million (175)
- Overall, Bufab achieved all-time high sales and operating profit in 2019
- Acquisition of HT BENDIX and American Bolt & Screw with approximately SEK 1,000 million in net sales

Net sales

+ 15%

Operating profit (EBITA)

+ 5%

Operating cash flow (SEK million)

351

Key figures

SEK million	2019	2018	Change, %
Order intake	4,354	3,798	15
Net sales	4,348	3,786	15
Gross profit	1,183	1,088	9
%	*27.2*	*28.7*	
Operating expenses	–799	–721	11
%	*–18.4*	*–19.0*	
Operating profit (EBITA)	384	367	5
%	*8.8*	*9.7*	
Operating profit	368	358	3
%	*8.5*	*9.5*	
Profit after tax	253	255	–1
Earnings per share, SEK	6.75	6.79	–1
Dividend per share, SEK	0.00*	2.50	–100
Operating cash flow	351	175	101

* Proposed by the Board of Directors.

See page 66 for definitions.

This is Bufab

Bufab is a trading company that offers its customers a full-service solution for sourcing, quality control and logistics for C-Parts.

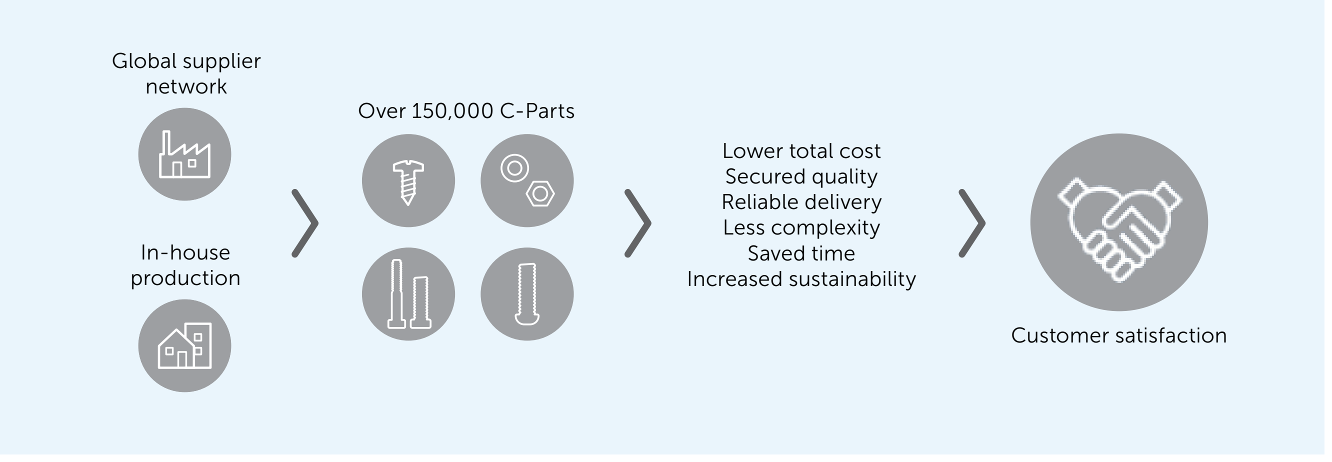
A global supply chain partner

Bufab has built up a global network of suppliers and sources a total of 150,000 unique parts, mainly from Asia and Europe.

Parts equivalent to approximately 45 percent of the purchase value are sourced in Asia, 45 percent in Europe and the remaining 10 percent in Sweden.

Bufab secures the quality, making sure the customers get the parts on time, in the right quantity and in accordance with the relevant ethical and environmental standards. Alongside its trading activities, Bufab also manufactures particularly technically demanding C-Parts in Sweden and in the UK.

Bufab's customer base is diversified and comprises approximately 13,000 customers in numerous different industries. These customers are also diversified geographically, with locations in the Nordic countries, the rest of Europe, Asia and the US. The customers also vary in size, and consequently their sourcing behaviours and needs vary as well. Bufab therefore offers both flexible solutions at the local level, and global solutions to national and international customers.



C-PARTS a major challenge for customers

The manufacturing industry classifies components as A-Parts, B-Parts and C-Parts. C-Parts are the least strategically important components, and make up a relatively small portion of the customer's direct component costs. However, due to high volumes and the sheer number of suppliers, the indirect costs associated with C-Parts are often high in relation to direct costs. The costs of potential deficiencies in C-Parts quality and delivery precision can also be significant. Bufab's offer to customers is a full-service integrated solution for sourcing, design, logistics and management, warehousing and quality assurance of C-Parts.

Bufab's global presence

Bufab has a total of 43 operating companies with activities in 28 countries, primarily in Europe but also in the US and Asia, together with exports to additional countries. Bufab has approximately 1,400 employees worldwide, who work with sales, sourcing, quality and logistics.

Bufab as an investment

Strong offering creates value for Bufab's customers

C-Parts have low direct costs but high indirect costs, and are demanding to handle professionally. Through Bufab's Global Parts Productivity™ offering, our customers can usually expect total cost savings, often by 15–20 percent, while achieving higher quality and delivery reliability. Thanks to Bufab's global presence and efficient processes, customers can achieve better results while using less resources.

Global trend drives organic growth

Switching from managing C-Parts on a proprietary basis to a Supply Chain Partner such as Bufab offers many advantages. It also provides the basis for greater sustainability across the supply chain. Globally, an increasing number of industrial companies are seeing the benefits of this. Bufab therefore sees strong potential for organic growth. Over the past five years, our organic growth was 5 percent annually.

Robust business model – operating profit every year for 40 years

As a trading company, Bufab has a limited need for capital-intensive equipment and machinery. Low capital expenditure means that our fixed costs, primarily salaries and rent, can be adapted to demand.

Our business is spread over thousands of customers and suppliers in many industries and geographic regions, which limits our dependence on individual customers. Bufab has reported an operating profit each year for more than 40 years, and has financed all growth using its own cash flow.

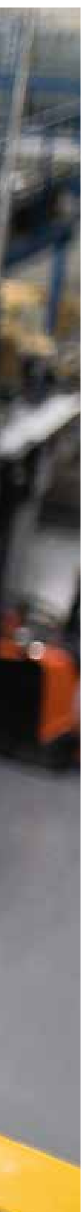
International leader in fragmented market. Consolidation through value-creating acquisitions

Bufab is one of the few leading players in a highly fragmented market. In each of our 28 countries, we are a strong local partner, while serving international customers on several continents. This is becoming increasingly important for customers. Our position makes it possible to acquire smaller players that have growth synergies with Bufab. In six years, we have completed nine acquisitions with total sales of SEK 1,900 million.

In this way, we have expanded our presence in new industries, product segments and geographic regions and have become even more relevant for our customers.

Stronger position in challenging market

Bufab took another major step forward in 2019. For the fourth consecutive year, we recorded our highest sales and operating profit ever, and we doubled our cash flow. That's good, as a strong financial performance is necessary for continued investments in our Leadership strategy. However, it is even more important that we strengthened our market share, our customer relationships and our global supplier base during the year. And most important of all: Bufab's organisation – our processes, systems and our team of 1,400 Solutionists all over the world - is now stronger than ever. Two strategic acquisitions contributed to growth and significantly strengthened our customer offering and reach.



However, the slowdown that could already be seen at the beginning of the autumn intensified during the latter part of the year. This was particularly noticeable in Sweden, Eastern Europe and China. In the short term, Bufab is dependent on market developments, and we are therefore responding to this slowdown by increased focus on reducing our sourcing costs and fixed cost base. Our long-term strategy remains unchanged, however: to increase our market shares, as we have every year in the past seven years, and to become a globally leading player in our industry.

Important steps forward in both Sweden and International

We reported our best ever earnings in our largest operating segment, International, and continue to invest in growing market shares. For the year, this led to organic growth of 3 percent in an unusually weak market. Despite healthy growth for many years, our market share and share of wallet with most customers remains very low. In other words, we see many interesting business opportunities in the future. At the end of the year, we significantly improved our reach and strategic position through the acquisition of the North American company American Bolt and Screw, with annual sales of about SEK 500 million.

AS WE MOVE INTO 2020, WE ARE WORKING ONWARD SYSTEMATICALLY TO STRENGTHEN CUSTOMER RELATIONSHIPS AND INCREASE MARKET SHARES

Segment Sweden also experienced much weaker demand at the end of the year, which resulted in negative organic growth. By defending our market shares while exercising good cost control and significantly increasing prices, we nevertheless succeeded in improving our earnings. An important acquisition in a strategically important segment, the Danish company HT BENDIX A/S with annual sales of SEK 500 million, also contributed.

Focus on effciency and cost optimisation

In view of the prevailing market uncertainty, we conducted a thorough review of the organisation and action plans throughout the Group during the autumn. Our priorities for 2020 are, firstly, to intensify sales and marketing and thereby secure further new business, and secondly, to achieve considerable earnings and margin improvements in 2020 through purchasing savings, strict cost control and improved efficiency, in addition to healthy contributions from our acquisitions.

During the middle of the year, we launched a Group-wide programme for increased efficiency, which was supported by our investment in digitalisation. The programme aims to realise savings of approximately SEK 40 million on a full-year basis, with full effect from the fourth quarter of 2020.

Toward leadership

Bufab is an entrepreneurial company. That is why we are able to address market headwinds with rapid and powerful measures to defend our earnings. But we also have a long-term outlook. Our current growth strategy was established in 2012 and has been unchanged since then. Five years later, in 2017, we further raised our ambition level: we are now focusing on becoming best in the world in our niche, which we have summarised under the "Leadership 2020" heading. So far, this has been successful. Since 2012, we have more than doubled our sales, and profit has improved even faster. During this time, we have steadily invested in somewhat costly programmes to advance our positions and to strengthen our competitiveness in the long term. There is still much more work to do, but we do believe the results are starting to take shape. We have significantly strengthened our processes, our digital tools and our team in such key areas as purchasing, logistics and quality. We have developed new solutions that help our customers to improve productivity. We have also initiated closer digital integration with our customers and suppliers, which increases precision and efficiency across the value chain. We are working systematically and with a long-term approach to deepen and develop relationships with our key customers and are well advanced in our efforts to build a world-leading supplier base. These activities have been financed through the growth we achieved in recent years.

Win-Win acquisition

Most of our acquisitions are continuing to perform very well, and have provided crucial contributions to our development. This is in part due to the very selective approach we have when choosing new acquisitions. We have completed nine acquisitions since 2015, but we have assessed hundreds of companies. We are also satisfied with our Pull Integration strategy. Essentially, this allows the acquired company to decide which benefits they wish to pull from Bufab. This could, for example, be a customer or a number of suppliers it wants access to, or a region where it wants to expand. By using this strategy instead of pushing through a rigid integration plan, we build on the acquired company's responsibility, expertise and entrepreneurship, and minimise risk.

We completed two strategic acquisitions in 2019. We have already begun work with the promising business opportunities brought by these acquisitions, and are continuing to search for attractive acquisition candidates that can contribute growth synergies, customer relations, interesting suppliers and expertise.

Opportunities in a weaker market

The weaker market noted during the autumn is a challenge, but also creates business opportunities. Lower demand makes purchasing savings easier. These will be a top priority during the coming year. Customers intensify their productivity efforts, which creates sales opportunities for Bufab. Weaker competitors come under pressure. Acquisition candidates become more inclined to sell. All of this creates opportunities for Bufab.

Well positioned for 2020

As we move into 2020, we are working systematically to strengthen customer relationships and increase market shares, to build the world's best supplier base, to develop a globally leading "best practice", and to continue digitalising our processes.

To endeavour growth at the same rate going forward, we decided during 2019 to re-organize the Group into ten business units organized in four operational segments, this has been incorporated during the beginning of 2020.

The sustainability of our whole value chain remains a priority and took a clear step forward due to a systematic approach. For example, local sustainability plans were incorporated in many subsidiaries. This and many other measures are described in more depth in our Sustainability Report.

The uncertainty in the global demand increased dramatically in connection with the global virus outbreak in early 2020. Bufab has taken powerful measures to protect against the virus, and the previously communicated efficiency and savings programs have accelerated. Furthermore, the Board of Directors has decided to propose the Annual General Meeting that there shall be no distribution of dividend 2020 in order to have a good financial position in the event of a sharply reduced demand.

Bufab is therefore significantly stronger than a year ago. Our action programs give us confidence in being able to deliver continued good development no matter how the market develops, and in achieving our goal: to become the leading company in our industry.

Värnamo, March 2020

Jörgen Rosengren
President and CEO

Acquisitions are a part of our business model

Bufab has extensive experience of company acquistions. It is a natural part of our business model. We search for attractive acquisition candidates that can contribute growth synergies, customer relationships, a stronger supplier base and expertise.

Acquisition

HT BENDIX

Bufab completed the acquisition of HT BENDIX A/S in July.

HT BENDIX was founded in 1975 and is a leading Supply Chain Partner in the Nordic market, with particularly strong expertise in the market for furniture and interior fittings. Its head office and most of its operations are located in Herning, Jylland in Denmark, but the company has sales throughout Scandinavia, Germany, Poland, the UK and France. HT BENDIX A/S has about 80 employees and annual sales of approximately DKK 500 million, with an operating margin of approximately 10 percent.

"I am proud of this acquisition, which is a strong and significant complement to our operations in the Nordic region, and provides attractive growth opportunities for both HT BENDIX A/S and the rest of the Bufab Group. HT BENDIX A/S is a name well-known in our industry for the high quality of its products and services, for its solution-oriented business model and for its competent personnel," says Jörgen Rosengren, Bufab's President and CEO.

Kaj Østergaard, CEO of HT BENDIX A/S about...

Bufab's acquisition of HT BENDIX

"The acquisition took place as Bufab has a philosophy and corporate culture that is suited to HT BENDIX. This offers us excellent opportunities to continue our international expansion."

100 days with Bufab

"The first 100 days have been inspiring and exciting and have confirmed the opportunities offered by the acquisition. Bufab's management has shown great understanding for our way of working, which is highly positive.

The future as subsidiary of Bufab

"I am convinced there are major opportunities in the future. This is because the management team and employees at HT BENDIX are already involved and committed to a close cooperation with Bufab. I am convinced that this will also entail greater collaboration with our customers."

Sales

SEK 500 million

Operating margin

10%

Number of employees

80

Acquisition

American Bolt & Screw

In November, Bufab acquired the US company American Bolt & Screw Mfg. Corp. ("ABS").

ABS is a leading distributor of fasteners and other C-class components in the North American market. The company's head office is located in Ontario, California, with branches in Indiana, Georgia, Texas, Oregon and Arizona. ABS was founded in 1946 and since 1982 has been owned and run by Jim Hooper. Under his leadership, the company has developed into a nationwide Supply Chain Partner to customers in a variety of industries. ABS has annual sales of about SEK 500 million and an operating margin of approximately 11 percent.

"We are confident that ABS will continue to grow and thrive as a member of the Bufab Group. The acquisition also strengthens Bufab's offering to global customers, and provides us with a stronger platform for continued expansion in the North American market, which further emphasises our focus on growth, and on our "Leadership 2020" strategy. ABS has strong similarities with the rest of Bufab in terms of its solution-oriented and entrepreneurial approach to creating customer value," says Jörgen Rosengren, Bufab's President and CEO.

Cynthia Alvarez, CEO of American Bolt & Screw about...

Bufab's acquisition of ABS

"As part of Bufab, we will continue to develop our customer offering, grow our business and strengthen our team in the same manner as in recent decades. It will be "business as usual", with the same high level of ambition, but now as part of a globally leading organisation."

100 days with Bufab

"Our first month with Bufab has been a welcoming and exciting experience. Bufab has the same goals and ideals as ABS, with top priorities being taking care of employees and ensuring customer satisfaction."

The future as subsidiary of Bufab

"We look forward to continued growth and the opportunities offered by becoming part of the Bufab Group. We are really looking forward to growing and winning new business together, at the same time as we have gained new colleagues at Bufab. We have a bright future and are convinced that our position in the American market will strengthen as part of Bufab Group."

Sales

SEK 500 million

Operating margin

11%

Number of employees

90

Board of Directors' Report

The Board of Directors and CEO of Bufab AB (publ) (Bufab), Corporate Registration Number 556685-6240, hereby submits its annual report and consolidated accounts for the 2019 financial year.

The business

Bufab is a trading company that offers its customers a full-service solution as a Supply Chain Partner for sourcing, quality control and logistics for C-Parts. Bufab's customers are found in the manufacturing industry, in which components generally are classified as A-Parts, B-Parts and C-Parts. C-Parts are the least strategically important components, and they make up a relatively small portion of the customer's direct component costs. C-Parts have a relatively low value, both per component and in total, in combination with high volumes and a large number of suppliers. This means the indirect costs associated with C-Parts management are often high in relation to the direct costs. The costs of potential deficiencies in C-Parts quality and delivery precision can also be significant. Bufab's customer offering, Global Parts Productivity™, is an integrated full-service solution for sourcing, design, logistics and management, warehousing and quality assurance of C-Parts. For the customer, this means more efficient handling, thus reducing the customer's total costs.

Bufab was founded in 1977 in Småland, Sweden and through organic growth and acquisitions, it has grown into a multinational corporation.

Today, the Group has a total of 43 operating companies with activities in 28 countries, primarily in Europe but also in the US and Asia, together with exports to additional countries. Alongside its trading activities, the Group also manufactures C-Parts in Sweden and in the UK. Bufab's in-house manufacturing accounts for about 8 percent of total sales and constitutes a strong complement to its trading activities.

Bufab's customer base is diversified and comprises approximately 13,000 customers in numerous different industries. These customers are also diversified geographically, with locations in the Nordic countries, the rest of Europe, Asia and the US. Bufab's customers vary in size, and consequently their sourcing behaviours and needs vary as well. Bufab therefore offers both flexible solutions at the local level, and global solutions to national and international customers.

Bufab has built up a global network of suppliers and sources a total of 150,000 unique parts from mainly Asia and Europe which are stocked in about thirty own warehouses around the world. Parts equivalent to approximately 45 percent of the total sourcing value are purchased in Asia, 10 percent in Sweden and 45 percent in the rest of Europe. The proportion of specialised fasteners is rising at the expense of standardised fasteners and today accounts for more than half of Bufab's sales.

The head office is located in Värnamo, Sweden, and at year-end 2019, Bufab had approximately 1,400 employees around the world. The Bufab share has been listed on Nasdaq Stockholm since 21 February 2014.

Strategy and efficiency programme

During the year, we continued our focus on the "Leadership 2020" strategy, with the objective of Bufab becoming the leading company in our industry in 2020.

Bufab's journey there is based on three focus areas: to develop a world-leading supplier base, become a priority partner for customers and continue with value-adding acquisitions. In addition, the management system "Bufab Best Practice" has been strengthened, which comprises the platform for the control of internal processes. This will help Bufab to drive continuously improved precision, efficiency and sustainability across the value chain. During the year, Bufab continued to invest in its organisation and in processes and systems within this framework. This was the company's highest priority during the year, and will continue to be in 2020.

The first indications of weaker demand were seen in the middle of 2019, and in conjunction with this the company launched a Group-wide programme for increased efficiency, which was supported by our investment in digitalisation. The programme aims to realise savings of approximately SEK 40 million on a full-year basis, with full effect from the fourth quarter of 2020.

Significant events during the financial year

Two strategic acquisitions were completed during the year that contributed to favourable growth and strengthened the company's customer offering and global reach. In the third quarter, Bufab completed the acquisition of HT BENDIX A/S, a leading Danish Supply Chain Partner with approximately SEK 500 million in sales. The acquisition is a strong and significant complement to Bufab's existing operations in the Nordic region. Bufab also completed a key strategic acquisition in North America during the fourth quarter, after searching a long time for a good platform for continued expansion with the company's global customers. American Bolt & Screw, as the company is called, had sales of about SEK 500 million with healthy profitability and it has an organisation, business model and culture that are very close to Bufab's. More information about the Group's latest two acquisitions is presented on pages 6–7 and in Note 35 of the Annual Report.

Order intake and net sales

Order intake amounted to SEK 4,354 million (3,798) and was in line with net sales. Net sales rose by 15 percent to SEK 4,348 million (3,786). The Group's organic growth was +1 percent, comprising –2 percent for segment Sweden and +3 percent for segment International. Underlying demand was somewhat higher in segment International, but lower in segment Sweden compared with 2018. Market share is deemed to have increased slightly in segment International and to be unchanged in segment Sweden compared with 2018.

Profit and profitability

The gross margin declined to 27.2 (28.7) percent, which was mainly due to the acquisitions of Rudhäll Industri and HT BENDIX. Adjusted for acquisitions, the gross margin was 28.1 percent (28.7).

Operating profit (EBITA) rose to SEK 384 million (367) equal to a margin of 8.8 percent (9.7). Compared with the preceding year, exchange-rate fluctuations impacted operating profit by SEK +5 million, volume by SEK +19 million, price/cost/mix/other by SEK –23 million and acquisitions by SEK +16 million.

The Group's net financial items amounted to SEK –42 million (–29), of which exchange-rate differences accounted for SEK +4 million (–2) and the introduction of IFRS 16 Leases for SEK –11 million (0). The Group's profit after financial items was SEK 326 million (329).

The tax expense was SEK –73 million (–74), corresponding to a tax rate of 22 percent (22). Profit after tax amounted to SEK 253 million (255).

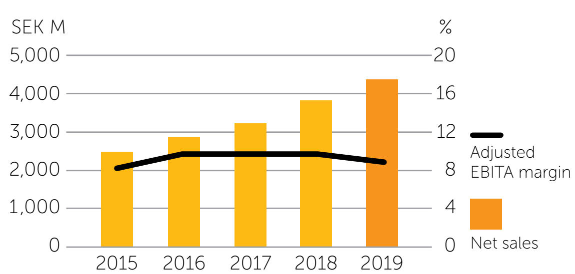
Cash flow, working capital and financial position

Operating cash flow amounted to SEK 351 million (175). The higher cash flow for the full year is primarily attributable to a decreased share of working assets mainly as trade receivables and inventories, driven in turn by lower growth during the final two quarters of the year. Average working capital in relation to net sales amounted to 35.9 percent (35.7).

On 31 December 2019, the Group's net debt totalled SEK 2,068 million (1,178). Adjusted net debt amounted to SEK 1,666 million (1,178). The difference between these key figures comprises the effects of IFRS 16 Leases. The increase in adjusted net debt, despite strong cash flow, was primarily due to completed acquisitions and dividends paid.

On 31 December 2019, the debt/equity ratio was 118 percent (74). Adjusted for the effects of the new accounting regulations in IFRS 16 Leases, the debt/equity ratio increased by 23 percentage points to 97 percent (74).

Net sales (SEK million) and adjusted EBITA margin (%)



Financial targets

Growth
10%
Total average annual revenue growth of 10 percent, through organic growth as well as acquisitions.

Profitability
12%
Operating margin (EBITA) of 12 percent over a business cycle.

Dividend
30–60%
Dividend of 30–60 percent of annual net profit.

SEK million	2019	2018	2017	2016	2015
Order intake	4,354	3,798	3,256	2,887	2,463
Net sales	4,348	3,786	3,201	2,847	2,458
Gross profit	1,183	1,088	917	828	677
%	*27.2%*	*28.7%*	*28.6%*	*29.1%*	*27.5%*
Operating profit (EBITA)	384	367	311	277	198
%	*8.8%*	*9.7%*	*9.7%*	*9.7%*	*8.1%*
Profit after tax	253	255	213	163	125
Adjusted profit after tax	253	255	213	187	125
Earnings per share, SEK	6.75	6.79	5.61	4.29	3.27
Adjusted earnings per share, SEK	6.75	6.79	5.61	4.92	3.27
Dividend, SEK	0.00*	2.50	2.25	2.00	1.70
Debt/equity ratio, %	118%	74%	72%	65%	75%
Average working capital in relation to net sales, %	35.9%	35.7%	35.4%	36.5%	36.3%
Operating cash flow	351	175	183	267	194
Average number of employees	1,296	1,177	1,058	973	834

*Proposed by the Board of Directors.
See page 66 for definitions.

Segments

Bufab conducts business in three segments of which two are operational segments, segment Sweden and segment International. Consolidated activities that were not assigned to the geographic segments are reported in segment Other.

The two operational segments manage local customer relationships and offer similar product and service ranges for C-Parts. The two operational segments' subsidiaries are organised into seven geographic regions.

International

Segment International encompasses all regions with the exception of region Sweden. Businesses within the segment are organised in five regions: North, West, East, Asia & Pacific and UK. The segment comprises in total 32 companies in 27 countries.

Order intake amounted to SEK 2,838 million (2,648) and was in line with net sales.

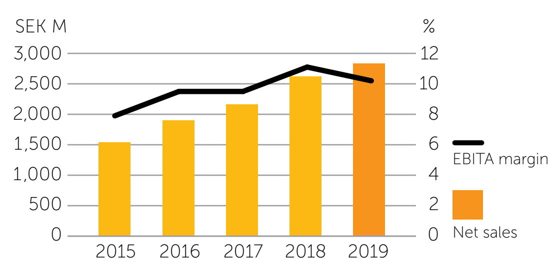
Net sales rose by 8 percent to SEK 2,836 million (2,615). Organic growth was 3 percent. Underlying demand was unchanged and the market share slightly higher compared with the corresponding period in 2018.

Gross margin declined to 29.4 percent (30.1). This decline was primarily due to a poorer business mix in the second half of 2019 compared with the preceding year.

Operating profit (EBITA) amounted to SEK 288 million (290), equal to a margin of 10.2 percent (11.1).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit positively by SEK +11 million, volumes positively by SEK +27 million, the price/cost/mix/other negatively by SEK –46 million and acquisitions positively by SEK +6 million.

Net sales (SEK million) and EBITA margin (%)



Financial position

SEK million	2019	2018	Change, %
Order intake	2,838	2,648	7%
Net sales	2,836	2,615	8%
Gross profit	833	788	6%
%	*29.4%*	*30.1%*	
Operating profit (EBITA)	288	290	–1%
%	*10.2%*	*11.1%*	

Sweden

Segment Sweden comprises region Sweden, which includes 7 companies in Sweden, and Bufab USA Inc (USA), Industrias Bufab de Mexico S.a. de C.v. (Mexico), HT BENDIX A/S (Denmark) and Ningbo Rudhäll QLC Co. Ltd., (China). In addition to trading activities, Bufab has its own manufacturing at five facilities in Sweden.

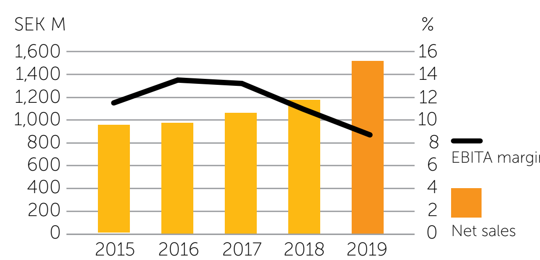
Order intake amounted to SEK 1,516 million (1,149) and was in line with net sales.

Net sales rose by 29 percent to SEK 1,512 million (1,172). Organic growth was a negative –2 percent, due to lower underlying demand. The market share is deemed to be unchanged.

Gross margin declined to 24.5 percent (27.6). Adjusted for the acquisitions of Rudhäll and HT BENDIX, the gross margin was 27.5 percent (27.6).

Operating profit (EBITA) was SEK 132 million (126), equal to a margin of 8.7 percent (10.7). Compared with the preceding year, exchange-rate fluctuations impacted operating profit negatively by SEK –6 million, volumes negatively by SEK –8 million, the price/cost/mix/other positively by SEK +1 million and acquisitions positively by SEK +19 million.

Net sales (SEK million) and EBITA margin (%)



Financial position

SEK million	2019	2018	Change, %
Order intake	1,516	1,149	32%
Net sales	1,512	1,172	29%
Gross profit	371	323	15%
%	*24.5%*	*27.6%*	
Operating profit (EBITA)	132	126	5%
%	*8.7%*	*10.7%*	

New segment structure from 1 January 2020

After the end of the financial year, a change was made to the Group's organisation. The former three operating segments of International, Sweden and Other were replaced by five new operating segments: North, West, East, UK/North America, and Other. In turn, the segments are organised into ten business units, as compared to the current six regions. As a result of this change, Jörn Maurer joined Group management with responsibility for Segment West. The purpose of the reorganisation is to achieve a clearer focus on the Group's international breadth and growth opportunities, and to increase focus on operational improvements in each subsidiary. The organisation will be fully implemented during the first quarter of 2020 and entails no restructuring costs. The new segment structure together with pro forma figures will be presented in the company's interim report for the first quarter of 2020.

Seasonal variation

Bufab's sales fluctuate over the year, primarily on the basis of the number of customer production days in every quarter.

Risks and uncertainties

Exposure to risk, both operational and financial, is a natural part of business activity, as 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 most significant risks to which the Group is exposed are related to the economy's bearing on customer demand. See Note 3 for further information.

Employees

The number of full-time employees in the Group as of 31 December 2019 was 1,423 (1,253), of whom 170 stem from the acquisitions of HT BENDIX A/S and American Bolt & Screw Mfg. Corp. The average number of full-time employees in 2019 was 1,296 (1,177). For further information about employees, see Note 6.

Environment

The Group works proactively with environmental issues to reduce its environmental impact.

Bufab conducts operations through 43 companies, six of which operate in-house manufacturing. At year-end 2019, four of the six manufacturing companies were subject to environmental licensing requirements under the Swedish Environmental Code. Environmentally licensed operations account for about 8 percent (9) of the Group's overall net sales. Environmental licences are required due to the nature of the operations. These companies have been granted licences to conduct environmentally hazardous activities. The Group's other companies conduct trading activities only, which have limited environmental impact. See also Note 33.

Sustainability Report

In accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, Bufab has issued a Sustainability Report separate from this Annual Report. The Sustainability Report is available on Bufab's website, www.bufab.com.

Guidelines for remuneration of senior executives 2019

The guidelines apply for remuneration of the CEO and other senior executives. Bufab strives to offer total remuneration that will attract and retain qualified employees. The total remuneration may include the components described below.

Fixed salary is to be market-based and must reflect the responsibility that the work involves. The fixed salary is to be revised annually. Normally, variable salary is not to exceed 50 percent of the fixed salary. The variable remuneration is to be based on established and measurable criteria, designed to promote the company's long-term value creation, and is to be revised annually.

The Board is to annually evaluate whether or not a long-term share-based incentive programme for senior executives and any other employees is to be proposed to the AGM.

Senior executives may be offered individual pension solutions. The pensions are, as far as possible, to be defined contribution.

Other benefits may be provided but are not to constitute a significant portion of the total remuneration.

The notice of termination between the company and the CEO is a maximum of 18 months.

Other senior executives are to have a shorter notice of termination period.

The Board is entitled, in individual cases and if there are specific reasons, to deviate from the above guidelines for remuneration. Should such deviation occur, information about this and the reason must be reported at the next AGM.

Proposed guidelines for remuneration of senior executives 2020

The proposed guidelines for remuneration of senior executives 2020 follow the guidelines adopted by the 2019 AGM, but also include a more detailed description in compliance with the code for Swedish corporate governance updated ahead of 2020. The new proposed guidelines are detailed in the official notice of the 2020 AGM, which is available on Bufab's website, www.bufab.com.

Long-term share-based incentive programme

The 2019 AGM 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 9.04, corresponding to the market value of the options at the date of transfer.

The purchase price for the call options is to correspond 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 August 2022–15 February 2023. The purchase price per share corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 14 August 2019 and 20 August 2019.

A detailed description of the share-based incentive programme can be found in Note 36 on page 42 of the Annual Report.

Related-party transactions

During the period, the CEO and senior executives subscribed for call options within the framework of the long-term share-based incentive programme adopted at the AGM under the terms outlined in more detail above. In addition, fees to the Board and remuneration to senior executives have been paid out, which are described in more detail in Note 6 in the consolidated financial statements.

Parent Company

The operations of the Parent Company, Bufab AB (publ), cover the CEO, the consolidated financial reports and the financial management of the Group. Most Group-wide operations pertaining to the remaining members of Group management and administration are managed by the subsidiary Bult Finnveden AB. Accordingly, the Parent Company does not report any sales. The Parent Company reported a profit after financial items of SEK 143 million (–7).

Share capital and ownership structure

On 31 December 2019, the Parent Company's share capital amounted to SEK 547,189.10 divided between 38,110,533 ordinary shares. There was no change in share capital during 2019. The largest shareholder on 31 December 2019 was Liljedahl Group AB with 29.1 percent of shares and votes. On 31 December 2019, Bufab had 945,052 repurchased shares held in treasury.

2020 Annual General Meeting

The AGM for Bufab AB (publ) will be held on 21 April 2020 in Värnamo, Sweden.

Notice of the 2020 AGM and other documentation will be available on Bufab's website, www.bufab.com, from 20 March 2020.

Events after the end of the financial year

For more information regarding events after the financial year see note 37 at page 43.

Proposed appropriation of profits	**SEK**
The following earnings are at the disposal of the AGM:	
Retained earnings	**341,894,367**
The Board of Directors proposes that the earnings be appropriated as follows:	
To be carried forward	341,894,367
Total	**341,894,367**

Consolidated income statement

SEK million		2019	2018
	Note		
Net sales	2, 5	4,348	3,786
Cost of goods sold	7	–3,165	–2,698
Gross profit		**1,183**	**1,088**
Distribution costs	7, 23	–565	–512
Administrative expenses	7	–250	–220
Other operating income	8	39	50
Other operating expenses	9	–39	–48
Operating profit	2, 3, 4, 5, 7, 8, 10, 11, 14	**368**	**358**
Profit from financial items			
Interest and similar income	12	7	3
Interest and similar expenses	13	–49	–32
Profit/loss after financial items	**14**	**326**	**329**
Tax on profit for the year	15	–73	–74
PROFIT FOR THE YEAR*		**253**	**255**

* Profit in its entirety is attributable to Parent Company shareholders

Statement of comprehensive income

SEK million		2019	2018
	Note		
Profit after tax		**253**	**255**
Other comprehensive income			
Items that will not be reclassified in profit or loss			
Actuarial gains and losses, net after tax		–2	–
Items that may be reclassified in profit or loss			
Translation difference, net assets in foreign currency		60	49
Gain from hedging of net assets in foreign currency		–22	–2
Deferred tax on gain from hedging		–	–
Other comprehensive income after tax		**36**	**47**
Total comprehensive income		**289**	**302**
Total comprehensive income attributable to:			
Parent Company shareholders		289	302
EARNINGS PER SHARE			
SEK			
Earnings per share	16	6.77	6.79
Weighted number of shares outstanding before dilution, thousands		37,524	37,554
Diluted earnings per share, SEK	16	6.75	6.79
Weighted number of shares outstanding after dilution, thousands		37,524	37,554

Consolidated balance sheet

SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	17	1,771	1,096
Other intangible assets	17	252	83
Work in progress and advances for intangible assets	19	11	–
Total intangible assets		**2,034**	**1,179**
Property, plant and equipment			
Land and buildings	18	21	21
Plant and machinery	18	138	127
Equipment, tools and fixtures & fittings	18	81	59
Rights of use	20	382	0
Work in progress and advances for property, plant and equipment	19	11	14
Total property, plant and equipment		**633**	**221**
Financial assets			
Other non-current receivables	22	9	5
Total financial assets		**9**	**5**
Deferred tax assets	27	28	16
Total deferred tax assets		**28**	**16**
Total non-current assets		**2,704**	**1,421**
Current assets			
Inventories	*2*		
Raw materials and consumables		45	37
Products in progress		41	47
Finished goods and merchandise		1,408	1,231
Total inventories		**1,494**	**1,315**
Current receivables			
Trade receivables	23	730	727
Current tax assets		36	16
Other receivables		46	35
Prepaid expenses and accrued income	24	25	36
Total current receivables		**836**	**814**
Cash and bank balances		216	144
Total current assets		**2,547**	**2,273**
TOTAL ASSETS		**5,250**	**3,694**

Consolidated balance sheet, *cont.*

SEK million		31 Dec 2019	31 Dec 2018
	Note		
EQUITY AND LIABILITIES			
Equity	25		
Share capital		1	1
Other paid-in capital		488	488
Other reserves		102	66
Retained earnings		1,158	1,045
Total equity		**1,750**	**1,600**
Non-current liabilities			
Pension obligations, interest-bearing	26	37	35
Deferred tax, non-interest-bearing	27	119	62
Lease liabilities	20	303	–
Other interest-bearing liabilities	28, 30	1,769	1,212
Other non-interest-bearing liabilities	29	378	27
Total non-current liabilities		**2,606**	**1,336**
Current interest-bearing liabilities			
Lease liabilities	20	99	–
Liabilities to credit institutions		17	18
Overdraft facilities	30, 31	60	56
Total current interest-bearing liabilities		**175**	**74**
Current non-interest-bearing liabilities			
Trade payables		410	435
Current tax liabilities		38	22
Other liabilities	29	107	86
Accrued expenses and deferred income	32	164	141
Total current non-interest-bearing liabilities		**719**	**684**
TOTAL EQUITY AND LIABILITIES		**5,250**	**3,694**

Consolidated statement of changes in equity

SEK million	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Equity on 1 January 2018	**1**	**488**	**19**	**908**	**1,416**
Comprehensive income					
Profit after tax	–	–	–	255	255
Other comprehensive income					
Items that will not be reclassified in profit or loss					
Actuarial loss on pension obligations, net after tax	–	–	–	–	–
Items that may be reclassified in profit or loss					
Translation difference, net assets in foreign currency	–	–	49	–	49
Gain from hedging of net assets in foreign currency	–	–	–2	–	–2
Deferred tax on gain from hedging	–	–	0	0	0
Total comprehensive income	**0**	**0**	**47**	**255**	**302**
Transactions with shareholders					
Issued call options	–	–	–	4	4
Repurchase of own shares	–	–	–	–37	–37
Dividend to Parent Company shareholders	–	–	–	–85	–85
Total transactions with shareholders	**0**	**0**	**0**	**–118**	**–18**
Equity on 31 December 2018	**1**	**488**	**66**	**1,045**	**1,582**
Adjustment resulting from the introduction of IFRS 16				–18	
Equity on 1 January 2019	**1**	**488**	**66**	**1,027**	**1,600**
Comprehensive income					
Profit after tax	–	–	–	253	253
Other comprehensive income					
Items that will not be reclassified in profit or loss					
Actuarial loss on pension obligations, net after tax	–	–	–2	–	–2
Items that may be reclassified in profit or loss					
Translation difference, net assets in foreign currency	–	–	60	–	60
Gain from hedging of net assets in foreign currency	–	–	–28	–	–28
Deferred tax on gain from hedging	–	–	6	–	6
Total comprehensive income	**0**	**0**	**36**	**253**	**289**
Transactions with shareholders					
Issued call options	–	–	–	3	3
Repurchase of own shares	–	–	–	–31	–31
Dividend to Parent Company shareholders	–	–	–	–94	–94
Total transactions with shareholders	**0**	**0**	**0**	**–122**	**–122**
Equity on 31 December 2019	**1**	**488**	**102**	**1,158**	**1,750**

The Group's restricted equity comprises share capital and SEK 32 million in other paid-in capital.

Consolidated cash-flow statement

SEK million	Note	31 Dec 2019	31 Dec 2018
Operating activities			
Profit before financial items		368	358
Depreciation/amortisation and impairment		148	51
Interest and other finance income		7	2
Interest and other finance expenses		–49	–31
Other non-cash items		2	13
Income tax paid		–79	–93
Cash flow from operating activities before changes in working capital		**397**	**300**
Cash flow from changes in working capital			
Increase (–) / decrease (+) in inventories		60	–170
Increase (–) / decrease (+) in operating receivables		66	–20
Increase (+) / decrease (–) in operating liabilities		–136	21
Cash flow from operating activities		**387**	**131**
Investing activities			
Acquisition of intangible assets		–11	–4
Acquisition of property, plant and equipment		–56	–74
Company acquisitions including additional purchase considerations	35	–543	–98
Cash flow from investing activities		**–610**	**–176**
Financing activities			
Dividend paid		–94	–85
Call options	36	3	4
Repurchase of own shares	36	–31	–37
Borrowings	38	655	591
Loan repayments	38	–249	–425
Current financial loans		7	16
Cash flow from financing activities		**291**	**64**
Cash flow for the year		**68**	**19**
Cash and cash equivalents at beginning of year		144	120
Translation differences		4	5
Cash and cash equivalents at year-end		**216**	**144**

Notes to the consolidated financial statements

All amounts are in SEK million unless otherwise specified.
The figures in brackets indicate the preceding year's values.

NOTE 1

GENERAL INFORMATION

The company, Bufab AB (publ), Corporate Registration Number 556685-6240, operates as a limited liability company, with its registered office in Stockholm, Sweden.

The address of the head office is Box 2266, SE-331 02, Värnamo, Sweden.

NOTE 2

SUMMARY OF KEY ACCOUNTING POLICIES

This Annual Report has been prepared in accordance with IFRS as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act. The consolidated annual financial statements have been prepared in accordance with the cost method. The Parent Company's accounting policies are consistent with those applied for the Group, unless otherwise specified.

In addition to these standards, both the Swedish Companies Act and the Swedish Annual Accounts Act contain regulations requiring the disclosure of certain additional information. Preparing financial statements in accordance with IFRS requires the use of a number of important accounting estimates. Management is also required to make certain judgements when applying its accounting policies. Information about areas that are complex or involve a high proportion of assumptions and estimates, or about areas where accounting estimates are of key significance to the consolidated financial statements, can be found in Note 4. The estimates and assumptions are reviewed regularly and the effect on the reported amounts is recognised in profit or loss.

New and amended standards that came into effect in 2019

IFRS 16 Leases

As of 1 January 2019, IFRS 16 Leases is applied, which 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 has chosen to 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 has not been restated.

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

The impact on the balance sheet at the beginning of 2019 is presented below:

Balance sheet items	SEK million
Right-of-use assets	+283
Deferred tax	+5
Prepaid expenses	–6
Retained earnings	–18
Non-current lease liabilities, interest-bearing	+227
Current lease liabilities, interest-bearing	+73

The effect on the income statement for the Group is not significant.

For more information and a presentation of the performance measures impacted by the introduction of IFRS 16, see Note 20.

Consolidated financial statements

Subsidiaries

Subsidiaries are all the entities in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50 percent of the voting rights.

The existence and effect of potential voting rights which may be used or converted is taken into account when assessing whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

The Group's acquisition of subsidiaries is accounted for in accordance with the acquisition method. The cost of an acquisition comprises the fair value of assets transferred including any additional purchase considerations, equity instruments issued and liabilities incurred or assumed at the transfer date. Conditional purchase consideration is classified either as shareholders' equity or a financial liability. Amounts classified as financial liabilities are remeasured each period at fair value. Any remeasurement gains or losses are recognised in operating profit/loss. Transaction expenses attributable to the acquisition are recognised as incurred. Identifiable acquired assets and assumed liabilities and contingent liabilities in a business combination are measured initially at their acquisition-date fair value, irrespective of any minority interest. If the cost of acquisition exceeds the fair value of the Group's share of the acquired net identifiable assets, the difference is recognised as goodwill. If the cost of acquisition is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit or loss.

Elimination of intra-group transactions

Intra-group transactions and balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The accounting policies for subsidiaries have been amended, where necessary, in order to ensure consistent application of the Group's policies.

Foreign currency translation

Items in the individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional and reporting currency.

Foreign currency transactions are translated into the functional currency according to the exchange rates prevailing at the date of the transaction. Exchange gains and losses arising from the settlement of such transactions and during translation of foreign currency monetary assets and liabilities at the closing rate are recognised in profit or loss.

The results and financial position of all Group entities are translated into the Group's reporting currency. Assets and liabilities are translated at the closing rate, while income and expenses are translated at the average rate, with all resulting exchange-rate differences recognised as a separate component of equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are reported as assets and liabilities in the Group's balance sheet and are translated at the closing rate. The following exchange rates were used for the translation of foreign operations:

	Average rate		Closing rate	
Currency	**2019**	2018	**2019**	2018
DKK	1.42	1.38	1.40	1.38
EUR	10.59	10.26	10.43	10.28
GBP	12.07	11.59	12.21	11.35
CZK	0.41	0.40	0.41	0.40
HUF	0.03	0.03	0.03	0.03
NOK	1.07	1.07	1.06	1.02
PLN	2.46	2.41	2.44	2.39
RMB	1.37	1.31	1.33	1.31
INR	0.13	0.13	0.13	0.13
NTD	0.31	0.29	0.32	0.30
RUB	0.15	0.14	0.15	0.13
USD	9.46	8.69	9.32	8.97
RON	2.27	2.23	2.23	2.25
TRY	1.67	1.84	1.57	1.70

Classification

Non-current assets, liabilities and provisions are amounts expected to be recovered or settled more than 12 months after the balance-sheet date. Current assets and liabilities are amounts expected to be recovered or settled no more than 12 months after the balance-sheet date.

Items affecting comparability

Items affecting comparability are recognised separately in the financial statements when it is necessary to explain the Group's earnings. Items affecting comparability relate to material income or cost items recognised separately due to the significance of their nature or amount.

Intangible assets

Goodwill

The amount by which the cost exceeds the acquisition-date fair value of the Group's share of the acquired subsidiary's net identifiable assets is recognised as goodwill. Goodwill on acquisitions of subsidiaries is reported under intangible assets.

Goodwill is not amortised but is tested for impairment annually and is carried at cost less accumulated impairment.

Goodwill is allocated to cash-generating units for impairment testing.

Other intangible assets

The Group's other intangible assets comprise acquired customer and supplier relationships and capitalised expenditure for IT and business systems. The Group's basis for acquisitions is that customer relationships and supplier relationships have a limited useful life and are recognised at cost less any accumulated depreciation. Amortisation is applied on a straight-line basis to distribute the costs of their estimated useful lives.

Property, plant and equipment

Property, plant and equipment is recognised as an asset in the balance sheet when, based on available information, it is probable that future economic benefits associated with the ownership will flow to the Group/company and the cost of the asset can be measured reliably.

Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The carrying amount of an item of property, plant and equipment is derecognised from the balance sheet on disposal or divestment, or when no future economic benefits are expected from its use. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the selling price and the asset's carrying amount less direct distribution costs. The gain or loss is reported under other operating income/expenses.

Leases – Group as lessee

Until the 2018 financial year, the Group applied IAS 17 Leases. Leases are classified in the consolidated financial statements as financial leases or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, it is classified as an operating lease. Assets held under financial leases are recognised as assets in the consolidated balance sheet. Future lease payment obligations are reported as current and non-current liabilities. An asset leased under a finance lease is subject to depreciation, while the lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each accounting period during the lease term so as to produce a constant periodic rate of interest on the balance of the liability reported during the period. Contingent rents are recognised as an expense in the period in which they are incurred.

Operating lease payments are recognised as an expense over the lease term, based on the use of the asset, which may differ from actual lease payments during the year. If significant changes are made to the provisions of the lease during the term of the lease, an assessment is made as to whether these new provisions would have resulted in a different lease classification had they been in effect at the inception of the lease. If this is the case, the lease is treated as a new lease, to be assessed using the updated parameters at its inception.

For the 2019 financial year, IFRS 16 Leases was applied, see Note 20 for the accounting policies applied.

Depreciation policies for property, plant and equipment

Depreciation according to plan is based on original cost less estimated residual value. Depreciation is applied on a straight-line basis over the useful life of the asset.

The following depreciation periods are applied:

Customer and supplier relationships	10 years
Other intangible assets	3–5 years
Buildings*	12–15 years
Plant and machinery	5–10 years
Equipment, tools and fixtures & fittings	3–10 years

* In addition to capitalised improvement expenses on others' property, Buildings also includes financial leases of buildings, and for these the period of depreciation corresponds to the length of the lease. Refer also to Note 21.

Borrowing costs
Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment
Assets with an indefinite useful life are not subject to depreciation or amortisation; instead, these assets are tested annually for impairment. Assets that are subject to depreciation or amortisation are also tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less distribution costs and its value in use. For impairment testing, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units).

Receivables
Receivables are recognised at cost less any impairment.

Inventories
Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An obsolescence risk is also taken into account. At the end of the financial year, the obsolescence reserve totalled SEK 108 million (84), of which SEK 16 million pertains to obsolescence reserves assumed from acquired companies during the year. The cost of the Group's merchandise is calculated as a weighted average purchase price and includes expenses arising from the acquisition of inventories and bringing them to their existing location and condition.

The cost of finished goods and work in progress includes a reasonable proportion of indirect manufacturing costs. Measurement takes into account normal capacity utilisation.

Business combination
The purchase method is used to recognise the Group's business combinations, regardless of whether the acquisition consists of equity interests or other assets. The purchase consideration for the acquisition of a subsidiary comprises the fair value of:
- transferred assets,
- liabilities the Group assumes from previous owners,
- shares issued by the Group,
- assets or liabilities that result from an agreement covering a conditional purchase consideration,
- earlier equity interests in the acquired company.

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities in a business combination are initially measured, with a few exceptions, at fair value on the date of acquisition. For each acquisition, that is, on an acquisition-by-acquisition basis, the Group determines whether non-controlling interest in the acquired company is to be recognised at fair value or at the shareholding's proportional share in the carrying amount of the acquired company's identifiable net assets.

Acquisition-related costs are expensed as they arise.

Goodwill pertains to the amount with which
- transferred consideration,
- any holding of non-controlling interests in the acquired company, and
- fair value at the date of acquisition of earlier equity interests in the acquired company, (if the business combination was conducted in stages) exceeds the fair value of acquired net identifiable assets.

If the amount is less than the fair value of the acquired net assets, in the event of an acquisition at low price, the difference is recognised directly in profit or loss. If all or part of the purchase consideration is deferred, future payments are to be discounting to the present value at the date of acquisition. The discount rate is the company's incremental borrowing rate of interest, which is the interest rate the company would have paid for financing through loans during a corresponding period and at similar terms. Conditional purchase consideration is classified either as shareholders' equity or a financial liability. Amounts classified as financial liabilities are remeasured each period at fair value. Any remeasurement gains or losses are recognised in profit or loss.

Employee benefits
Group companies have various pension schemes in accordance with local conditions and practices in the countries in which they operate. The most common pension arrangements are defined-contribution pension plans. Under these plans, the company settles its obligations on an ongoing basis through payments to insurance companies or pension funds.

However, the company has a more extensive responsibility in the case of defined-benefit pension plans, which are based on an agreed future pension entitlement. With these plans, the company's recognised cost is affected by factors such as assumptions about the future. The Group's net obligation is calculated separately for each plan by estimating the future benefit that employees have earned through their service in the current and prior periods. The present value of this benefit is determined by discounting the estimated future cash flows. The Group has safeguarded a portion of its obligations through transfers to pension funds, and the fair value of plan assets is offset against the provision in the balance sheet. The discount rate is obtained by reference on the balance-sheet date to market yields on high-quality corporate bonds of a term consistent with the term of the Group's pension obligation. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are presented in other comprehensive income when they arise.

For salaried professionals in Sweden, the ITP 2 plan's defined-benefit pension obligations for retirement and survivors' pensions are backed by an Alecta insurance policy. According to a statement from the Swedish Financial Reporting Board (UFR10 Recognition of ITP 2 pension plan financed by an Alecta insurance policy), this is a defined-benefit plan that encompasses several employers. For the 2019 financial year, the company has not had access to enough information to report its proportional share of the plan's obligations, plan assets and costs, and the company was therefore unable to recognise it as a defined-benefit plan.

Accordingly, the ITP 2 pension plan, which is backed by an Alecta insurance policy, was recognised as a defined-contribution plan. The premium for the defined-benefit retirement and survivors' pension is calculated on a case-by-case basis and is determined by such factors as salary, previously vested pension benefits and the expected remaining professional life of the beneficiary.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations calculated using Alecta's actuarial methods and assumptions, which do not correspond with IAS 19. The collective consolidation level is generally permitted to range from 125 to 155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, actions must be taken to enable the consolidation level to return to the standard interval. In the event of a low consolidation level, the company may raise the contractual cost of signing up for a policy and expanding the current benefits. In the event of a high consolidation level, the company may introduce premium deduction. At the end of the financial year, Alecta's surplus in the form of the collective consolidation level was 148 percent (142).

Revenues

Net sales comprise, in all material respects, revenues from the sale of goods and services. The Group is engaged in trading fastener products and C-parts. Revenue recognition occurs in profit or loss when the products have been delivered to the customer and control and the right of ownership have been transferred. Revenue includes only the gross inflow of economic benefits received and receivable for the company's own account. Revenue from the sale of goods is recognised when the company has transferred control of ownership of the goods and the company does not exercise any effective control over the goods sold. Revenue is recognised at the fair value of the consideration received or receivable, net of discounts. Settlement is made in cash, with revenue comprising the amount of cash received or receivable. Amounts collected on behalf of third parties are not included in the company's revenue. Revenue from the rendering of services is recognised over time as the services are performed. No financing component is considered to exist on the date of sale since the customer's credit period is shorter than one year and generally complies with market practice. A receivable is recognised when the products are delivered, as this is the date when remuneration becomes unconditional (in other words, only the passage of time is needed before payment will take place). The distribution of revenue by segment is presented in Note 5.

The item "other operating income" includes other revenues in the operation that do not stem from the day-to-day business operations, such as capital gains from the sale of non-current assets and exchange-rate gains from operating receivables/liabilities.

Dividends are recognised when the right to receive payment is established.

Intra-group sales are eliminated in the consolidated financial statements.

Costs

The income statement is classified using the function of expense method. The functions are as follows:

Cost of goods sold comprises the cost of the good, the cost for material handling and manufacturing costs, including payroll and material costs, purchased services, costs of premises, and depreciation/amortisation and impairment of property, plant and equipment.

Administrative expenses comprise costs of the companies' own administrative functions and costs relating to boards, management and staff functions.

Distribution costs comprise costs associated with the sales organisation and inventory obsolescence.

Other operating income/expenses relates to secondary activities, exchange-rate differences on operating items, the remeasurement of additional purchase considerations for acquired companies and capital gains/losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income on bank deposits and receivables, interest expense on borrowings, dividend income, exchange-rate differences and other financial income and expenses.

The interest component of finance lease payments is recognised in profit or loss using the effective interest method, which means that the interest is allocated to each accounting period during the lease term so as to produce a constant periodic rate of interest on the balance of the liability reported during the period.

Tax

Income tax consists of current tax and deferred tax. Taxes are recognised in profit or loss except when the underlying transaction is recognised directly in equity, in which case the related tax effect is also recognised in equity.

Current tax is the amount of income taxes payable or recoverable in respect of the current year. This includes adjustments of current tax attributable to prior periods. Deferred tax is accounted for using the balance-sheet method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates enacted or substantively enacted by the balance-sheet date. Deferred tax is not recognised on temporary differences arising from goodwill on consolidation, and is not normally recognised on temporary differences arising from participations in subsidiaries that are not expected to be taxed in the foreseeable future. Untaxed reserves are recognised including deferred tax liabilities in the legal entity. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity. Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognised insofar as it is probable that they will result in lower tax payments in the future.

Cash-flow statement

The cash-flow statement is prepared using the indirect method. Recognised cash flows only concern transactions that involve cash inflows and outflows. Cash and bank balances are classified as cash and cash equivalents.

Related-party transactions

None of the Parent Company's total purchases charged to operating profit relate to transactions with other companies within the corporate group to which the company belongs. Within the Group, there are some internal sales between its different markets. Related-party transactions are also reported in Note 6 (Employees, personnel expenses and fees paid to directors and auditors) and Note 34 (Related-party transactions). Related-party transactions are made on terms equivalent to commercial transactions.

Financial instruments

The Group recognises all financial instruments at amortised cost. The Group classifies its financial assets and liabilities depending on the purpose for which the financial asset or liability was acquired. The classification of investments in debt instruments is dependent on the Group's business model for managing financial assets and the contractual rights for an asset's cash flow.

Financial assets at amortised cost

Assets held for the purpose of collecting contractual cash flow and where this cash flow is made up solely of the principal amount and interest are measured at amortised cost. Assets in this category are recognised initially at fair value including transaction costs. After the date of acquisition, these are recognised at cost by applying the effective interest method. The carrying amount of these assets are adjusted by any recognised expected credit losses (see impairment below). Interest income from these financial assets is recognised using the effective interest method and entered in financial income. Assets in this category comprise long-term financial receivables, trade receivables and other current receivables. They are included in current assets unless the settlement date is more than 12 months after the end of the reporting period, in which case they are classified as non-current assets.

Financial liabilities at amortised cost

The Group's financial liabilities are recognised initially at fair value, net after transaction costs. Financial liabilities are then recognised at amortised cost by applying the effective interest method. Non-current liabilities have an expected maturity beyond 1 year while current liabilities have a maturity shorter than 1 year. This category includes liabilities to credit institutions, trade payables and other current liabilities.

Hedge accounting

The effective portion of change in value for derivative instruments or other financial instruments that fulfil the requirements of hedge accounting according to the method for cash flow hedging or hedging of net investments in foreign operations is recognised in other comprehensive income. Accumulated change in value from hedging of net investments in foreign operations is reversed from equity to profit or loss when foreign operations are divested in full or in part.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and other current investments with an original maturity of three months or less, and overdraft facilities. Utilised overdraft facilities are reported as borrowings under current liabilities in the balance sheet.

Borrowings

Borrowings are recognised initially at fair value and are subsequently measured at amortised cost. Any difference between the amount received and the repayment amount is recognised in profit or loss over the borrowing period using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance-sheet date.

NOTE 3

RISKS AND RISK MANAGEMENT

Operational risks

Market and business risks

Customer demand for products and services from Bufab depends on general economic conditions and the level of activity in the manufacturing industry in the countries in which Bufab and its customers operate.

Bufab operates in Sweden, Denmark, Finland, Norway, Germany, France, the Netherlands, Austria, the Czech Republic, Poland, the UK, Estonia, Hungary, Spain, Slovakia, India, the United States, Taiwan, China, Russia, Turkey, Romania, Singapore, Malaysia, Indonesia, Mexico and Thailand.

Bufab's customers are found in a wide spectrum of manufacturing industries, including the technology sector, electronics/telecommunications, consumer goods, the offshore and refining industry, the transportation and construction sectors, furniture and the automotive sector. Geographical diversification combined with a vast number of customers spread across many sectors reduces the effects of isolated changes in customer demand.

However, despite this breadth, it can be stated that the company is clearly impacted by customers' underlying demand, which is considered to comprise the company's most tangible operational risk. The company was substantially impacted by reduced customer demand during the sharp global economic downturn in 2009.

There is a risk that major customers will choose to bypass the wholesale stage and deal directly with manufacturers. However, Bufab adds value to its customers by providing efficient logistics and a broad base of suppliers, as well as a reliable level of quality. The company believes that this broad range as a logistics partner remains competitive.

Bufab can be negatively impacted when its suppliers experience economic, legal or operational problems, raise prices or when they are unable to deliver on time or at the agreed level of quality. Bufab sources most of its goods from suppliers that are mainly located in Asia, but also from some European suppliers. Bufab works with a large number of suppliers from different countries. The company aims to avoid making itself dependent on specific suppliers.

Inventories constitute a significant share of Bufab's assets and are costly to relocate, store and manage. Accordingly, efficient inventory management is a key element in Bufab's operation. Inefficient inventory management can lead to inventory surpluses or deficits. Inventory surpluses expose Bufab to the risk of having to incur impairment losses on or to dispose of the inventory. Conversely, inventory deficits expose Bufab to the risk of having to source products at higher prices in order to deliver on time, or to incur expensive express delivery costs or penalties.

With its large and complex flow of items combined with a broad base of customers and suppliers, there is a risk that Bufab's customers will not receive their products at the specified time or with the right quality. Bufab may become subject to significant product liability and other claims if the products it sources and produces are defective, cause production stops or personal or property damage, or otherwise do not fulfil the requirements agreed with the customer. Such defects may be caused by mistakes made by Bufab's own personnel or the company's suppliers. If a product is defective, Bufab may also have to recall the product. Furthermore, Bufab may not be able to file or collect a corresponding claim against, for example, its own suppliers in order to receive compensation for damages and related costs. To address this risk, internal and external processes are in place that must be adhered to by employees and external parties. Bufab works continuously to develop these processes and to train employees and external parties.

Bufab could lose business or growth opportunities from existing customers as a result of many factors, including, but not limited to, relocations of the customers' manufacturing operations or customer dissatisfaction, particularly with product quality or service, as well as customers underperforming in, or shutting down, their businesses. In connection with a customer relocating manufacturing operations, for example, to a low-cost country, Bufab may not be requested, or be able, to make deliveries to the new location to the same extent as prior to the relocation, or may not be able to efficiently source all, or any, of its products to the new location. Moreover, should customers relocate outside of Bufab's operating jurisdictions, and particularly outside the European Union, it may be difficult or burdensome for Bufab to establish new operations and comply with local regulations in such locations. As a consequence, Bufab may lose all, or part of, its business from that manufacturing operation.

Bufab's supply chain (including manufacturing units and some warehouses) and business processes are, to a large extent, automated via hardware and software for robotics and via the Group's IT systems. Bufab is particularly dependent on these systems to purchase, sell and deliver products, to invoice its customers and to manage its production units and certain automated warehouses. It is also an important tool for accounting and financial reporting as well as inventory and net working capital management. Disruptions, as a consequence of, for example, upgrades of existing IT systems, or deficiencies that materialise in the function of its IT systems or hardware could, even in the short term, adversely affect Bufab's business, results of operations and financial condition.

Bufab's strategy covers both organic growth and growth through acquisitions. Acquisitions may expose Bufab to risks, primarily related to integration, such as impairment of relationships with key customers, inability to retain key employees and difficulties and higher costs than anticipated for combining operations. Following some of its past acquisitions, Bufab has experienced such integration difficulties. Moreover, acquisitions may expose Bufab to unknown liabilities.

Furthermore, there is considerable uncertainty about operational and macro-economic effects or Brexit and the general uncertainty surrounding the future development of the recent Corona epidemic, mainly in terms of future demand and material supply. Regarding Brexit and the Corona epidemic, Bufab has taken several operative measures to minimize risks and lessen the eventual negative impact on the Group, the Group is carefully monitoring these developments.

Bufab manages its operations through operating subsidiaries in a number of countries. The business, including transactions between Group companies, is run according to Bufab's understanding or interpretation of current tax laws, tax treaties, other tax law stipulations and the requirements of the tax authorities concerned. Furthermore, the tax authorities of the countries concerned could make assessments and take decisions which deviate from Bufab's understanding or interpretation of the abovementioned laws, treaties and other regulations. Bufab's tax position, both for previous years and the current year, may change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations. Such decisions or changes, possibly retroactive, could adversely affect Bufab's business, results of operations and financial condition.

Bufab holds environmental permits for manufacturing at its production facilities. Bufab previously conducted manufacturing at other facilities in Sweden. Bufab has completed environmental inventories and, where required, environmental technical investigations, at all properties where Bufab has historically conducted manufacturing in Sweden. These investigations detected traces of contamination at or in proximity to some of these properties. For more information regarding environmental risks, refer to Note 33.

Bufab has a substantial goodwill item in its consolidated balance sheet, Which is regularly tested for impairment requirements; see also Note 17.

Sourcing prices

Bufab is exposed to fluctuations in the market price of certain commodities, particularly steel, stainless steel (which fluctuates with the price of alloy metals) and other metals. Any increase in such prices may impact the price for which Bufab purchases its products, and thereby the cost of goods sold. Energy prices and the price of oil impact manufacturing and freight costs, which significantly affect cost of goods sold. In addition, labour shortages and labour costs in the countries from which Bufab sources its products may increase Bufab's cost of goods sold through its purchasing prices. Moreover, Bufab may not be able to compensate for increased sourcing prices by raising prices for its own customers.

Competition

Bufab acts as a subcontractor to the engineering industry and faces competition in all types of customer segments. Customer requirements concerning price, quality, delivery reliability, etc. are constantly increasing. Since the entry barriers for smaller companies and the investments required to start a competing business are low, Bufab can also lose sales to new companies. The company's continued success is dependent on its ability to respond to these increasing requirements and be more competitive than its competitors in the areas of attractive pricing, delivery reliability, quality, high internal efficiency and broad, secure logistics solutions from all of the countries in which Bufab operates.

Legal risks

Legal risks primarily include legislation and regulation, government decisions, disputes, etc. The fastener industry within Europe and North America has periodically been subject to heavy duties on imports of standard parts from certain geographies, mainly China. Bufab has been forced to find alternative purchasing channels, primarily in Asia, which has worked well considering the volume size. It cannot be ruled out that, for example, the EU or USA may introduce increased duties in the future, and there is considerable uncertainty about the extent of such duties.

Bufab's operations face risks related to taxes and the environment. See also Note 33.

Insurance

Bufab insures its assets against property damage and business interruption losses. In addition, there are insurance policies for product liability, product recall, transportation, legal protection, crime against property and business travel. There have been no claims for damages with regard to product liability or product recall that had any material impact on earnings during the last decade.

Risks related to employees

Bufab must have access to competent and motivated employees and ensure access to good leaders as a means of achieving its established strategic and operational targets. Bufab is working in a structured manner to ensure the health and well-being of its employees and that they can find positive challenges in their daily work.

Bufab also has a strong focus on safety efforts in all units. Through strategic manpower planning, Bufab can ensure access to persons with the right qualifications at the right time. Recruitment may take place both externally and internally, where internal recruitment is facilitated as vacant positions are advertised both internally and externally. Salaries and other terms and conditions are in line with market conditions and are connected to each subsidiary's priorities. Bufab is also striving to maintain good relationships with trade union organisations. However, securing a skills supply to each subsidiary is always a challenge, given that the labour market is mobile.

Risks in IT systems

Bufab is dependent on IT systems for its ongoing operations. Disruption or faults in critical systems have a direct impact on deliveries of products and services to customers and other important business processes. Incorrect management of financial systems may affect the company's reporting of results. These risks are increasing in an ever-more technically complex and interconnected world. In recent years, Bufab has therefore worked towards more standardised IT processes and an organisation for information security. IT security includes a continuous risk assessment, the implementation of preventive measures and the use of security technologies. Standardised processes exist to implement new systems, to change current systems as well as for daily operations. A large share of Bufab's system landscape is based on thoroughly tested products, such as Jeeves.

Financial risks

Bufab is exposed to various types of financial risk in the course of its operations. Examples of these are currency, financing, interest rate and counterparty risks. The Board is responsible for adopting risk-management policies. Financial activities such as risk management, liquidity management and borrowing are managed at the Group level by the subsidiary Bult Finnveden AB.

Currency risks

Changes in exchange rates affect the Group's earnings and equity in different ways. Currency risk arises from:

- flow exposures in the form of receipts and payments in different currencies
- recognised assets and liabilities of subsidiaries
- translation of the earnings of foreign subsidiaries to SEK
- translation of net assets of foreign subsidiaries to SEK

Exchange-rate fluctuations may also affect the Group's competitiveness or that of its customers, thereby indirectly affecting the Group's sales and earnings. The Group's overall currency exposure has increased over time as operations have become more global, with increased trade from Asia as well as a higher proportion of sales outside Sweden – from Swedish subsidiaries but mainly from foreign subsidiaries. The Group's currency risk management policy primarily focuses on transaction-related currency risks. Currency risks are mainly managed by price adjustments to customers and suppliers, and by working to change the business's operating terms by aligning revenues and costs in currencies other than SEK with each other.

Some 74 percent (74) of the Group's total invoicing and 75 percent (76) of its costs are in foreign currencies. Flow exposure in 2019 was marginally hedged at fixed exchange rates.

During the financial year, the Group's currency flows (excluding the reporting currency, SEK) were distributed as follows (amounts in SEK million).

Currency	Costs*	Sales*
EUR	1,658	2,019
GBP	288	518
USD	874	359
DKK	72	166
RMB	81	108
NOK	45	105
PLN	112	75
SGD	29	55
INR	14	51
RUB	8	39
TRY	7	33
RON	10	21
CZK	10	5
NTD	124	0
HUF	9	0
JPY	3	0
CHF	0	0

* Expressed in SEK million at the average rate for 2019. Currency flows represent gross flows, including intra-Group transactions

The company's largest exposure is to the USD, as trade from Asia is largely conducted in this currency, and to the EUR, as a large proportion of its European sales are in this currency.

Net assets in foreign subsidiaries correspond to investments in foreign currencies that give rise to translation differences when they are translated to SEK. Loans were raised in EUR, GBP and USD to reduce the effect of translation differences on the Group's comprehensive income and capital structure. Exchange-rate gains and exchange-rate losses on these loans are considered to be effective hedges, as defined by IFRS, of translation differences and are recognised in other comprehensive income and the accumulated amount in equity. During 2019, the Group increased its lending in foreign currencies with the aim of reducing the impact of currency exposure on Group's equity that originates from companies with net assets in the currency in question. The effectiveness of the hedge is assessed when entering into a hedging relationship. The hedged item and hedge instrument is then assessed regularly to ensure the conditions satisfy requirements. Total borrowing in foreign currencies defined as hedging instruments amounted to EUR 376 million and GBP 321 million, respectively, at 31 December 2019. For a specification refer to Note 39. Refer also to the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

Credit risk

Credit risk related to cash and cash equivalents, balances and credit exposures are managed at the Group level. Credit risk related to receivables outstanding are managed by the company in which the receivable was created. The company conducts individual assessments of its customers' credit ratings and credit risks, including customers' financial position, as well as previous experiences and other factors. The management does not anticipate any losses due to missing payments from counterparties other than the amount reserved as "doubtful debts." Provisions are made for trade receivables and contract assets in accordance with the Group's loss risk provision model. The Group therefore makes provisions for trade receivables based on the Group's expected losses based on a historic model of expected losses in each age category. Indications that specific impairment is required include the Group's assessment that there is no reasonable expectation of repayment since the debtor is failing to comply with the repayment plan. When a debtor's payments have fallen due by more than 180 days, half of the value of the receivable is written off in line with the Group's loss risk provision model. When a debtor's payments have fallen due by more than 360 days, or when there is no reasonable expectation of repayment (for example, bankruptcy) the full value of the receivable is written off. For more information about past-due receivables and multi-year history, see Note 23.

Financing, liquidity and capital

Financing risk is defined as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining financing. Liquidity risk is managed by ensuring that the Group holds sufficient levels of cash and cash equivalents and access to financing under credit facility agreements. Executive management regularly monitors the need to refinance external loans with the aim of renegotiating the Group's credit facilities at least 12 months before the maturity date.

The Group receives its primary financing from a bank under an SEK 2,200 million credit facility with a maturity in September 2022. The credit facility was signed in September 2019. This credit is linked to certain borrowing terms (known as covenants), which are detailed in Note 28.

At year-end 2019, the Group had a liquidity reserve in the amount of SEK 666 million (655). The Group's finance policy stipulates that the available funds, meaning cash and cash equivalents and available but unutilised credits, must be greater than the Group's standard expenses for 0.7 of a month. On 31 December 2019, the liquidity reserve totalled 2.0 months' standard expenses for the Group.

The Group's target for total capital structure is to secure the Group's ability to continue its operations, in order to generate returns for shareholders and benefits for other stakeholders and to retain a solid capital structure to keep capital costs low. Executive management regularly monitors the need to refinance external loans with the aim of renegotiating the Group's credit facilities at least 12 months before the maturity date.

The Group has an equity/assets ratio of 33 percent (43), whereby the equity/assets ratio is defined as recognised equity divided by total assets.

Equity/assets ratio	**2019**	2018
Group		
Equity	1,750	1,600
Total assets	5,250	3,694
Equity/assets ratio	**33%**	**43%**

Assets, 2019	Financial assets at amortised cost	Total
Financial assets	**9**	**9**
Current assets		
– Trade receivables	730	730
– Other receivables	46	46
– Cash and cash equivalents	216	216
Total current assets	**992**	**992**
Total assets	**1,001**	**1,001**

Liabilities, 2019	Financial liabilities at amortised cost	Total
Non-current liabilities and provisions	**2,109**	**2,109**
Current liabilities and provisions		
– Trade payables	435	435
– Interest-bearing liabilities	175	175
Liabilities for additional purchase considerations	44	44
Total current liabilities	**654**	**654**
Total liabilities	**2,763**	**2,763**

Assets, 2018	Financial assets at amortised cost	Total
Financial assets	**5**	**5**
Current assets		
– Trade receivables	727	727
– Other receivables	35	35
– Cash and cash equivalents	144	144
Total current assets	**906**	**906**
Total assets	**911**	**911**

Liabilities, 2018	Financial liabilities at amortised cost	Total
Non-current liabilities and provisions	**1,247**	**1,247**
Current liabilities and provisions		
– Trade payables	410	410
– Interest-bearing liabilities	74	74
Liabilities for additional purchase considerations	28	28
Total current liabilities	**512**	**512**
Total liabilities	**1,759**	**1,759**

The net debt/equity ratio as at 31 December 2019 amounted to 118 percent (74), where the net debt/equity ratio is defined as net debt divided by recognised equity.

Debt/equity ratio	2019	2018
Group		
Interest-bearing liabilities	2,284	1,321
Cash	–216	–144
Net debt	2,068	1,177
Total equity	1,750	1,600
Debt/equity ratio	**118%**	**74%**

Classification of financial instruments

The following table shows the classification of financial instruments in the balance sheet for 2019 and 2018 (for definitions, see Note 2).

The maturity structure for existing borrowings is shown in Note 28. The amounts do not include the current portion, which will mature within one year. The overdraft facility normally matures within one year, but is usually extended on the due date.

The table below illustrates the Group's financial liabilities categorised by time left to maturity as per balance-sheet date. The amounts shown in the table are the contractual undiscounted cash flows, including estimated future interest payments.

On 31 December 2019	Within one year	Between one and five years	After five years
Bank loans and overdrafts	61	2,065	–
Interest	39	68	–
Lease liabilities	106	251	81
Liabilities for additional purchase considerations	44	325	40
Trade payables	410	–	–
Total	**660**	**2,709**	**121**

On 31 December 2018	Within one year	Between one and five years	After five years
Bank loans and overdrafts	74	1,247	–
Interest	23	44	–
Lease liabilities	2	12	–
Liabilities for additional purchase considerations	30	17	–
Trade payables	435	–	–
Total	**564**	**1,320**	**0**

Financial instruments

IFRS 13 Fair Value Measurement is applied. The Group's borrowings mainly take the form of credit facilities with long-term credit but short fixed-rate periods. Consequently, it is the assessment that the fair value is essentially consistent with the carrying amount.

Interest-rate risk

Changes in interest rates have a direct impact on the Group's earnings, while their impact on the overall economy also produces an indirect effect. The Group's bank loans at the end of the year had an average remaining fixed-rate period of three months.

Sensitivity analysis

Significant factors affecting the Group's earnings are described below. The assessment is based on year-end values, assuming all other factors remain constant.

Fluctuations in sales prices are the variable that has the greatest impact on earnings, with a change of +/–1 percent on resale prices affecting operating profit by about SEK 43 million (38).

Volume changes and sourcing prices affect Bufab's earnings. A 1-percentage point change in volume has an effect on earnings of about SEK 13 million (11), while a 5-percentage point change has an effect of about SEK 65 million (55) on operating profit. A 1-percentage point change in merchandise sourcing prices has an effect on earnings of about SEK 26 million (23), while a 5-percentage point change has an effect of about SEK 130 million (115) on operating profit.

Payroll costs represent a large proportion of the Group's cost base. A 1-percentage point increase affects operating profit by about SEK 6 million (6).

The Group's net debt was SEK 2,068 million on the balance-sheet date. A one percentage point change in the market rate for the closing net debt has an effect on profit after financial items of SEK 23 million (13).

The Group has considerable currency exposure in terms of transaction effects to the USD, which is related to the company's trade with Asia, particularly China and Taiwan. Local prices in Asia are largely set on the basis of the USD level. A one percentage point strengthening of the USD against the SEK, with all other variables held constant, has a negative impact of SEK 5 million (neg: 5) on operating profit. In a similar way, a five percentage point strengthening of the USD, with all other variables held constant, has a negative impact of SEK 25 million (neg: 25) on operating profit.

The Group currency exposure to EUR in terms of transaction and translation effects is also substantial. Exposure to the EUR is primarily due to the fact that the Group's invoicing in Europe is largely in this currency. A one percentage point change in the EUR, with all other variables held constant, has a positive impact of SEK 4 million (4) on operating profit. In a similar way, a five percentage point strengthening of the EUR, with all other variables held constant, has a positive impact of SEK 20 million (20) on operating profit.

The Group currency exposure to GBP in terms of transaction and translation effects is also substantial. Exposure to the GBP is primarily due to the fact that the Group's invoicing in the UK is largely in this currency. A one percentage point change in the GBP, with all other variables held constant, has a positive impact of SEK 2 million (2) on operating profit. In a similar way, a five percentage point strengthening of the GBP, with all other variables held constant, has a positive impact of SEK 10 million (10) on operating profit.

The Group's currency effects with regard to translation effects in foreign net assets is significant, primarily in GBP and EUR. A one percentage point change in the EUR and GBP, respectively, would, notwithstanding any hedges and all other variables held constant, yield a positive impact on the Group's equity of SEK 4 million and SEK 3 million, respectively. A five percentage point change in the EUR and GBP, respectively, would, notwithstanding any hedges and all other variables held constant, yield a positive impact on the Group's equity of SEK 20 million and SEK 15 million, respectively. For information on the Group's hedging for translation effects in foreign net assets, see Note 39.

NOTE 4

SIGNIFICANT ESTIMATES AND ASSESSMENTS

Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and other factors, including expectations about future events that are considered reasonable in the present circumstances. The Group makes judgements and assumptions concerning the future. These result in accounting estimates, which, by definition, rarely correspond with the actual outcome. Estimates and assumptions which involve considerable risk of material adjustments to the carrying amounts of assets and liabilities during the next financial year are described below.

The assumptions made in connection with goodwill impairment testing can be found in Note 17.

Inventories represents a significant item in the Group's balance sheet. At 31 December 2019, inventories amounted to SEK 1,494 million (1,315), net, after deductions for obsolescence of SEK 108 million (84).

The policies for recognising inventories are presented in Note 2.

The risk of obsolescence is taken into consideration in conjunction with establishing the value of inventories. Bufab applies a Group-wide policy for determining obsolescence, which considers to turnover rate of the individual items and forecast sales volumes. Accordingly, the size of the obsolescence reserve is thus sensitive to changes in forecast sales volumes.

Bufab has been ordered to carry out surveys of environmental pollutants at an industrial property. See also Note 33.

Bufab has an ongoing discussion the Tax Agency regarding a deduction denied by the Agency of incoming VAT on certain costs that arose in 2015–2018. See also Note 33.

Right-of-use assets and lease liabilities represent a significant item in the Group's balance sheet. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

The policies for assessing option extensions are presented in Note 20.

In conjunction with acquisitions, Bufab sometimes agrees on conditional additional purchase considerations. On 31 December 2019, the balance sheet included conditional additional purchase considerations of SEK 161 million. These are conditional upon the acquired companies achieving a certain earnings growth over time. Liabilities in the balance sheet pertaining to conditional additional purchase considerations reflect the management's best assessment of the outcome.

If the company performs better or worse than the management's assessment, the difference is recognised in profit or loss.

Further information about the Group's purchase considerations is presented in Note 29 and Note 35.

NOTE 5

INFORMATION ON OPERATING SEGMENTS

Segment reporting is prepared in accordance with IFRS 8. Operating segments are reported in a manner consistent with the internal reporting provided 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. Three segments have been identified in the Group, two operational, named segment Sweden and segment International, as well as segment Other. This segment structure is consistent with the internal reporting.

Segment International encompasses all regions with the exception of region Sweden. Businesses within the segment are organised in five regions: North, West, East, Asia & Pacific and the UK. The segment comprises in total 32 companies in 27 countries.

Segment Sweden comprises region Sweden, which includes 7 companies in Sweden, and Bufab USA Inc (USA), Industrias Bufab de Mexico S.a. de C.v. (Mexico), HT BENDIX A/S (Denmark) and Ningbo Rudhäll QLC Co. Ltd., (China). In addition to trading activities, Bufab has its own manufacturing at five facilities in Sweden.

Common overhead costs are distributed between the segments and are allocated on an arm's length basis. Segment Other consists of other unallocated costs for the Parent Company and Group eliminations.

	International		Sweden		Other		Total	
Group	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Income items								
Total revenue	**2,836**	**2,615**	**1,512**	**1,172**	**0**	**0**	**4,348**	**3,786**
Operating profit/loss (EBITA)	**288**	**290**	**132**	**126**	**–35**	**–49**	**384**	**367**
Amortisation of acquisition-related intangible assets	–9	–8	–6	–1	–	–	–15	–9
Financial items	–	–	–	–	–	–	–42	–29
Profit after financial items	**–**	**–**	**–**	**–**	**–**	**–**	**326**	**329**
Taxes	–	–	–	–	–	–	–73	–74
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**253**	**255**
Assets	2,851	2,155	1,952	1,493	445	46	5,249	3,694
Liabilities	1,086	462	820	386	1,595	1,246	3,500	2,094
Other disclosures								
Investments	18	7	39	69	11	4	68	80

NOTE 6

EMPLOYEES, PERSONNEL EXPENSES AND FEES PAID TO DIRECTORS AND AUDITORS

Average number of employees	2019	% Male	2018	% Male
Parent Company				
Sweden	1	100%	1	100%
Total	**1**	**100%**	**1**	**100%**
Subsidiaries				
Sweden	387	79%	318	77%
Norway	19	79%	17	82%
Finland	56	80%	58	81%
Denmark	40	88%	6	100%
Germany	27	74%	26	69%
Poland	53	72%	55	69%
Austria	28	82%	29	79%
Czech Republic	22	59%	25	56%
Spain	11	55%	11	55%
France	93	63%	93	66%
Netherlands	94	79%	85	82%
UK	200	79%	210	77%
Slovakia	14	64%	14	64%
Estonia	13	46%	12	50%
China	51	49%	56	50%
India	24	71%	23	74%
Taiwan	23	52%	20	55%
Romania	18	67%	19	58%
Russia	16	50%	15	53%
Hungary	9	67%	10	50%
Singapore	63	46%	62	42%
North America	24	79%	8	86%
Other	10	80%	4	89%
Total, subsidiaries	**1,295**	**73%**	**1,176**	**71%**
GROUP TOTAL	**1,296**	**73%**	**1,177**	**71%**

Board and senior executives	2019	% Female	2018	% Female
Board	7	43%	7	29%
CEO and other senior executives	8	25%	7	29%

	Parent Company		Subsidiaries		Group total	
Salaries, employee benefits and social security fees	**2019**	2018	**2019**	2018	**2019**	2018
Salaries and benefits excluding bonuses, etc.	6.0	5.8	549.4	474.8	555.4	480.6
Bonuses, etc.	0.1	1.8	5.2	8.3	5.3	10.1
Total salaries and other remuneration	**6.1**	**7.6**	**554.6**	**483.1**	**560.7**	**490.7**
Social security fees, excluding pension costs	1.9	2.7	129.6	116.4	131.5	119.1
Pension costs	1.2	1.1	45.5	39.2	46.7	40.3
Total social security fees	**3.1**	**3.8**	**175.1**	**155.6**	**178.2**	**159.4**

Salaries and other remuneration categorised by country and among Board members, CEO and other employees	2019 Management*	2019 Other employees	2018 Management*	2018 Other employees
Parent Company				
Salaries and other remuneration, excl. bonuses etc. for senior executives	6.0	–	5.8	–
Bonuses etc. for senior executives	0.1	–	1.8	–
Total Parent Company	**6.1**	**–**	**7.6**	**–**
Subsidiaries, Sweden				
Salaries and other remuneration, excl. bonuses etc. for senior executives	12.6	169.5	9.1	151.8
Bonuses etc. for senior executives	0.4	–	3.8	–
Total subsidiaries, Sweden	**13.0**	**169.5**	**12.9**	**151.8**
Foreign subsidiaries				
Salaries and other remuneration, excl. bonuses etc. for senior executives	32.6	334.7	32.1	281.8
Bonuses etc. for senior executives	4.8	–	4.5	–
Total foreign subsidiaries	**37.4**	**334.7**	**36.6**	**281.8**
Group total				
Salaries and other remuneration, excl. bonuses etc. for senior executives	51.2	504.2	47.0	433.6
Bonuses etc. for senior executives	5.3	–	10.1	–
Group total	**56.5**	**504.2**	**57.1**	**433.6**

* Includes current and former Board members, the CEO of the Parent Company and subsidiaries, as well as other senior executives in Group management.

Group	2019 Fee/ Basic salary	2019 Variable remunera-tion	2019 Other benefits/ remunera-tion	2019 Pension	2018 Fee/ Basic salary	2018 Variable remunera-tion	2018 Other benefits/ remunera-tion	2018 Pension
Board of Directors								
Sven-Olof Kulldorff	0.4	–	–	–	0.4	–	–	–
Hans Björstrand	0.2	–	–	–	0.2	–	–	–
Johanna Hagelberg	0.3	–	–	–	0.2	–	–	–
Anna Liljedahl	0.1	–	–	–	0.0	–	–	–
Bengt Liljedahl	0.2	–	–	–	0.2	–	–	–
Eva Nilsagård	0.3	–	–	–	0.2	–	–	–
Adam Samuelsson	0.1	–	–	–	0.2	–	–	–
Johan Sjö	0.1	–	–	–	0.0	–	–	–
Gunnar Tindberg	0.1	–	–	–	0.2	–	–	–
CEO								
Jörgen Rosengren	4.4	0.1	0.4	1.2	4.0	1.8	0.1	1.1
Other senior executives, 7 (6) people.	*11.6*	*0.4*	*1.5*	*3.6*	*7.2*	*3.3*	*0.6*	*2.9*

The Chairman is paid fees as resolved by the Annual General Meeting (AGM). The AGM set the Chairman's fees at SEK 0.4 million (0.4). Other Board members receive a total of SEK 1.6 million (1.3), including fees for committee work. Remuneration for the CEO and other senior executives comprises basic salary, variable remuneration, other benefits and remuneration as well as pension. The term "senior executives" refers to the members of Group management.

The variable remuneration received by the CEO and other senior executives is based on the achievement of financial targets. The CEO received a basic salary of SEK 4.4 million (4.0), variable remuneration of SEK 0.1 million (1.8) and pension benefits of SEK 1.2 million (1.1) during the year. The variable remuneration received by other senior executives is based on operating profit for each area of responsibility and at Group level. Other senior executives received a basic salary of SEK 11.6 million (7.2) and variable remuneration of SEK 0.4 million (3.3). There were seven (six) other senior executives in 2019.

The CEO's retirement age is 65. Pension costs are premium based and correspond to 25 percent of basic salary paid. The company and the CEO have a mutual period of notice of six months. The CEO is also entitled to severance pay of 12 months' basic salary if notice is initiated by the company. The retirement age for other senior executives is 65, and their pension costs are also premium based. The company and other senior executives have a maximum period of notice of 12 months when notice is initiated by the company and six months when initiated by the employee.

Auditors' fees and remuneration	2019	2018
PricewaterhouseCoopers		
Audit assignment	4	4
– of which to PricewaterhouseCoopers AB	*1*	*1*
Audit activities in addition to audit assignment	0	0
– of which to PricewaterhouseCoopers AB	*0*	*0*
Tax advice	0	0
– of which to PricewaterhouseCoopers AB	*0*	*0*
Other services	4	6
– of which to PricewaterhouseCoopers AB	*0*	*1*
Total	**8**	**10**
Other auditors		
Auditing fees to others	0	0

Audit assignment refers to fees for the statutory audit, meaning the work that was necessary in order to submit the audit report, as well as audit advisory services provided in connection with the audit assignment.

NOTE 7
TYPES OF COSTS

	2019	2018
Materials purchased, including costs of delivery	2,730	2,334
Salaries, including social security contributions	795	675
Depreciation	148	51
Other	291	368
Total operating expenses	**3,964**	**3,428**

NOTE 8
OTHER OPERATING INCOME

	2019	2018
Capital gain on sale of property, plant and equipment	–	2
Exchange-rate gains on operating receivables/liabilities	29	41
Other	10	7
Total other operating income	**39**	**50**

NOTE 9
OTHER OPERATING EXPENSES

	2019	2018
Exchange-rate losses on operating receivables/liabilities	–38	–39
Remeasurement of additional purchase considerations	–	–4
Other	–1	–5
Total other operating expenses	**–39**	**–48**

NOTE 10
DEPRECIATION/AMORTISATION OF NON-CURRENT ASSETS

	2019	2018
Depreciation/amortisation according to plan, by class of asset		
Other intangible assets	–19	–13
Buildings	–69	–1
Plant and machinery	–25	–17
Equipment, tools and fixtures & fittings	–35	–20
Total depreciation/amortisation	**–148**	**–51**
Depreciation/amortisation according to plan, by function		
Cost of goods sold	–55	–25
Distribution costs	–61	–19
Administrative expenses	–32	–7
Total depreciation/amortisation	**–148**	**–51**

NOTE 11

OPERATIONAL LEASING PAYMENTS

	2019	2018
Assets held under operational leases		
Minimum lease payments	–	74
Total lease payments for the year	**–**	**74**
Agreed future minimum lease payments on non-cancellable leases are due as follows:		
Within one year	–	89
Between one and five years	–	218
After five years	–	24
Total payments	**–**	**331**

The Group's operational leases primarily comprise business premises. These leases are principally indexed against the Consumer Price Index and include extension options.

As of 2019, leased assets are recognised in a separate item in the balance sheet, see Note 20. Refer also to Note 2 for information regarding new and amended standards that came into effect in 2019.

NOTE 12

INTEREST AND SIMILAR INCOME

	2019	2018
Exchange-rate differences	4	–
Interest income, other	3	3
Total	**7**	**3**

NOTE 13

INTEREST AND SIMILAR EXPENSES

	2019	2018
Interest expenses, lease liabilities	–11	–
Interest expenses, other	–38	–26
Exchange-rate differences	–	–2
Other	–	–4
Total	**–49**	**–32**

NOTE 14

EXCHANGE-RATE DIFFERENCES AFFECTING PROFIT/LOSS ITEMS

	2019	2018
Exchange-rate differences affecting operating profit	–6	2
Exchange-rate differences on financial items	4	–2
Total	**–2**	**0**

NOTE 15

TAX ON PROFIT FOR THE YEAR

	2019	2018
Current tax		
Current tax for the year	–73	–71
Current tax for previous years	–	–
Total	**–73**	**–71**
Deferred tax expense (–) / income (+)		
Deferred tax income on temporary differences	0	–3
Total	**0**	**–3**
Recognised tax expense	**–73**	**–74**

Reconciliation of effective tax	2019	2018
Profit before tax	326	329
Tax according to Parent Company's applicable rate	–70	–72
Effect of foreign subsidiaries' tax rates	–2	5
Effect of non-deductible expenses	–1	–2
Revaluation of loss carry-forwards/temp. differences	0	–5
Recognised tax expense	**–73**	**–74**
Effective tax rate	22%	22%

NOTE 16

EARNINGS PER SHARE

	2019	2018
Profit after tax	253	255
Estimated average number of ordinary shares outstanding before dilution	37,364,716	37,544,413
Earnings per share before dilution, SEK	**6.77**	**6.79**
Estimated average number of ordinary shares outstanding after dilution	37,524,203	37,544,413
Earnings per share after dilution, SEK	**6.75**	**6.79**

NOTE 17
INTANGIBLE ASSETS

	Goodwill		Other intangible assets	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Accumulated cost				
At beginning of year	1,139	1,098	127	110
New purchases for the year	0	–	–	5
Reclassifications			–	
New purchases through acquisitions	670	22	194	9
Exchange-rate differences for the year	5	19	–	3
At year-end	**1,814**	**1,139**	**321**	**127**
Accumulated amortisation according to plan and impairments				
At beginning of year	–43	–45	–44	–30
Amortisation according to plan for the year	–	–	–15	–13
New purchases through acquisitions	–		–10	
Amortisation in acquired companies		–	–1	–
Exchange-rate differences for the year	–1	2	1	–1
At year-end	**–44**	**–43**	**–69**	**–44**
Carrying amount at beginning of period	**1,096**	**1,054**	**83**	**54**
Carrying amount at end of period	**1,771**	**1,096**	**252**	**83**

Bufab tests goodwill for impairment requirements on an annual basis.

The Group's goodwill has been allocated to its lowest cash-generating units. Accordingly, SEK 821 million (550) was attributable to segment Sweden and SEK 950 million (548) to segment International. In segment Sweden, goodwill is divided among 2 (2) cash-generating units and in segment International goodwill is divided among 6 (6) cash-generating units. In 2019, a review was conducted of the number of cash-generating units to reflect the Group's regionalisation of operations and the degree to which goodwill is monitored. Since all new cash-generating units are a combination of previously individual cash-generating units, the reallocation of goodwill values has been achieved through a similar combination of the recognised goodwill values.

Since acquired units are integrated into Bufab's business model and exposed to similar risks, the same assumptions apply to all cash-generating units.

The recoverable amount for the cash-generating units was determined by calculating the value in use by way of discounting future cash flows.

The calculations were based on the company's budget and financial plans for 2020–2022, as approved by executive management and the Board. The plans for these years are detailed. The growth presented in the budget and financial plans during the forecast period is based on the Group's past organic growth and performance in the market segments in which Bufab is active. For the periods beyond those forecast, a 2 percent (2) rate of growth and inflation was assumed.

Expected future cash flows according to these assessments form the basis for the estimates. Changes in working capital and investment needs were also taken into account. The present value of the forecast cash flow was calculated using a discount rate of 7.5 percent (7.5) after tax, corresponding to 8.0 percent (8.0) before tax.

Impairment testing was conducted in conjunction with the annual accounts on 31 December 2019 and was addressed by the company's Board. No impairment requirement was indicated.

Executive management conducted a number of calculations based on reasonable potential changes in significant assumptions concerning the discount rate, growth and gross margins.

A change in the discount rate to 8.5 percent after tax would not result in any impairment requirement of the Group's recognised goodwill. The Group's budget and business plans during the forecast period include increases in sales, gross margin, earnings and cash flow. Nor would an assumption of a halved rate of growth or an assumption of a halved increase in the gross margin result in any need for impairment of goodwill.

NOTE 18

PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Plant and machinery		Equipment, tools and fixtures & fittings	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Accumulated cost						
At beginning of year	29	22	291	177	223	196
New purchases for the year	–	7	33	55	25	14
New purchases through acquisitions	7	–	–	64	57	17
Divestments and disposals	–	–	–	–18	–6	–9
Reclassifications	–	–	–	13	3	–
Exchange-rate differences for the year	–	–	1	–	4	5
At year-end	**36**	**29**	**325**	**291**	**307**	**223**
Accumulated depreciation according to plan						
At beginning of year	–7	–5	–164	–118	–164	–134
Divestments and disposals	–	–	–	18	–	9
Amortisation according to plan for the year	–2	–3	–24	–16	–20	–20
Amortisation in acquired companies	–5	–	–	–48	–45	–15
Exchange-rate differences for the year	–	–	1	–	3	–4
At year-end	**–14**	**–7**	**–187**	**–164**	**–226**	**–164**
Carrying amount at beginning of period	**21**	**16**	**127**	**59**	**59**	**62**
Carrying amount at end of period	**22**	**21**	**138**	**127**	**81**	**59**

NOTE 19

WORK IN PROGRESS AND ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT

	Intangible assets		Property, plant and equipment	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
At beginning of year	–	–	14	27
Reclassifications	–	–	–3	–13
Investments	11	–	–	–
Carrying amount at end of period	**11**	**0**	**11**	**14**

NOTE 20

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The amounts related to leases recognised in the balance sheet were as follows:

	2019	1 January 2019
Properties	351	249
Machinery	2	3
Equipment and other	7	8
Vehicles	22	23
Total assets with right-of-use	**382**	**283**
Lease liabilities		
Current	99	73
Non-current	303	227
Total lease liabilities	**402**	**300**

In 2019, additional right-of-use assets, after the transition to IFRS 16 Leases, amounted to SEK 114 million, SEK 62 million of which from company acquisitions.

Renegotiated contracts or option extensions exercised have since 1 January 2019 had an impact on right-of-use assets and lease assets of SEK 56 million.

Reported amount in income statement

The amounts related to leases recognised in the income statement were as follows:

	2019	2018
Amortisation of right-of-use assets		
Properties	–68	–
Machinery	–1	–
Equipment and other	–3	–
Vehicles	–12	–
Total amortisation of right-of-use assets	**–84**	**0**

The Group's leasing activities and how these are accounted for

The Group's costs pertaining to leases are recognised on the following lines in the consolidated income statement:

- Interest expense (included in finance cost).
- Expense relating to short-term leases (included in cost of goods sold and administrative expenses).
- Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses).
- Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses).

The Group leases offices, warehouse space, machinery, equipment and vehicles. Leases are normally signed for fixed periods up to ten years, though longer maturities may be agreed. Options to extend the contract may exist.

The contract may include both lease and non-lease components. The Group allocates the consideration in the contract to lease and non-lease components based on their relative stand-alone prices where the differences are material. For lease payments on properties where the Group is tenant, lease and non-lease components have not been separated and are instead recognised as a single lease component.

Lease terms are normally negotiated on an individual basis and contain a wide range of different terms and conditions. Leases do not impose special terms or restrictions save that the lessor retains the right to pledge lease assets as security. The leased assets may not be used as security for borrowing purposes.

Leased plant and equipment were classified as either financial or operating leases until the end of the 2018 financial year, see Note 11 and 21 for additional information.

As of 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any benefits in connection with signing the lease
- variable lease payments to be received based on an index or a rate, initially measured using an index or price on the commencement date
- amounts expected to be paid by the lessee under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- penalties to be paid upon termination of the lease, if the lease term reflects that the Group will exercise on opportunity to terminate the lease.

Lease payments that will be paid for extension options that it is reasonably certain will be exercised are also included in the measurement of the liability.

Lease payments are discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is to be used, which is the rate that an individual lessee would have to pay to borrow the funds necessary to purchase an asset of a similar value to the right-of-use asset in a similar economic environment with similar conditions and securities. The Group's incremental borrowing rate varies depending on duration and currency area and amounts to between 1.7 percent and 4.3 percent.

The Group decides the incremental borrowing rate as follows:

- Where possible, financing is used that was recently obtained from a external party as a starting point and is then adjusted to reflect changes to financing conditions since financing was obtained. Adjustments are made for the specific conditions in the contract, such as lease term, country, currency and security.

The Group is exposed to any future increases in the variable lease payments that depend on an index or a rate that are not included in the lease liability until they come into effect. When adjustments of lease payments that depend on an index or a rate come into effect, the lease liability is remeasured and adjusted against the right-of-use asset.

Lease payment is allocated between the liability and interest. The finance cost is recognised in profit or loss over the lease period so as to produce a constant periodic rate of interest on the lease liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise, for example, IT-equipment and small items of office equipment.

Options to terminate and extend the lease

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases which relate to warehouse space, machinery, equipment, the following factors are normally most significant:

- If the contract includes substantial payments to terminate the contract (or not renew it), the Group generally assesses that it is reasonably certain that the contract will be extended (or not terminated).
- If the Group has improvement expenses on others' property and expects these to have significant remaining value, it is normally reasonably certain that the contract will be extended (or not terminated).
- Otherwise, the Group considers other factors, including past lease terms, and the costs and disruption to business operations required to replace the leased asset.

The majority of extension options concerning leases of office premises and vehicles are not included in the lease liability as the Group can replace the assets without significant costs or disruption to operations.

The lease term is reassessed if an option is exercised (or not exercised) or if the Group is obliged to exercise the option (or not exercise it). The assessment of reasonable certainty is only reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Measurement of the lease liability as at 1 January 2019

Operating lease commitments disclosed as at 31 December 2018	331
Discounted using the lessee's incremental borrowing rate at the date of initial application, including the effect of other management of options to extend or terminate an agreement	–30
Add: finance lease liabilities recognised as at 31 December 2018	10
Less: short-term leases not recognised as liability	–7
Less: low-value leases not recognised as liability	–4
Lease liability recognised as at 1 January 2019	**300**
Of which:	
Current lease liabilities	73
Non-current lease liabilities	227

Performance measures affected by IFRS 16 Leases	**2019**	Adjusted for the effect of IFRS 16 Leases	**2019 pro forma**	2018
Gross profit	1,183	0	1,183	1,088
Operating expenses	–799	–11	–810	–721
EBITDA	517	–91	426	408
EBITDA, adjusted	426	–	426	408
Operating profit/loss (EBITA)	384	–11	373	367
Operating profit/loss	368	–11	357	358
Profit before tax	326	3	329	329
Profit after tax	253	3	256	255
Earnings per share, SEK	6.75	0.08	6.83	6.79
Net debt	2,068	–402	1,666	1,178
Net debt, adjusted	1,666	–	1,666	1,178
Debt/equity ratio, %	118	–21	97	74
Equity/assets ratio, %	33	3	36	43
Cash flow from operating activities before changes in working capital	397	–91	306	300

NOTE 21
FINANCIAL LEASES

	Cost		Accumulated depreciation	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Buildings	–	14	–	–6
Total financial leases	**–**	**14**	**–**	**–6**

Future minimum lease payments fall due as follows:	Nominal value		Present value	
	2019	2018	**2019**	2018
Within one year	–	2	–	2
Between one and five years	–	6	–	6
After five years	–	2	–	2
Total future lease payments	**–**	**10**	**–**	**10**

The present value of future minimum lease payments is recognised as an interest-bearing liability. The consolidated earnings do not include any variable fees concerning financial leases.

As of 2019, leased assets are recognised in a separate item in the balance sheet, see Note 20. Refer also to Note 2 for information regarding new and amended standards that came into effect in 2019.

NOTE 22

OTHER NON-CURRENT RECEIVABLES

	31 Dec 2019	31 Dec 2018
Accumulated cost		
At beginning of year	5	5
Investments for the year	4	–
Carrying amount at year-end	**9**	**5**

NOTE 23

PAST-DUE RECEIVABLES

	31 Dec 2019	31 Dec 2018
Number of days past due		
30–90 days	47	36
91–180 days	6	4
181–360 days	3	1
More than 360 days	4	6
Carrying amount at year-end	**60**	**47**
Provision in balance sheet for doubtful debts	9	8

Bad debt losses	2019	2018
Costs of bad debt losses affecting profit for the year	2	2
Total	**2**	**2**

Over the past five years, realised bad debt losses amount to approximately 0.1 percent of each year's net sales.

NOTE 24

PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2019	31 Dec 2018
Rent	6	10
Insurance	3	2
Licences	4	9
Other prepaid expenses	12	15
Carrying amount at year-end	**25**	**36**

NOTE 25

EQUITY

For a specification of the number of shares outstanding, refer to Note 8 for the Parent Company

NOTE 26

PENSION OBLIGATIONS, INTEREST-BEARING

	31 Dec 2019	31 Dec 2018
FPG/PRI	27	25
Retirement pension, foreign companies	10	10
Total	**37**	**35**

The assumptions in the table below are used to measure the pension obligation under defined-benefit pension plans.

	Sweden	
	31 Dec 2019	31 Dec 2018
Discount rate	1.4%	2.3%
Rate of salary increase*	–	–
Inflation	1.7%	2.0%

	Other countries	
	31 Dec 2019	31 Dec 2018
Discount rate	1.6%	2.2%
Rate of salary increase*	2.5%	2.1%
Inflation	2.0%	1.6%

* In the Swedish companies, the FPG/PRI pension plans are closed. The benefits are instead financed through insurance with Alecta. This assumption is not used for this reason.

Specification of total costs for post-retirement benefits recognised in profit or loss (SEK million)	2019	2018
Costs relating to defined-benefit plans		
Service costs for current year	0	0
Interest on obligations	1	1
Costs relating to defined-benefit plans	**1**	**1**
Costs relating to defined-contribution plans	46	39
Total costs recognised in profit or loss	**47**	**40**

Post-employment benefits are settled mainly by payments to insurance companies or agencies which then assume the obligations to the employees (defined-contribution pensions). The remainder are settled under defined-benefit plans, meaning that the obligations remain in the Bufab Group. The largest defined-benefit plan is in Sweden (FPG/PRI). The company's costs and the value of the outstanding obligations under defined-benefit plans are measured using actuarial calculations designed to determine the present value of the obligations. Interest and the expected return are classified as finance costs.

Other expense items are recognised in operating profit under cost of goods sold, distribution costs or administrative expenses, depending on the employee's function.

NOTE 27

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	31 Dec 2019		31 Dec 2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Machinery and equipment	–	21	–	16
Tax allocation reserve	–	25	–	31
Intangible assets	–	65	–	13
Other	17	8	5	2
Loss carry-forwards	11	–	11	–
Total	**28**	**119**	**16**	**62**

Tax-loss carry-forwards are recognised as deferred tax assets insofar as it is probable that they can be credited against future taxable profits. According to current plans, all companies' earnings in the coming years will enable the Group to utilise the recognised tax asset that exists. The Group has no significant loss carry-forwards that were not taken into account in its financial statements. The provision for deferred tax for intangible assets is attributable to the tax effect of consolidated remeasurement of assets to fair value.

NOTE 28

NON-CURRENT INTEREST-BEARING LIABILITIES

	31 Dec 2019	31 Dec 2018
Amount of liability items expected to be settled one–five years after balance-sheet date	1,769	1,212
Amount of liability items expected to be settled more than five years after balance-sheet date	–	–
Total	**1,769**	**1,212**

Of the Group's non-current interest-bearing liabilities, SEK 1,769 million (1,208) stem from credit from Svenska Handelsbanken. The Group must fulfil specific borrowing terms (covenants) required by external creditors, including equity/assets ratios and the ratio between operating profit before depreciation/amortisation and impairment, and net debt. These covenants were fulfilled throughout the financial year. On the balance-sheet date, the average interest rate on the Group's non-current liabilities was 2.1 percent (1.8).

NOTE 29

LIABILITIES RELATING TO ADDITIONAL PURCHASE CONSIDERATIONS

	2019	2018
Carrying amount at beginning of year	47	77
Additional purchase considerations for acquired companies	400	1
Paid additional purchase considerations for acquired companies	–30	–34
Exchange-rate fluctuations	–8	3
Carrying amount at year-end	**409**	**47**
– of which recognised as "Other current liability"	44	28
– of which recognised as "Other non-interest-bearing liabilities"	365	19

Additional purchase considerations are related to acquisitions carried out in 2017–2019. For more information, see Note 35. Liabilities relating to additional purchase considerations are remeasured on an ongoing basis by management at an estimated fair value based on the acquired companies' earnings performance, established budget and business plans and forecasts. This means that the measurement of fair value is essentially based on unobservable input data (Level 3 according to the definition in IFRS 13).

Total contingent considerations outstanding amounted to SEK 409 million on 31 December 2019, of which SEK 260 million is unconditional and SEK 149 million conditional additional purchase considerations. Liabilities for contingent considerations are, in all material respects, in USD and DKK. The contingent considerations recognised as a liability fall due for payment between 2020 and 2029.

NOTE 30

PLEDGED ASSETS

	31 Dec 2019	31 Dec 2018
Floating charges	257	246
Shares in subsidiaries	1,761	1,652
Total	**2,018**	**1,898**

NOTE 31

OVERDRAFT FACILITIES

	31 Dec 2019	31 Dec 2018
Credit limit granted	156	155
Unutilised portion	–96	–99
Credit amount utilised	**60**	**56**

NOTE 32

ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2019	31 Dec 2018
Accrued salaries incl. holiday pay	81	71
Accrued social security contributions	22	22
Other items	61	48
Total	**164**	**141**

NOTE 33
CONTINGENT LIABILITIES

	31 Dec 2019	31 Dec 2018
Environment	30	30
VAT	16	–
Other contingent liabilities	5	5
Total	**51**	**35**

Environment
In accordance with an injunctive order, the company conducted environmental investigations at a property where a subsidiary had been engaged in manufacturing until 1989, which was prior to the subsidiary being acquired by Bufab. The investigations revealed traces of environmental pollution. In light of the investigations performed, it is probable that the subsidiary's operations caused the pollution at this property. The legal and technical experts engaged in this case believe that it is probable that the municipality will order the subsidiary to carry out remediation measures, although the extent of these measures is not known.

On the termination of a lease agreement in 2013, Bufab also conducted an environmental investigation at another property. In order to obtain an overview of environmental issues relevant to the Group, Bufab also conducted an environmental audit in 2013, and where necessary an environmental engineering survey, of all properties where Bufab has previously engaged in manufacturing. The investigations have shown traces of pollution in two additional cases. If any link were established between this pollution and Bufab's operations, it would be the result of working and production methods that ceased to be used in the 1980s or earlier. Based on the investigations, it is Bufab's assessment that the identified pollution may have been caused by activities conducted by parties other than Bufab. However, the legal liability issue is difficult to assess and it is not inconceivable that Bufab could be required to implement remediation measures. During the year, meetings were held with relevant authorities and the assessment is that further investigations may need to be conducted in the next few years at the initiative of Bufab or other parties. Having consulted technical and legal experts based on the information available when the financial report was issued, it is Bufab's assessment that the total cost of potential remediation measures arising from the identified environmental pollution will not exceed a total of SEK 30 million during the next decade.

VAT
In December 2019, the company received the Swedish Tax Agency's decision from a VAT audit conducted in one of the Group's subsidiaries in Sweden. The decision entailed that the Tax Agency denied deduction of incoming VAT on certain costs that arose in 2015–2018. In conjunction with its tax lawyers, Bufab decided to appeal the Tax Agency's decision. Since the company deems that it is likely that appeal will be successful, the exposure (SEK 16 million) was recognised as a contingent liability.

NOTE 34
RELATED-PARTY TRANSACTIONS

Related parties to the Bufab Group are primarily the senior executives. Remuneration of senior executives is presented in Note 6.

NOTE 35
ACQUISITIONS

2019
During the 2019 financial year, two acquisitions were completed, HT BENDIX A/S, in Denmark in July and American Bolt % Screw Mfg. Corp. in North America in November. HT BENDIX A/S is reported in segment Sweden and American Bolt & Screw Mfg. Corp. in segment International. Transaction costs for these acquisitions amounted to SEK 12 million and are recognised in the item administrative expenses in segment Other.

The amounts of the assets and liabilities included in the acquisitions were as follows:

Preliminary acquisition analysis of American Bolt & Screw Mfg. Corp.	Fair value
Intangible assets	98
Other non-current assets	59
Inventories	99
Other current assets	38
Cash and cash equivalents	20
Deferred tax liabilities	–29
Other liabilities	–142
Acquired net assets	**143**
Goodwill	394
Purchase consideration*	**537**
Less: cash and cash equivalents in acquired operations	–20
Less: deferred purchase consideration	–260
Less: conditional purchase consideration	–52
Effect on the Group's cash and cash equivalents	**205**

* The consideration is stated excluding acquisition expenses.

The purchase consideration for 100 percent of shares in the preliminary acquisition analysis of American Bolt & Screw Mfg. Corp. was SEK 537 million. SEK 485 million is unconditional and SEK 52 million is conditional. The conditional portion comprises an initial purchase consideration in conjunction with the acquisition of shares for SEK 225 million and a deferred purchase consideration of SEK 260 million, which essentially falls due for payment in 2023. The conditional portion of SEK 52 million comprises 16 percent of the maximum outcome of the additional purchase consideration and is subject to the company's future earnings performance. The acquisition has added SEK 63 million to the Group's accumulated net sales since the transfer. The net impact, after acquisition costs, on operating profit was SEK –5 million and the effect on profit after tax was SEK –8 million. This acquisition would have positively impacted the Group's net sales by an estimated SEK 500 million, EBITA by about SEK 46 million, operating profit by about SEK 35 million and profit after tax for the period by about SEK 18 million had it been implemented on 1 January 2019. The acquisition analysis of American Bolt & Screw Mfg. Corp. 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.

The amounts allocated to intangible assets refer to customer relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions amounted to SEK 1 million and annual future estimated amortisation amounts to SEK 10 million.

Preliminary acquisition analysis of HT Bendix A/S	Fair value
Intangible assets	88
Other non-current assets	20
Inventories	113
Other current assets	18
Cash and cash equivalents	0
Deferred tax liabilities	–21
Other liabilities	–99
Acquired net assets	**119**
Goodwill	277
Purchase consideration*	**396**
Less: cash and cash equivalents in acquired operations	0
Less: conditional additional purchase consideration	–88
Effect on the Group's cash and cash equivalents	**307**

* The consideration is stated excluding acquisition expenses.

The purchase consideration for 100 percent of shares in the preliminary acquisition analysis of HT BENDIX A/S was SEK 396 million, of which SEK 308 million was paid unconditionally and the remaining SEK 88 million is subject to conditions. The conditional portion of SEK 88 million comprises 69 percent of the maximum outcome of the additional purchase consideration and is subject to the company's future earnings performance. The acquisition has added SEK 204 million to the Group's accumulated net sales since the transfer. The net impact, after acquisition costs, on operating profit (EBITA) from the date of the transfer of holdings was SEK 15 million and the effect on profit after tax was SEK 7 million. This acquisition would have positively impacted the Group's net sales by an estimated SEK 500 million, EBITA by about SEK 47 million, operating profit by about SEK 38 million and profit after tax for the period by about SEK 26 million had it been implemented on 1 January 2019. The acquisition analysis of HT BENDIX A/S 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.

The amounts allocated to intangible assets refer to customer relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions during the year amounted to SEK 3 million and annual future estimated amortisation amounts to SEK 9 million.

2018

Acquisition analysis of Rudhäll Industri AB	Fair value
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
Acquired net assets	**63**
Goodwill	23
Purchase consideration*	**86**
Less: cash and cash equivalents in acquired operations	–12
Less: unconditional purchase consideration yet to be paid	–1
Effect on the Group's cash and cash equivalents	**73**

* The consideration is stated excluding acquisition expenses.

The purchase consideration for Rudhäll Industri AB amounted to SEK 86 million, of which SEK 31 million was allocated to goodwill and other intangible assets according to the acquisition analysis. The unconditional additional purchase consideration of SEK 1 million will be settled in 2019. In 2018, the acquisition has positively impacted the Bufab Group's net sales by SEK 53 million since transfer. The net impact, after acquisition costs, on accumulated operating profit was SEK 0 million and the effect on profit after tax was SEK 0 million. The acquisition would have positively impacted the Group's net sales for the 2018 financial year by an estimated SEK 210 million, operating profit after transaction costs by about SEK 23 million and profit after tax for the period by about SEK 16 million if it had been implemented on 1 January 2018.

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.

The amounts allocated to intangible assets refer to customer relationships. They were valued at the discounted amount of future cash flows and are amortised on a straight-line basis over a period of ten years. Amortisation for the year regarding intangible assets for acquisitions during the year amounted to SEK 0.3 million and annual future estimated amortisation amounts to SEK 2 million.

NOTE 36

INCENTIVE PROGRAMME

Incentive programme 2019–2023

The Annual General Meeting on 25 April 2019 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 9.04, 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 August 2022–15 February 2023. The purchase price per share is SEK 109.96, corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 14 August 2019 and 20 August 2019. During the period, a total of 306,000 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 who remain as employees of the company in 2022, 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 shares to the participants of the programme. During the year, 302,252 shares were repurchased for the equivalent of SEK 31 million.

Incentive programme 2018–2021

The Annual General Meeting on 26 April 2018 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 13.34, 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 26 April 2017 and 2 May 2018. During the period, a total of 308,950 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 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 shares to the participants of the programme. During 2018, 308,850 shares were repurchased for the equivalent of SEK 37 million.

Incentive programme 2017–2020

The Annual General Meeting on 4 May 2017 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 10.01, corresponding to the market value of the options at the date of transfer. Each call option entitles the holder to acquire one share in Bufab during the period 15 May 2020–15 November 2020. The purchase price per share is SEK 120.40, corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 8 May 2017–12 May 2017. During the period, a total of 333,950 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 who remain as employees of the company in 2020, which may correspond to not more than the price paid for the call options.

To hedge Bufab's delivery of shares, the Annual General Meeting also resolved to authorise the Board of Directors to repurchase a maximum of 350,000 shares in the company, and approved the transfer of a maximum of 350,000 of the company's shares to the participants of the programme. During 2017, 333,950 shares were repurchased for the equivalent of SEK 31 million.

	2019		2018	
	Average exercise price per call option	No. of options	Average exercise price per call option	No. of options
On 1 January	**12.05**	**642,800**	**10.01**	**333,950**
Allocated during the year	9.04	302,252	13.34	308,850
Redeemed during the year	–	–	–	–
Forfeited during the year	–	–	–	–
On 31 December	**11.09**	**945,052**	**11.61**	**642,800**

Incentive programme	Date of allotment	Maturity date	Exercise price	Stock options on 31 December 2019	Stock options on 31 December 2018
Incentive programme 2019–2023	15 August 2019	15 February 2023	109.96	302,252	–
Incentive programme 2018–2021	17 May 2018	14 November 2021	133.90	308,850	308,850
Incentive programme 2017–2020	15 May 2017	15 November 2020	120.40	333,950	333,950
Total				**642,800**	**642,800**

Participant subsidy (gross salary bonus)	2019	2018
Cost of participant subsidy	3	2
Total	**3**	**2**

NOTE 37

EVENTS AFTER THE END OF THE FINANCIAL YEAR

As of 1 January 2020, a change was made to the Group's organisation. The former three operating segments of International, Sweden and Other were replaced by five new operating segments: North, West, East, UK/North America, and Other. In turn, the segments are organised into ten business units, as compared to the current six regions. As a result of this change, Jörn Maurer joined Group management with responsibility for Segment West. The purpose of the reorganisation is to achieve a clearer focus on the Group's international breadth and growth opportunities, and to increase focus on operational improvements in each subsidiary. The organisation will be fully implemented during the first quarter of 2020 and entails no restructuring costs. The new segment structure together with pro forma figures will be presented in the company's interim report for the first quarter of 2020.

Jesper Blomquist, who is responsible for logistics, quality and IT, has resigned to take up a challenge outside the Group, and will leave the company and Group management during the first half of 2020.

During January and February, Bufab has experienced only marginal effects on its income and earnings due to the corona pandemic. Suppliers, customers and Bufab's subsidiaries in 28 countries have worked well, with some minor disruptions. Even Bufab's operations in China and Singapore, which have been most exposed, have continued to operate with good results. During the first two months of the year, Bufab's turnover growth amounted to 20% and the profit was the same as last year.

The rapid development of the pandemic in North America and Europe the last weeks is, however, very unpredictable. Therefore, the company has taken extensive measures in order to secure the health and security for its employees, customers and suppliers, as well as for decreasing the risk of spreading the virus. The development also affects our customers operations and may risk leading to lower incomes for Bufab going forward. On those grounds, Bufab has accelerated ongoing programs for enhancing efficiency and savings, in order to lower its cost and increase its flexibility. The company is closely following the development and will take further measures if and when such become necessary.

Against this background, the Board of Directors of Bufab has decided to withdraw its previously communicated proposal for the Annual General Meeting 2020 on distribution of dividend of 2.75 SEK (2.50) per share, but instead propose that there shall be no distribution of dividend. The Board of Directors' opinion is that in the prevailing conditions, it is important that the company's financial solidity and financial position is as good as possible ahead of potential future challenges and possibilities.

NOTE 38

CHANGES TO BORROWINGS

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.

SEK million	31 Dec 2019	31 Dec 2018
Non-current interest-bearing liabilities, excluding lease liabilities	1,806	1,247
Non-current interest-bearing lease liabilities	303	0
Current interest-bearing liabilities, excluding lease liabilities	76	74
Current interest-bearing lease liabilities	99	0
Less: Cash and cash equivalents	–216	–144
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	**2,068**	**1,177**

SEK million	Lease liabilities	Non-current interest-bearing liabilities, excluding lease liabilities	Current interest-bearing liabilities, excluding lease liabilities	Cash and cash equivalents	Other interest-bearing receivables	Total net debt
Net debt on 31 December 2018	**0**	**1,247**	**74**	**–144**	**–**	**1,177**
Restatement on adoption of IFRS 16 Leases	300	–	–	–	–	300
Net debt on 1 January 2019	**300**	**1,247**	**74**	**–144**	**–**	**1,477**
Acquisitions – leases	170	–	–			170
Exchange-rate fluctuations	14	29	4	–4	–	43
Reclassifications	–	33	–	–	–	33
Cash flow	–82	497	–2	–68	–	345
Net debt on 31 December 2019	**402**	**1,806**	**76**	**–216**	**–**	**2,068**

NOTE 39

HEDGE OF NET ASSETS IN FOREIGN CURRENCY

The Group hedges portions of its net assets in foreign operations by borrowing in foreign currency with the aim of reducing the impact of currency exposure on the Group's equity. During the year, no ineffectiveness was noted in hedging net investments in foreign operations.

Hedged net investments in foreign operations in EUR		31 Dec 2019
Reported amount bank loans	SEK million	376
Reported amount in hedged currency	EUR million	36
The hedged amount is substantially lower than the maximum hedgeable amount		
Changes to the loan's carrying amount due to fluctuations in currency during the year	SEK million	6
Changes to the hedged item's carrying amount due to fluctuations in currency during the year	SEK million	–6

Hedged net investments in foreign operations in GBP		
Reported amount bank loans	SEK million	321
Reported amount in hedged currency	GBP million	26
The hedged amount is substantially lower than the maximum hedgeable amount		
Changes to the loan's carrying amount due to fluctuations in currency during the year	SEK million	23
Changes to the hedged item's carrying amount due to fluctuations in currency during the year	SEK million	–23

Parent Company income statement

SEK million	Note	2019	2018
Administrative expenses	2	–14	–14
Other operating income		6	7
Operating profit/loss	**2**	**–7**	**–7**
Profit from financial items			
Interest and similar expenses	3	–	–
Earnings from shares in Group companies	4	150	–
Profit/loss after financial items		**143**	**–7**
Appropriations	5	9	68
Tax on profit for the year	6	–1	–14
PROFIT FOR THE YEAR		**151**	**47**

Statement of Comprehensive Income

SEK million	2019	2018
Profit after tax	**151**	**47**
Other comprehensive income	–	–
Total comprehensive income	**151**	**47**

Parent Company Balance Sheet

SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	7	845	845
Total financial assets		**845**	**845**
Total non-current assets		**845**	**845**
Current assets			
Current receivables			
Receivables from Group companies		72	77
Other receivables		31	8
Total current receivables		**103**	**85**
Cash and bank balances		0	0
Total current assets		**103**	**85**
TOTAL ASSETS		**948**	**930**
EQUITY AND LIABILITIES			
Equity	8		
Share capital		1	1
Other paid-in capital		488	488
Retained earnings		341	312
Total equity		**830**	**801**
Untaxed reserves	**9**	**100**	**122**
Current non-interest-bearing liabilities			
Trade payables		1	1
Liabilities to Group companies		13	–
Accrued expenses and deferred income	10	4	6
Total current non-interest-bearing liabilities		**18**	**7**
TOTAL EQUITY AND LIABILITIES		**948**	**930**

Parent Company statement of changes in equity

SEK million	Share capital	Other paid-in capital *	Retained earnings	Total equity
Equity on 1 January 2018	**1**	**488**	**384**	**872**
Other comprehensive income	**–**	**–**	**47**	**47**
Transactions with shareholders				
Issued call options	–	–	4	4
Repurchase of own shares	–	–	–37	–37
Dividend to Parent Company shareholders	–	–	–85	–85
Total shareholder transactions	**0**	**0**	**–118**	**–118**
Equity on 31 December 2018	**1**	**488**	**312**	**801**
Other comprehensive income	**–**	**–**	**151**	**151**
Transactions with shareholders				
Issued call options	–	–	3	3
Repurchase of own shares	–	–	–31	–31
Dividend to Parent Company shareholders	–	–	–94	–94
Total shareholder transactions	**0**	**0**	**–122**	**–122**
Equity on 31 December 2019	**1**	**488**	**341**	**830**

* The Parent Company's restricted equity comprises share capital and SEK 32 million in other paid-in capital.

Parent Company cash-flow statement

SEK million	Note	2019	2018
	Note		
Operating activities	2		
Loss before financial items		–7	–7
Income tax paid		–1	–14
Cash flow from operating activities before changes in working capital		**–8**	**–21**
Cash flow from changes in working capital			
Increase (–) / decrease (+) in operating receivables		–18	82
Increase (+) / decrease (–) in operating liabilities		11	–5
Cash flow from operating activities		**–15**	**56**
Financing activities			
Dividends		–94	–85
Issued call options		3	4
Repurchase of own shares		–31	–37
Group contributions received		–	61
Group contributions paid		–13	–
Dividends received		150	–
Cash flow from financing activities		**15**	**–57**
Cash flow for the year		0	–1
Cash and cash equivalents at beginning of year		0	1
Cash and cash equivalents at year-end		**0**	**0**

Notes to Parent Company financial statements

All amounts are in SEK million unless otherwise specified. The figures in brackets indicate the preceding year's values.

NOTE 1

SUMMARY OF KEY ACCOUNTING POLICIES

The Parent Company applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Under the recommendation, the parent of a group which has voluntarily elected to apply IFRS/IAS in its consolidated financial statements is, as a general rule, to apply the IFRS/IAS that are applied in the Group.

The Parent Company's participations in Group companies are recognised using the cost method. Distributions received are only recognised as revenue if they are derived from post-acquisition earnings. Distributions received in excess of such earnings are regarded as a recovery of investment and are recognised as a reduction of the carrying amount of the investment.

Shareholders' contributions are recognised directly in the recipient's equity and are capitalised in the issuer's shares and participating interests, to the extent that impairment is not required. Group contributions are recognised as appropriations in profit or loss.

NOTE 2

EMPLOYEES, PERSONNEL EXPENSES AND FEES PAID TO DIRECTORS AND AUDITORS

The company has 1 (1) employee.

Average number of employees	2019	2018
Female	–	–
Male	1	1
Total	**1**	**1**

	2019		2018	
Salaries, employee benefits and social security fees	**Salaries and benefits**	**Social security fees**	Salaries and benefits	Social security fees
Salaries and remuneration to Board and CEO	6.1	3.1	7.6	3.9
(of which bonuses, etc.)	0.1		1.8	
(of which pension cost, defined-contribution plans)		1.2		1.1
Total	**6.1**	**3.1**	**7.6**	**3.9**

Sickness absence

Sickness absence information is not disclosed since the Parent Company has fewer than ten employees.

Auditors' fees and remuneration	2019	2018
Öhrlings PricewaterhouseCoopers AB		
Audit assignment	1	1
Other services	0	0

Audit assignment refers to fees for the statutory audit, meaning the work that was necessary in order to submit the audit report, as well as audit advisory services provided in connection with the audit assignment.

NOTE 3

INTEREST AND SIMILAR EXPENSES

	2019	2018
Interest expenses, other	–	–
Total	**0**	**0**

NOTE 4

EARNINGS FROM SHARES IN GROUP COMPANIES

	2019	2018
Dividend	150	–
Total	**150**	**0**

NOTE 5

APPROPRIATIONS

	2018	2018
Reversal of tax allocation reserve, 2015 tax year	22	–
Reversal of tax allocation reserve, 2014 tax year	–	27
Transfers to tax allocation reserve, 2019 tax year	–	–21
Group contributions received	–	61
Group contributions paid	–13	–
Total	**9**	**68**

NOTE 6

TAX ON PROFIT FOR THE YEAR

	2019	2018
Current tax		
Current tax for the year	–1	–14
Current tax for previous years	–	–
Total	**–1**	**–14**

Reconciliation of effective tax	2019	2018
Profit before tax	152	66
Tax according to Parent Company's applicable rate	–33	–14
Effect of non-taxable income	32	0
Effect of non-deductible expenses	0	0
Tax for previous years	–	–
Recognised effective tax	**–1**	**–14**

NOTE 7
PARTICIPATIONS IN GROUP COMPANIES

	31 Dec 2019	31 Dec 2018
Accumulated cost		
At beginning of year	845	845
Total cost	**845**	**845**
Carrying amount at end of period	**845**	**845**

Specification of Parent Company's and Group's holdings of shares in Group companies	Holding[1], %	31 Dec 2019 Carrying amount	31 Dec 2018 Carrying amount
Subsidiary / Corp. Reg. No. / registered office			
Bult Finnveden AB, 556194-4884, Värnamo, SE	100%	845	845
Bufab Sweden AB, 556082-7973, Värnamo, SE	100%		
Bufab Lann AB, 556180-8675, Värnamo, SE	100%		
Magnetfabriken AB, 559010-5614, Västerås, SE	100%		
Rudhäll Industri AB, 556265-0993, Gnosjö, SE	100%		
Ejvo Mekaniska Verkstad AB, 556148-7793, Värnamo, SE	100%		
Hallborn Metall AB, 556096-5112, Gnosjö, SE	100%		
Ningbo Rudhall QLC Co., Ltd., Ningbo, CN	100%		
Bufab DK Holding ApS, CVR 40546529, Hellerup, DK	100%		
HT BENDIX A/S, CVR 34215685, Herning, DK	100%		
Bufab Benelux BV, 3117232260, Eindhoven, NL	100%		
Bufab Danmark A/S, 157848, Albertslund, DK	100%		
Bufab Norge AS, 876612062, Oslo, NO	100%		
Bufab (UK) Limited, 02611234, Reading, UK	100%		
Bufab France SAS, B 112 721, Gennevilliers, FR	100%		
Bufab Hungary Kft, 13-09-143460, Budaörs, HU	100%		
Bufab Germany GmbH, 07229 / 21283, Mörfelden-Walldorf, DE	100%		
Bumax AB, 556176-1957, Åshammar, SE	100%		
Bufab Poland Sp.z.o.o., KRS 0000036164, Gdansk, PL	100%		
Bufab Austria GmbH, FN 266844 v, Vienna, AT	100%		
Bufab CZ s.r.o., (IC) 25561260, Brno, CZ	100%		
Bufab Baltic OÜ, EE101042585, Keila, EST	100%		
Bufab Spain SLU, ESB08464430, Terrassa Barcelona, ES	100%		
Bufab Industries SAS, FR12353237431, Corbas Lyon, FR	100%		
Bufab Fasteners Trading (Shanghai) Co Ltd, 310000400448552, Shanghai, CN	100%		
Bufab Finland Oy, 2042801-2, Vantaa, FI	100%		
Bufab India, U29299PN2008PTC131481, Pune, IN	100%		
Bufab USA Inc, 26-2606492, New York, US	100%		
Bufab Taiwan Co Ltd, 29002549, Kaohsiung City, TW	100%		
Bufab Slovakia s.r.o., 31 639 291, Banska Bystrica, SK	100%		
Bufab Russia, INN7840408623, St. Petersburg, RU	100%		
Bufab Turkey, 1890607929, Istanbul, TR	100%		
Bufab Romania SRL, RO25446590, Apahida Cluj, RO	100%		
Bufab Ireland LTD, NI061428, Dundalk, IE	100%		
Bufab Singapore PTE. Ltd, 201614160Z, Singapore, SG	100%		
Flos B.V., 17062762, Eindhoven, NL	100%		
Apex Stainless Holdings Limited, 08403936, Rugby, UK	100%		
Apex Stainless Fasteners Limited, 02631068, Rugby, UK	100%		
Montrose Holdings Limited, 09731597, High Wycombe, UK	100%		
Montrose Fasteners Limited, 02646431, High Wycombe, UK	100%		
Thunderbolts Group Limited, 02841225, Southampton, UK	100%		
Thunderbolts Fasteners Limited, 02841171, Southampton, UK	100%		
Kian Soon Mechanical Components Pte. Ltd, 198703945H, Singapore, SG	100%		
Puresys Pte. Ltd, 201210504E, Singapore, SG	100%		
PT Kian Soon Hardware, 03-184-577-9-215-000, Batam, ID	100%		
Kian Soon Mechanical Components Sdn. Bhd., 1081316P, Penang, MY	100%		
Kian Soon Mechanical Components Co., Ltd., 0105557000304, Samutprakan, TH	100%		
Bufab USA Holding, Inc.20-197844524, Delaware, US	100%		
American Screw & Bolt Mfg. Corp., 11-2328266, Ontario, California, US	100%		
Industrias Bufab de Mexico, S.a. de C.v., IBM170911RV6, Guadalajara, MX	100%		
		845	**845**

[1] Ownership of capital, which also corresponds to the percentage of votes for the total number of shares.

NOTE 8
EQUITY

A total of 38,110,533 ordinary shares were issued on the balance-sheet date. The shares had a quotient value of SEK 0.01436 on the balance-sheet date. All issued shares have been paid for in full.

In accordance with the Group's financial targets, as adopted by Bufab's Board of Directors, the regular dividend to shareholders is to correspond to about 30–60 percent of the Group's profit after tax during the year. Exemptions are permissible in exceptional circumstances, such as acquisitions. The Bufab Group's capital requirements, its profit, financial position, capital requirement, covenants and the prevailing cyclical conditions must also be taken into account. No change has taken place in the Parent Company's capital management during the year.

NOTE 9
UNTAXED RESERVES

	31 Dec 2019	31 Dec 2018
Tax allocation reserve, 2015 tax year	–	22
Tax allocation reserve, 2016 tax year	20	20
Tax allocation reserve, 2017 tax year	32	32
Tax allocation reserve, 2018 tax year	28	28
Tax allocation reserve, 2019 tax year	21	21
Total	**100**	**122**

NOTE 10
ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2019	31 Dec 2018
Accrued salaries incl. holiday pay	2	3
Accrued social security contributions	1	1
Other	1	2
Total	**4**	**6**

NOTE 11
PLEDGED ASSETS

	31 Dec 2019	31 Dec 2018
Shares in subsidiaries	845	845
Total	**845**	**845**

NOTE 12
CONTINGENT LIABILITIES

	31 Dec 2019	31 Dec 2018
Guarantees to subsidiaries	1,303	1,303
Total	**1,303**	**1,303**

Guarantees to subsidiaries relates to subsidiaries' liability in Svenska Handelsbanken.

NOTE 13
APPROPRIATION OF PROFITS

Proposed appropriation of profits	**SEK**
The following earnings are at the disposal of the AGM:	
Retained earnings	**341,894,367**
The Board of Directors proposes that the earnings be appropriated as follows:	
To be carried forward	341,894,367
Total	**341,894,367**

The income statements and balance sheets will be presented for adoption by the Annual General Meeting on 21 April 2020.
The undersigned certify that the annual report for the Group and the Parent Company has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting policies, and gives a true and fair view of the financial positions and results of the Group and the Parent Company, and that the Board of Directors' Report gives a fair overview of the performance of the operations, financial positions and results of the Group and the Parent Company, and describes substantial risks and uncertainties faced by the Group's companies.

Värnamo, 18 March 2020

Sven-Olof Kulldorff
Chairman of the Board

Hans Björstrand
Board member

Johanna Hagelberg
Board member

Anna Liljedahl
Board member

Bengt Liljedahl
Board member

Eva Nilsagård
Board member

Johan Sjö
Board member

Jörgen Rosengren
President and CEO

Our audit report was submitted on 18 March 2020
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant
Auditor in Charge

Helena Pegrén
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Bufab AB (publ), corporate identity number 556685-6240

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts for Bufab AB (publ), for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 8-55 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company's Audit Committee in accordance with Article 11 of the Auditors Ordinance (537/2014).

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Auditors Ordinance (537/2014) have been provided to the audited company or, as the case may be, its parent company or its controlled company within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit focus and scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

When we designed our group audit strategy and group audit plan, we determined the degree of audit activities required by the group audit team, respective component auditors within the PwC network. As a result of the group's decentralised finance organisation, a significant portion of the group's financial reporting is prepared in components outside Sweden. This implies that a significant portion of the group audit is required to be executed by component auditors working within the PwC network in other countries.

When we assessed the degree of audit activities required to be implemented in the respective units, we considered the group's geographical spread, the size of the respective units, and the specific risk profile represented by the respective components. Against this background, we determined that a full audit was to be executed on, in addition to the parent company in Sweden, financial information prepared by twelve significant subsidiaries (with registered offices in a total of eight different countries).

For the components (17 units in 16 countries) where we have deemed that it is not motivated to execute a complete audit, we have instructed the component auditors to undertake specifically defined audit measures. For the other units deemed individually to be of no significance to the group audit, the group team undertook analytical procedures at group level.

In the case the unit auditors execute work which is significant to our audit of the group, we evaluate, in our role as group auditors, the need and degree of involvement required in the work of the component auditors with the aim of determining whether significant audit evidence has been obtained to provide the basis for our opinion in the group's Auditor's Report. For this purpose, the group audit team regularly visits the component auditors and significant subsidiaries.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter

Valuation of goodwill

At 31 December 2019, the group reported goodwill of 1,771 MSEK which is divided between a total of eight cash-generating units, of which two cash-generating units are attributable to Segment Sweden and six cash-generating units are attributable to Segment International.

In accordance with IAS 36, the group tests, on an annual basis, the existence of an impairment requirement as regards reported goodwill. This testing is undertaken per cash-generating unit and through the recoverable value being calculated and compared with the carrying value of the operations.

The recoverable value is determined by company management on the basis of a calculation of the cash-generating units' capacity to generate cash flow in the future.

The impairment tests are significant to our audit as goodwill represents a major item in the balance sheet and, in addition, the impairment testing implies that company management are required to undertake significant estimations and judgements on the future.

Based on the group's prepared impairment tests, no impairment requirement for goodwill was identified as at 31 December 2019.The most significant assumptions applied in the impairment testing are described in Note 17.

Our audit measures included an assessment of the cash flow calculations' mathematical correctness and a reconciliation of the cash flow forecasts against the 2020 budget adopted by the Board of the Directors and against financial plans for 2021-2022.

We have evaluated and assessed the company's valuation model to determine if it is in accordance with generally accepted valuation techniques.

We have challenged the company management regarding the reasonableness of the assumptions having the greatest effect on the impairment testing, which includes the sustainable growth rate, sustainable gross margin and the discount rate

On the basis of our own implemented sensitivity analyses, we have challenged company management's assumptions and tested the margin of safety and assessed the risk of an impairment requirement.

We have also assessed whether the company has provided sufficient disclosures in the annual report regarding the assumptions which in the case of a change could lead to an impairment of goodwill in the future.

Valuation of inventories

At 31 December 2019, the group reported inventories of 1,494 MSEK.

The valuation of inventories is significant to our audit as this valuation includes a number of estimations and judgements and, in addition, the value of the inventory is equivalent to a major portion (approximately 28.5%) of the group's total assets.

An important assessment which company management is required to undertake in making a valuation of the inventory comprises of the group's capacity to sell its products in the inventory at a price in excess of acquisition cost and, in this context, consider the risk of obsolescence.

The risk of obsolescence is impacted by Bufab's business model as an important portion of the group's client offering is comprised of fulfilling the clients' needs regarding fasteners quickly and cost effectively. Consequently, and with the aim of meeting the clients' requirements, Bufab can, in cases, find it necessary to keep in stock significant quantities of articles which reduces the turnover rate and increases the risk of obsolescence.

With the aim of identifying and calculating the consistency in the risk of obsolescence, company management has adopted a group-wide obsolescence policy. The obsolescence policy considers the individual articles' turn- over rate which, together with assessed future sales volumes, comprises the basis on which company management can determine a reasonable obsolescence provision.

The group's principles for the valuation of inventory and reporting of obsolescence are described in Note 2 on page 21 in the annual report. Important estimations and judgements required to be undertaken by the group in conjunction with the accounting of the inventory are found in Note 4 in the annual report.

Our audit measures included an evaluation of the group's principles for calculating obsolescence in the inventory.

With the aim of assessing the reasonability of the company's obsolescence provisions, we have instructed our component auditors to examine and report back to the group team any possible deviations from the group-wide obsolescence policy.

We have tested the reasonableness of the assumptions and judgements made by company management regarding the saleability of articles with a low turnover rate.

We have, on a sample basis, tested the mathematical correctness of the company's reports concerning obsolescence calculations.

We have also discussed with management and examined minutes from Board meetings and other management meeting with the aim of identifying forecasted changes in the company's sales which could result in inventory items being obsolete.

Finally, we have evaluated to determine if the group has described, in an appropriate manner, its principles for inventory valuation in the annual report, including the estimations and judgements made to value the inventory at 31 December 2019.

Other Information than the annual accounts and consolidated accounts

This document also contains other Information than the annual accounts and consolidated accounts which can be found on pages 1-7 and pages 56-68. The Board of Directors and CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board's Audit Committee shall, without affecting the other tasks and responsibilities of the Board, monitor the company's financial reporting, among other things.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bufab AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Öhrlings PricewaterhouseCoopers AB, 113 21 Stockholm, Sweden was appointed Bufab AB (publ)'s auditor at the Annual General Meeting on 25 April 2019, and has been the company's auditor since 12 September 2005. Bufab AB (publ) has been a public interest company since 21 February 2014.

Värnamo, 18 March 2020
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant
Auditor-in-charge

Helena Pegrén
Authorised Public Accountant

Corporate Governance Report

Bufab Holding AB (publ) is a Swedish public limited liability company. Bufab has been listed on Nasdaq Stockholm since 21 February 2014. Bufab applies the Swedish Corporate Governance Code (the "Code") and hereby submits its Corporate Governance Report for the 2019 financial year in accordance with the provisions of the Swedish Annual Accounts Act and the Code. The Corporate Governance Report was reviewed by the company's auditors.

The Code guidelines are available on the website of the Swedish Corporate Governance Board (www.corporategovernanceboard.se). The Code is based on the principle of "comply or explain," which means that companies applying the Code do not always have to comply with every rule on condition that an explanation is provided. Bufab did not make any such deviations in 2019, with the exception of the fact that the Group has not set up a separate internal audit function.

Delegation of responsibility

The purpose of Bufab's corporate governance is to create a clear delegation of roles and responsibilities between owners, the Board, the Board's Committees and senior management. Corporate governance at Bufab is based on applicable legislation, primarily the Swedish Companies Act, Nasdaq Stockholm's rules and regulations, the Code and internal guidelines and rules.

Share capital and shareholders

At year-end, the company's share capital totalled SEK 547,189, represented by a total of 38,110,533 shares. All shares carry equal voting rights and there are no limitations governing how many votes each shareholder may cast at a general meeting. At year-end 2019, Bufab had 4,808 shareholders (5,856). Of the total number of shares, 17 percent were held by foreign shareholders. The ten largest shareholders owned a combined total of 70 percent of the shares.

For more information about the share and shareholders, see page 65.

Nomination Committee

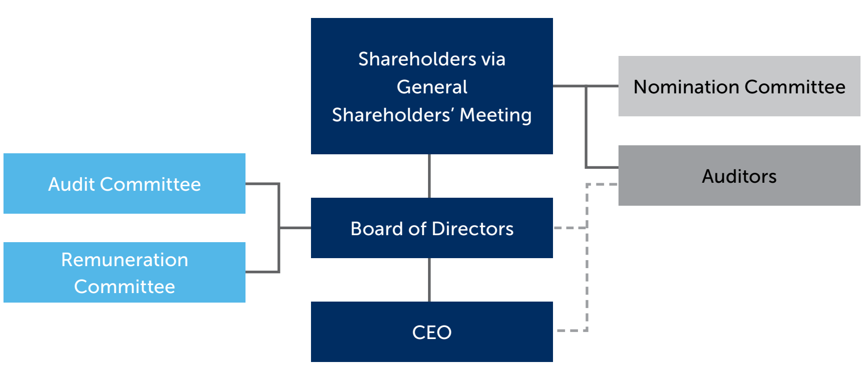
Bufab is to have a Nomination Committee comprising one representative for each of the four largest shareholders in terms of number of votes in the shareholders' register maintained by Euroclear Sweden AB as of 31 August in the year prior to the AGM, who on being asked expressed a wish to participate in the nomination work, as well as the Chairman of the company. The names of the four owner representatives and the shareholders they represent must be announced not later than six months prior to the AGM. The Nomination Committee's mandate is valid until a new Nomination Committee is appointed. If the group of the largest shareholders changes during the nomination process, the composition of the Nomination Committee may change. The Nomination Committee's task is to prepare proposals on the following issues:

- Chairman of the Meeting
- Board members
- Chairman of the Board
- remuneration of the Board
- auditor
- auditor's fees, and
- any changes to the Nomination Committee's instructions.

The Nomination Committee for the 2019 AGM consisted of Adam Gerge (Didner & Gerge fonder), Fredrik Liljedahl (Liljedahl Group), Johan Ståhl (Lannebo fonder), Niklas Johansson (Handelsbanken Fonder) and the Chairman of the Board Sven-Olof Kulldorff, adjunct.

The reasoned statement to the 2019 AGM shows that the Nomination Committee has applied Section 4.1 of the Swedish Corporate Governance Code as diversity policy when making its proposal. With regards to the company's operations, development stages and conditions in general, the goal of the policy is that the Board should have an appropriate composition characterised by versatility and width of expertise, experience and background as well an even gender distribution. The 2019 AGM decided to appoint members of the Board in accordance with the Nomination Committee proposal, resulting in the current Board of Directors with seven members (unchanged), of whom three women and four men, which means the proportion of women has risen to 43 percent. The Nomination Committee notes that female representation is well aligned with the level of ambition pronounced by the Swedish Corporate Governance Board, but falls below the Nomination Committee's long-term goal concerning gender balance

Governance structure



Important external rules and regulations
- Swedish Companies Act
- Stock market's rule book for issuers
- Swedish Corporate Governance Code
- Swedish Annual Accounts Act
- Book-keeping Act

Important internal rules and regulations
- Articles of Association
- Board's rules of procedure
- Audit Committee's rules of procedure
- Distribution of work Board of Directors/CEO
- The Group's and business areas' resolutions procedure
- Bufab's Code of Conduct
- Control documents in the form of policies, regulations, guidelines and instructions

The names of the Nomination Committee's representatives and the shareholders that they represent ahead of the 2020 AGM were published on 7 October 2019:

- Fredrik Liljedahl (Chairman), Liljedahl Group
- Adam Gerge, Didner & Gerge fonder
- Johan Ståhl, Lannebo fonder,
- Niklas Johansson, Handelsbanken Fonder, and
- Sven-Olof Kulldorff, Chairman of the Board, adjunct.

General Shareholders' Meeting

The general shareholders' meeting is the company's highest decision-making body. At the general shareholders' meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the company's results, discharge from liability of Board members and the CEO, election of the Chairman, Board members and auditors and remuneration of the Board of Directors and the auditors. There are no provisions contained in the Articles of Association concerning the appointment or dismissal of Board members, or regarding changes to the Articles of Association. Further information about the AGMs, the minutes of the Meetings, and Bufab's Articles of Association are available on www.bufab.com.

2019 AGM

The AGM was held in Värnamo on 25 April 2019. Some 93 shareholders attended the Meeting, in person or by proxy, representing 62 percent of the company's voting rights. The Meeting was also attended by the Board of Directors, Group management and the auditor. The following key resolutions were made:

- Adoption of the income statement and balance sheets for 2018, appropriation of the company's results, and discharge from liability of Board members and the CEO.
- The re-election of Hans Björstrand, Johanna Hagelberg, Sven-Olof Kulldorff, Bengt Liljedahl and Eva Nilsagård. Anna Liljedahl and Johan Sjö were elected as new members of the Board. Sven-Olof Kulldorff was re-elected Chairman of the Board.
- Guidelines for remuneration of senior executives.
- A long-term share-based incentive programme for 2019 was approved.

The 2020 AGM will be held on 21 April 2020 in Värnamo, Sweden. Notice of the AGM is available at www.bufab.com.

Board

Composition

According to Bufab's Articles of Association, the Board of Directors is to be comprised of not less than three and not more than ten AGM-elected members, with not more than three deputy members.

Bufab applies section 4.1. in the Code relating to the composition of the Board. The Board should therefore be characterised by diversity and breadth of expertise, experience and background of the members elected by the AGM. An even gender distribution should be pursued.

Since the 2019 AGM, the Board has comprised seven AGM-elected members; Sven-Olof Kulldorff (Chairman), Hans Björstrand, Johanna Hagelberg, Anna Liljedahl, Bengt Liljedahl, Eva Nilsagård, and Johan Sjö. All Board members are independent in relation to the company and company management. All Board members, except for Bengt Liljedahl and Anna Liljedahl, are independent in relation to the company's largest shareholders. Accordingly, the Board meets the requirement that at least two Board members who are independent in relation to the company and company management are also independent in relation to the largest shareholders.

Further information regarding the Board members is presented on page 62 of the Annual Report and on www.bufab.com.

Work of the Board

The Board is responsible for the organisation of the company and for managing the company's operations. The Board is also to issue guidelines and instructions to the CEO. Furthermore, the Board is to ensure that the organisation of the company regarding accounting, management of funds and financial position are controlled in a satisfactory manner. The Board of Directors applies written rules of procedure, which are revised annually and adopted by the statutory Board meeting every year. Among other aspects, the rules of procedure govern the practice of the Board of Directors, functions and the division of work between the Board of Directors and the CEO. At the statutory Board meeting, the Board of Directors also adopts instructions for the CEO, including instructions for financial reporting. The Board of Directors meets according to an annual predetermined schedule. In addition to these meetings, additional Board meetings can be convened to address issues which cannot be postponed until the next ordinary Board meeting. The Chairman of the Board and the CEO also engage in an ongoing dialogue concerning the management of the company.

The Board's obligations are partly performed by the Audit Committee and Remuneration Committee and the Board has also adopted rules of procedure for these Committees.

Evaluation of Board work

The Chairman of the Board is responsible for evaluating the Board's work, including assessing the performance of each Board member. This is performed on an annual basis according to an established process. The assessment focuses on such factors as availability of and requirement for specific expertise in the Board, commitment, the quality of the Board material and the time required for reading such material. The evaluation is reported to the Nomination Committee and comprises the basis of the Nomination Committee's proposal for Board members and fees to be paid to the Board.

Work of the Board in 2019

The Board regularly addresses strategic matters that affect Bufab's operations and orientation, potential divestments and acquisitions, as well as major investments. The company's financial statements and Annual Report are addressed at the beginning of the year, as are matters to be presented at the AGM. At the end of the year, the Board deals with the budget for the forthcoming year as well as the Group's long-term strategic plan, in addition to which it also reviews the quarterly results after each quarter. The work of the Board's two Committees is also presented at each scheduled Board meeting.

The agenda is approved by the Chairman and sent to each Board member, along with the relevant material, approximately one week before each meeting. At each meeting, the CEO presents the Group's sales and earnings, the current business situation and important external factors that may have bearing on the Group's earnings. Each Board meeting includes a discussion that is not attended by the CEO. When appropriate, other senior executives may attend and present plans and proposals. The company's auditor participates in meetings when necessary, and participates once a year without the presence of management.

In addition to the information presented in connection with Board meetings, management issues a monthly report to Board members and maintains regular contact with the Chairman of the Board.

Attendance and remuneration of the Board 2019

Group	Attendance: Board meetings	Attendance: Audit Committee	Attendance: Remuneration Committee	Remuneration: Board fee/ Basic salary, SEK million	Remuneration: Variable remuneration	Remuneration: Other benefits and remuneration	Remuneration: Pension
Board of Directors							
Sven-Olof Kulldorff	10/10	3/7	2/2	0.4	–	–	–
Hans Björstrand	9/10			0.2	–	–	–
Johanna Hagelberg	9/10	4/7		0.3	–	–	–
Anna Liljedahl*	7/10			0.1	–	–	–
Bengt Liljedahl	8/10		2/2	0.2	–	–	–
Eva Nilsagård	10/10	6/7		0.3	–	–	–
Adam Samuelsson*	3/10	3/7		0.1	–	–	–
Johan Sjö*	7/10	3/7		0.1	–	–	–
Gunnar Tindberg*	3/10			0.1	–	–	–
CEO							
Jörgen Rosengren				4.4	0.1	0.4	1.2
Other senior executives, 7 (6) people.				11.6	0.4	1.5	3.6

*Adam Samuelsson and Gunnar Tindberg stepped down from the Board in April 2019 while Anna Liljedahl and Johan Sjö joined the Board in April 2019.

Audit Committee and Remuneration Committee

The Board has two Committees: an Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee is, without it affecting the responsibilities and tasks of the Board of Directors, to monitor the company's financial reporting, monitor the efficiency of the company's internal control, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated financial statements, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other non-audit services for the company, and assist the Nomination Committee in the preparation of proposals for the general shareholders' meeting's decision on election of auditors.

The Audit Committee is to comprise three members. The Board appoints Committee members every year at the statutory Board meeting or when a Committee member needs to be replaced. The Board also adopts an instruction for the Committee's work at the statutory meeting. The Committee members appointed in April 2019 were Eva Nilsagård (Chairman), Johanna Hagelberg and Johan Sjö.

The Audit Committee convened seven times in 2019.

Remuneration Committee

The Remuneration Committee is to prepare matters concerning remuneration principles, and remuneration and other employment terms for the CEO and senior executives.

The Remuneration Committee is to comprise two members. The Board appoints Committee members every year at the statutory Board meeting or when a Committee member needs to be replaced. The Board also adopts an instruction for the Committee's work at the statutory meeting. The Committee members appointed in April 2019 were Sven-Olof Kulldorff (Chairman) and Bengt Liljedahl.

The Remuneration Committee convened twice in 2019.

Remuneration of Board members

Fees and other remuneration to Board members, including the Chairman, are resolved on by the AGM. At the AGM held on 25 April 2019, it was resolved that the Chairman be paid SEK 500,000 and that the other non-executive members be paid SEK 250,000. The three members of the Audit Committee were paid a further fee of SEK 50,000 each.

Board members are not entitled to any benefits after leaving their position on the Board.

Board meetings in 2019

Telephone meeting – 7 February
- Approval of press release for 2018 Year-end Report
- Proposed dividends

Värnamo – 20 March
- Report from the company's auditors
- Approval of Annual Report
- Approval of notice of AGM

Värnamo – 24 April
- Approval of press release about interim report for the first quarter 2019

Värnamo (statutory Board meeting) – 25 April
- Adoption of the Board's rules of procedure and instructions for the CEO
- Election of Chairman and member of the Board Committees and adoption of rules of procedure of the Committees
- Resolution on incentive programme and repurchase of shares

Telephone meeting – 19 May
- Decision to acquire of HT Bendix A/S.

Eindhoven – 18/19 June
- Discussions on strategy

January | February | March | April | May | June

CEO

The CEO is Jörgen Rosengren, and a presentation can be found on pages 4–5 of the Annual Report and on www.bufab.com.

The CEO is subordinate to the Board of Directors and is responsible for the everyday management and operations of the company. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the CEO's instructions, which are adopted every year at the statutory Board meeting. The CEO is also responsible for the preparation of reports and compiling information from management prior to the Board meetings and for presenting such material at the Board meetings. According to the instructions for financial reporting, the CEO is responsible for the financial reporting in the company and consequently must ensure that the Board of Directors receives information adequate to enable evaluation of the company's financial position.

Remuneration guidelines for the CEO and other senior executives

The guidelines for the CEO and other senior executives were adopted at the AGM on 25 April 2019.

Bufab strives to offer total remuneration that will attract and retain qualified employees. The total remuneration may include the components described below.

Fixed salary is to be market-based and must reflect the responsibility that the work involves. The fixed salary is to be revised annually. Normally, variable salary is not to exceed 50 percent of the fixed salary. The variable remuneration is to be based on established and measurable criteria, designed to promote the company's long-term value creation, and is to be revised annually. The Board is to annually evaluate whether or not a long-term share-based incentive programme for senior executives and any other employees is to be proposed to the AGM.

Senior executives may be offered individual pension solutions. The pensions are, as far as possible, to be defined contribution.

Other benefits may be provided but are not to constitute a significant portion of the total remuneration.

The notice of termination between the company and the CEO is a maximum of 18 months. Other senior executives are to have a shorter notice of termination period.

The Board is entitled, in individual cases and if there are specific reasons, to deviate from the above guidelines for remuneration. Should such deviation occur, information about this and the reason must be reported at the next AGM.

Share-based incentive programmes

The 2019 AGM 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 is to correspond 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 August 2022–15 February 2023. The purchase price per share when redeeming call options is to correspond to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the five trading days occurring prior to the Board's decision on allocation of call options.

The allocation of call options is to use the market-based value on the date of the transfer using an external independent valuation, by applying the Black & Scholes pricing model.

A detailed description of the share-based incentive programme can be found in Note 35 on page 42 of the Annual Report.

Current employment agreements for the CEO and other senior executives

Decisions as to the current remuneration levels and other conditions for employment for the CEO and other senior executives have been resolved on in accordance with the existing guidelines for remuneration adopted by the AGM. All decisions on individual remuneration to senior executives have been made within these guidelines. Agreements concerning pensions are, wherever possible, to be based on fixed premiums and must correspond with the levels, practices and collective bargaining agreements applicable in the country where said senior executive is employed.

For senior executives resident in Sweden, six months' notice applies when resigning and a maximum of 12 months' notice when dismissed by the company. The CEO is to receive severance pay of up to 12 months' salary during the notice period, in addition to the salary stated above, when dismissed by the company. Refer also to Note 6 of the Annual Report.

Auditing

The auditor is to review the company's annual reports and accounting, as well as the management of the company by the Board of Directors and the CEO. Following each financial year, the auditor is to submit an audit report and a consolidated audit report to the AGM. Pursuant to Bufab's Articles of Association, the company is to have no less than one and no more than two auditors and no more than two deputy auditors. The company's auditor until the conclusion of the 2019 AGM is Öhrlings PricewaterhouseCoopers AB, with Fredrik Göransson as Auditor in Charge. The company's auditor is presented in more detail in "Group management and auditors." Fees to auditors

Telephone meeting – 17 July
- Approval of press release about interim report for the second quarter 2019

Telephone meeting – 21 August
- Follow-up of activities
- Decision activating mandate to repurchase shares and decision on allocating options

Värnamo – 24 October
- Approval of press release about interim report for the third quarter 2019
- Adoption of strategic and financial plan
- Decision to acquire American Bolt & Screw Corp.

Värnamo – 10 December
- Approval of budget for 2020
- Report on Board evaluation
- Evaluation of CEO's work

July	August	September	October	November	December

are to be paid in accordance with approved invoices. In 2019, the company's auditor was paid a total of SEK 8 million.

Internal control over the financial reporting

The objective of the internal financial control at Bufab is to create an efficient decision process in which requirements, targets and frameworks are clearly defined. The company and management use internal control systems to monitor the operation and the Group's financial position.

Control environment

The basis for the internal control over the financial reporting is the overall control environment. Bufab's control environment consists of sound core values, expertise, management philosophy, organisational structure, responsibility and authority. Bufab's internal instructions, policies, guidelines and manuals serve as guides for employees. The control environment also includes laws and external rules and regulations.

At Bufab, there is a distinct division between role and responsibility to efficiently handle the risks of the operations, including rules of procedure for the Board and Committees, as well as instructions for the CEO. In the operating activities, the CEO is also responsible for the system of internal controls required to generate a control environment for significant risks.

Bufab also has guidelines and policies for financial control and monitoring, communication issues and business ethics. Most of the companies in the Group have the same financial system with the same accounting systems.

The Board has appointed an Audit Committee tasked to ensure compliance with established policies for financial reporting and for maintaining the internal control.

Internal audit

The company's size combined with the work of the Audit Committee and established and implemented solid control procedures mean that the Board does not believe that it need establish a separate internal audit function. However, the matter of a separate internal audit function is addressed annually.

Risk assessment and control activities

Risks of material misstatement in the annual accounts may occur in connection with accounting and the evaluation of assets, liabilities, income and expenses or deviation from disclosure requirements. Bufab's accounting function performs a risk analysis every year regarding items in the consolidated balance sheets and income statements based on qualitative and quantitative risks.

Normal control activities include reconciliation of accounts and support controls. The purpose of all control activities is to prevent, detect and correct any errors or deviations in the financial reporting. In the Group's work with internal control, the material risks identified in the financial reporting are handled through control structures, which, in all material respects, are based on deviation reporting from established goals or norms.

Information

Accurate internal and external information entails that all sections of the operations will be able to efficiently exchange and report relevant material information. In addition to managers' information responsibility, Bufab has a well-functioning intranet for exchanging information. Bufab has established a policy document to inform employees and other relevant personnel at Bufab about the applicable regulations and instructions for disclosing company information and the special requirements that apply for inside information.

For communication with external parties, there is a policy that states the guidelines for how such communication is to take place. The aim of this is to ensure compliance with information obligations and to ensure that investors receive the right information in time.

The Group has a whistleblower function. Employees can anonymously contact a third party to report behaviour or actions that constitute breaches or suspected breaches of laws and guidelines, etc. All contact is logged and a summary about the calls and measures taken is regularly is reported to the Board.

Monitoring

The Group applied IFRS as defined in Bufab's accounting manual. This manual includes accounting and valuation rules that must be adhered to by all companies within the Group, and reporting instructions. Financial data is reported from all legal entities every month.

Reporting takes place in accordance with standardised reporting procedures documented in the Group's accounting manual. This reporting comprises the basis of the Group's consolidated financial reporting. Consolidation takes place based on a legal and operating perspective, which results in quarterly statutory reports containing complete income statements and balance sheets for every company and consolidated for the Group, and monthly operating reports.

Every Board member receives a monthly report containing consolidated income statements and balance sheets for the Group and income statements and balance sheets for the subsidiaries with comments. In addition to this monthly information, similar information is received in connection with Board meetings and a report that includes monitoring of tax obligations, disputes, compliance with policies, whistleblower summaries, environment.

Värnamo, 18 March 2020

Sven-Olof Kulldorff
Chairman of the Board

Hans Björstrand

Johanna Hagelberg

Anna Liljedahl

Bengt Liljedahl

Eva Nilsagård

Johan Sjö

Auditor's Statement on the Corporate Governance Report

To the Annual General Meeting of Bufab AB (publ), Corporate Registration Number 556685-6240

Engagement and responsibility

The Board of Directors is responsible for the Corporate Governance Report for 2019 on pages 56–60 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the audit

The audit was conducted in accordance with FAR's auditing standard RevU16, "The auditor's examination of the Corporate Governance Statement". This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our audit provides a reasonable basis for our opinion as given below.

Opinion

A Corporate Governance Report has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same Act are consistent with the annual report and the consolidated statements and comply with the Annual Accounts Act.

Värnamo, 18 March 2020
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

Board of Directors

Sven-Olof Kulldorff

Chairman of the Board since 2006.

Born: 1954.

Education: MSc in Mechanical Engineering from the Institute of Technology at Linköping University.

Previous assignments: Executive positions at IKEA (1978–2004, during which he served as purchasing manager of the IKEA Group in 1995–2004), and Executive Vice President of ICA.

Other Board assignments: Board member of K Hartwall OY.

Shareholding: (including through companies and related parties): Total of 336,676 shares through an endowment policy.

Hans Björstrand

Board member since 2006.

Born: 1950.

Education: Upper secondary school economics programme.

Previous assignments: President and CEO of Bufab.

Other Board assignments: Board member of Värnamo Energi AB, Stacke Hydraulik AB, Värnamo Elnät AB, Entreprenörinvest Sverige AB, LMT Group AB, Ekeborg Kapital AB, Axelent AB and Ryds Båtar AB.

Shareholding: (including through companies and related parties): 5,000 shares.

Johanna Hagelberg

Board member since 2015.

Born: 1972.

Education: MSc in Industrial Engineering and Management from Institute of Technology at Linköping University and Cranfield University.

Present assignments: EVP Sourcing and Logistics Stora Enso Oyj.

Previous assignments: Chief Procurement Officer at Vattenfall, RSA Scandinavia and NCC AB and senior positions in procurement in the automotive industry.

Shareholding: (including through companies and related parties): 1,500 shares.

Bengt Liljedahl

Board member since 2016.

Born: 1947.

Education: MSc in Economics and Business Administration from School of Business Economics and Law, Gothenburg.

Present assignments: President, CEO and founder of Liljedahl Group. Previously CEO of Skånebil and Regional Manager of AB Volvo Sweden.

Other Board assignments: Chairman of the Board of Liljedahl Group AB, Elcowire Group AB and LWW Group AB. Board member of Hörle Wire Group AB and LMT Group AB.

Shareholding: (including through companies and related parties): 11,082,500 shares through company.

Anna Liljedahl

Board member since 2019.

Born: 1974.

Education: Degree of Master of Science in Business and Economics.

Present assignments: CEO Finnvedens Lastvagnar AB and previous experience as Global Product Manager at HemoCue AB and Product Manager at Astellas Pharma GmbH.

Other Board assignments: Chairman of the Board of Finnvedens Bil AB and Board member of Liljedahl Group AB, Liljedahl Group Fastighets AB, Motorbranschens Arbetsgivareförbund and Motorbranschens Riksförbund, Styrelsen Tunga Fordon.

Shareholding: (including through companies and related parties): 11,082,500 shares.

Eva Nilsagård

Board member since 2015.

Born: 1964.

Education: Degree of Master of Science in Business and Economics and Executive MBA from School of Business, Economics and Law at the University of Gothenburg.

Present assignments: Founder and CEO Nilsagård consulting.

Previous assignments: CFO Plastal Group, SVP Strategy & Business development within sales and marketing, EMEA at Volvo Trucks, CFO Vitrolife (publ). Various senior positions in finance and business development within Volvo, AstraZeneca Group and SKF.

Other Board assignments: Board member of AddLife AB, SEK (Svensk Exportkredit AB), Irras AB, Hansa Biopharma AB and Exbrane Biopharma AB.

Shareholding: (including through companies and related parties): 0 shares.

Johan Sjö

Board member since 2019.

Born: 1967.

Education: Degree of Master of Science in Business and Economics.

Previous assignments: Most recently President and CEO of Addtech AB (publ) and prior to this senior positions at Bergman & Beving AB (publ) and various positions at Alfred Berg/ABN Amro.

Other Board assignments: Chairman of the Board of OptiGroup AB, Momentum Group AB (publ), Addlife AB (publ) and Prosero Security Group AB and Board member of Addtech AB (publ), Camfil AB (publ), Anebyhusgruppen AB, Spaljisten AB and Träaktiebolaget KG-List AB. Johan was a Board member of Bufab between 2013 and 2017.

Shareholding: (including through companies and related parties): 0 shares.

The information regarding Board members' and Group Management's holding of shares and other financial instruments in Bufab refers to the conditions as per 31 December 2019 and includes own and closely associated natural persons' holdings, as well as holdings by legal persons that are directly or indirectly controlled by the person or its closely associated persons. The information for the CEO also includes any significant shareholdings and partnership in companies which Bufab has significant business relations with.

Auditors

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2005 and was re-elected at the 2019 AGM until the end of the 2019 AGM. Fredrik Göransson (born 1973) is the Auditor in Charge. Fredrik Göransson is an Authorised Public Accountant and a member of FAR (professional institute for authorised public accountants). Öhrlings PricewaterhouseCoopers AB's office address is Skånegatan 1, SE-405 32 Gothenburg, Sweden. Öhrlings PricewaterhouseCoopers AB was the company's auditor throughout the period covered by the historic financial information in this Annual Report.

Group management

Jörgen Rosengren
President and CEO since 2012.

Born: 1967.

Education: MSc in Electrical Engineering from Lund University, Faculty of Engineering, LTH.

Previous assignments: Husqvarna, Electrolux, McKinsey and Philips.

Shareholding: (including through companies and related parties): 330,000 shares and 108,000 options.

Marcus Andersson
CFO since 2017 (employed 2014).

Born: 1983

Education: MSc in Business Administration from Växjö University.

Previous assignments: Ernst & Young.

Shareholding: (including through companies and related parties): 4,000 shares and 48,750 options.

Jesper Blomquist
COO since 2013.

Born: 1968.

Education: Master of Mechanical Engineering at the Institute of Technology at Linköping University.

Previous assignments: Swisslog, VSM Group AB and Sanmina SCI Enclosure Systems AB.

Shareholding: (including through companies and related parties): 53,200 shares and 31,500 options.

Urban Bülow
Regional Director, Region North America since 2018 (employed 2014).

Born: 1965.

Education: MSc in Electrical Engineering from Chalmers University of Technology.

Previous assignments: Latour Group, Kapsch TrafficCom, SAAB and Electrolux.

Shareholding: (including through companies and related parties): 0 shares and 22,500 options.

Carina Lööf
Global Sourcing Director since 2018.

Born: 1969.

Education: Degree in chemical engineering, Växjö University.

Previous assignments: Trioplast, Cargotec Corporation

Shareholding: (including through companies and related parties): 0 shares and 33,000 options.

Johan Lindqvist
Regional Director, Region Nordic since 2015 (employed 1998).

Born: 1969.

Education: Qualified Engineer

Previous assignments: Skanska and Primo AB.

Shareholding: (including through companies and related parties): 117,000 shares and 49,500 options.

Johan Sandberg
Director Global Business Development since 2019

Born: 1971.

Education: MSc in Business Administration, Linköping University.

Previous assignments: Hiab, Cargotec, Volvo Group, General Motors and Saab Automobile.

Shareholding: (including through companies and related parties): 0 shares and 19,500 options.

Terece Hjerpe
Global HR Director since 2019.

Born: 1967.

Education: Bachelor's degree in Human Resource Management, Växjö University

Previous assignments: Blåkläder, Cargotec, Trelleborg and Finnveden.

Shareholding: (including through companies and related parties): 0 shares and 15,000 options.

Other
Jesper Blomquist has resigned to take up a challenge outside the Group, and will leave the company and Group management during the first half of 2020.

Five-year summary

SEK million	2019	2018	2017	2016	2015
EARNINGS					
Order intake	**4,354**	**3,798**	**3,256**	**2,887**	**2,463**
Net sales	**4,348**	**3,786**	**3,201**	**2,847**	**2,458**
Sweden	1,512	1,172	1,057	968	937
International	2,836	2,615	2,144	1,880	1,521
Gross profit	**1,183**	**1,088**	**917**	**828**	**677**
Operating profit (EBITA)	**384**	**367**	**311**	**277**	**198**
Sweden	132	126	139	131	108
International	288	290	203	179	120
Adjusted operating profit (EBITA)	**384**	**367**	**311**	**277**	**198**
Sweden	132	126	139	131	108
International	288	290	203	179	120
Depreciation and amortisation of acquired intangible assets	-15	–9	–7	–5	–1
Net financial items	**-42**	**–29**	**–26**	**–21**	**–26**
Profit/loss after financial items	**326**	**329**	**278**	**251**	**171**
Tax on profit for the year	**-73**	**–74**	**–65**	**–88**	**–46**
Profit for the year	**253**	**255**	**213**	**163**	**125**
MARGINS					
Gross margin, %	**27.2**	**28.7**	**28.6**	**29.1**	**27.5**
Operating margin, %	**8.8**	**9.7**	**9.7**	**9.7**	**8.0**
Sweden	8.7	10.7	13.2	13.5	11.5
International	10.2	11.1	9.5	9.5	7.9
Adjusted operating margin, %	**8.8**	**9.7**	**9.7**	**9.7**	**8.1**
Sweden	8.7	10.7	13.2	13.5	11.5
International	10.2	11.1	9.5	9.5	7.9
CAPITAL STRUCTURE					
Net debt	2,068	1,177	1,015	839	884
Net debt, adjusted	1,666	1,177	1,015	839	884
Equity	1,750	1,600	1,416	1,297	1,183
Debt/equity ratio, %	118	74	72	65	75
Equity/assets ratio, %	33	43	43	45	45
Average working capital in relation to net sales, %	35.3	35.7	35.4	36.5	36.3
CASH FLOW					
Operating cash flow	351	175	183	267	194
KEY FIGURES PER SHARE					
Earnings per share	6.75	6.79	5.61	4.29	3.27
Dividend per share	0.00*	2.50	2.25	2.00	1.70
EMPLOYEES					
Average number of employees	1,296	1,177	1,058	973	834

* Proposed by the Board of Directors.

Bufab on the stock exchange

Listing and turnover

The Bufab share has been listed on Nasdaq Stockholm since 21 February 2014. The total turnover of Bufab shares in 2019 was 9.7 million shares for a total amount of SEK 1.0 billion and the average turnover was 38,899 shares.

Brief facts

Listing: Nasdaq Stockholm
Number of shares: 38,110,533
Ticker: BUFAB
ISIN code: SE 0005677135

More information

For share price and up-to-date information, visit www.bufab.com/investors

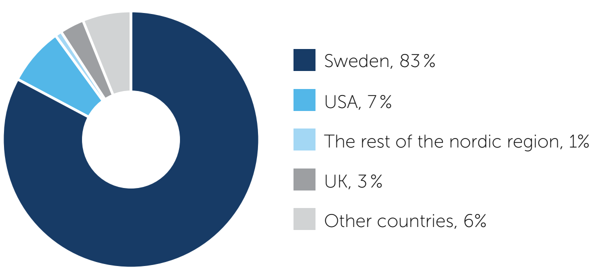
Share data	2019	2018
Earning per share before dilution, SEK	6.77	6.79
Earnings per share after dilution, SEK	6.75	6.79
Dividend per share, SEK[1]	0.00	2.50
Yield[2]	0.0%	2.9%
Share of dividend[3]	0%	37%
Share price at year-end, SEK	130.6	85.7
Highest share price, SEK	132.0	127.4
Lowest share price, SEK	85.1	81.4
Number of shareholders at year-end	4,808	5,856
Market capitalisation at year-end, SEK million	4,977	3,266

[1] The dividend pertains to the Board's proposal.
[2] The dividend in relation to the share price at year-end.
[3] The dividend for the financial year in relation to profit for the year per share.

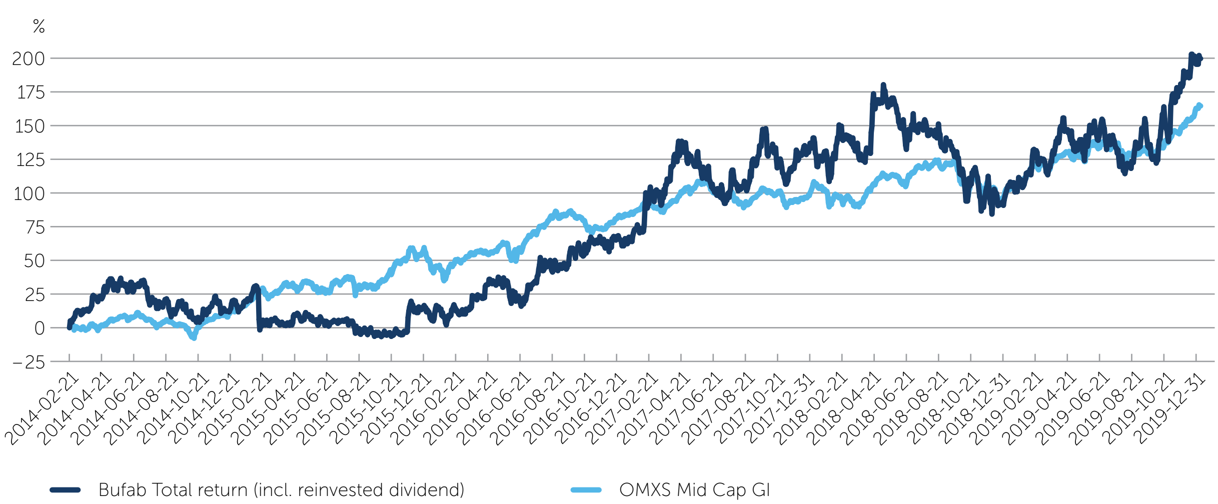
Largest shareholders on 31 December 2019	Share of capital and votes
Liljedahl Group	29.1%
Lannebo fonder	8.4%
Didner & Gerge fonder	7.7%
Handelsbanken fonder	6.9%
State Street Bank	3.9%
Carnegie Fonder	3.2%
Nordea Fonder	3.0%
Spiltan fonder	2.8%
Bufab, (shares in own holding)	2.5%
Skandia	2.3%
Other shareholders	30.3%
Total	**100%**

Source: Euroclear on 31 December 2019

Ownership distribution by country, 31 December 2019



Bufab's total return since IPO



Definitions of key figures

Gross margin, %
Gross profit as a percentage of net sales for the period.

Adjusted gross profit
Gross profit adjusted for items affecting comparability.

Adjusted gross margin, %
Adjusted gross profit as a percentage of net sales for the period.

EBITDA
Operating profit before depreciation, amortisation and impairment.

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

Operating profit/loss (EBITA)
Gross profit less operating expenses.

Adjusted operating profit (EBITA)
Adjusted gross profit less operating expenses.

Operating margin, %
Operating profit as a percentage of net sales for the period.

Adjusted operating profit
Operating profit (EBITA) adjusted for items affecting comparability.

Adjusted operating margin, %
Adjusted operating profit (EBITA) as a percentage of net sales for the period.

Adjusted profit after tax
Profit after tax adjusted for items affecting comparability.

Adjusted net margin, %
Adjusted profit after tax as a percentage of net sales during the period.

Net debt
Interest-bearing liabilities less cash and cash equivalents and interest-bearing assets, calculated at the end of the period.

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.

Operating expenses
Total distribution costs, administrative expenses, other operating income and other operating expenses excluding depreciation, amortisation and impairment of acquisition-related intangible assets.

Debt/equity ratio, %
Net debt divided by equity, calculated at the end of the period.

Net debt/adjusted EBITDA, multiple
Net debt at the end of the period divided by adjusted EBITDA in the last twelve months.

Working capital
Total current assets less cash and cash equivalents less current non-interest-bearing liabilities, excluding liabilities for additional purchase prices, calculated at the end of the period.

Average working capital
Average working capital calculated as the average of the past four quarters.

Working capital/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 for the period divided by the average number of ordinary shares adjusted for the set-off issue and 80:1 split conducted in the first quarter of 2014.

Adjusted earnings per share
Adjusted profit for the period after tax divided by the average number of ordinary shares adjusted for the set-off issue and 80:1 split conducted in the first quarter of 2014.

Items affecting comparability
Non-recurring items with a significant impact on the results which are important for understanding the underlying development of the business.

Key figures not defined in accordance with IFRS

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	2019	2018
EBITDA	426	408
Other non-cash items	2	13
Changes in inventory	60	–174
Changes in operating receivables	66	–28
Changes in operating liabilities	–136	27
Cash flow from operations	**418**	**247**
Investments excluding acquisitions	–67	–72
Operating cash flow	**351**	**175**

EBITDA

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

SEK million	2019	2018
Operating profit/loss	368	358
Depreciation/amortisation and impairment	148	51
EBITDA	517	408

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 key figure is defined below.

SEK million	2019	2018
Operating profit/loss	368	358
Depreciation/amortisation and impairment	148	51
Less: amortisation on right-of-use assets according to IFRS 16	–82	0
Less: interest expenses on lease liabilities according to IFRS 16	–11	0
EBITDA	426	409

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.

SEK million	2019	2018
Operating profit/loss	368	358
Depreciation, amortisation and impairment of acquired intangible assets	15	9
EBITA	384	367

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	2019	2018
Distribution costs	–565	–512
Administrative expenses	–250	–220
Other operating income	39	50
Other operating expenses	–39	–48
Depreciation, amortisation and impairment of acquired intangible assets	15	9
Operating expenses	**–799**	**–721**

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.

SEK million	2019	2018
Current assets	2,547	2,273
Less: cash and cash equivalents	–216	–144
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	–677	–656
Working capital on the balance-sheet date	**1,654**	**1,473**

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	2019	2018
Non-current interest-bearing liabilities	2,109	1,247
Current interest-bearing liabilities	175	74
Less: Cash and cash equivalents	–216	–144
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	**2,068**	**1,177**

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 key figure is defined below.

SEK million	2019	2018
Non-current interest-bearing liabilities	2,109	1,247
Current interest-bearing liabilities	175	74
Less: lease liabilities according to IFRS 16	–402	–
Less: cash and cash equivalents	–216	–144
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	**1,666**	**1,177**

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 currency 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 key figure is expressed in percentage points of last year's net sales.

	2019		
	Group	Sweden	International
Organic growth	1	-2	3
Currency translation effects	2	0	3
Acquisitions	12	31	2
Recognised growth	**15**	**29**	**8**

	2018		
	Group	Sweden	International
Organic growth	8	6	9
Currency translation effects	3	0	5
Acquisitions	7	5	8
Recognised growth	**18**	**11**	**22**

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