

Interim report January - September 2019

Growth and increased operating profit in a weaker market. Strong cash flow.

Third quarter of 2019

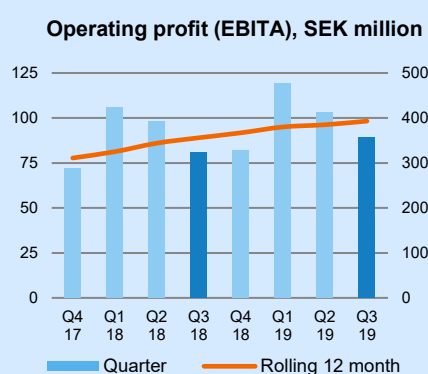
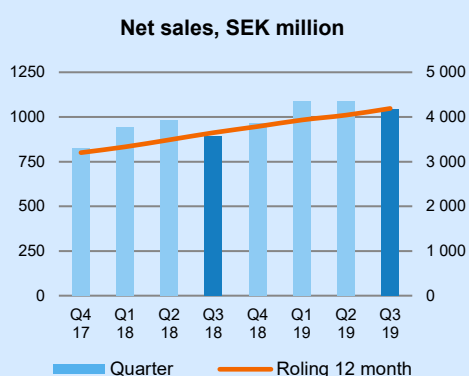
- Net sales rose by 17 percent to SEK 1,044 million (895). Organic growth was slightly positive
- Order intake increased 17 percent and was in line with net sales
- Operating profit (EBITA) rose to SEK 89 million (81) and the operating margin to 8.5 percent (9.1)
- Earnings per share amounted to SEK 1.57 (1.37)
- Operating cash flow amounted to SEK 122 million (50)
- At the beginning of the quarter, the acquisition was completed of HT BENDIX A/S, with annual sales of circa SEK 500 million

January–September 2019

- Net sales rose by 14 percent to SEK 3,223 million (2,820). Organic growth was 3 percent
- Order intake increased 14 percent and was in line with net sales
- Operating profit (EBITA) rose to SEK 311 million (285) and the operating margin was 9.6 percent (10.1)
- Earnings per share rose to SEK 5.72 (5.14)
- Operating cash flow increased to SEK 255 million (112)

THE GROUP IN BRIEF (FOR DEFINITIONS, SEE PAGE 21)

SEK million	Quarter 3			Jan-Sep			12-months rolling	Full year
	2019	2018	%	2019	2018	%	2018/19	2018
Order intake	1,042	893	17	3,206	2,816	14	4,188	3,798
Net sales	1,044	895	17	3,223	2,820	14	4,190	3,786
Gross profit	279	259	8	886	817	8	1,157	1,088
%	26.7	28.9		27.5	29.0		27.6	28.7
Operating expenses	-191	-178	7	-575	-532	8	-764	-721
%	18.3	19.9		17.8	18.9		18.2	19.0
Operating profit (EBITA)	89	81	10	311	285	9	393	367
%	8.5	9.1		9.6	10.1		9.4	9.7
Operating cash flow	122	50	144	255	112	127	318	175
Operating profit	85	79	7	302	279	8	393	358
%	8.1	8.8		9.4	9.9		9.4	9.5
Profit after tax	59	51	15	214	193	11	276	255
Earnings per share, SEK	1.57	1.37	15	5.72	5.14	11	7.37	6.79



SALES GROWTH
+17%

OPERATING MARGIN (EBITA)
8.5%

CEO's overview



During the third quarter, Bufab experienced a clearly weaker demand than earlier in the year and compared with 2018. Nonetheless, sales, operating profit and cash flow increased compared with a strong third quarter 2018. This development was mainly attributable to positive contributions from acquired companies. During the quarter, we continued to invest in our “Leadership 2020” strategy.

The weaker demand was particularly noticeable in Sweden, Eastern Europe and China. The slowdown is due to lower production among many customers, as well as customer destocking. Despite a continued increase in market shares, we achieved only a slightly positive organic growth in the quarter.

In Segment International, we noted a lower growth than previously despite an increased market share. We continued to invest in strategic areas. The operating profit and margin declined somewhat during the quarter, but increased during the first nine months of the year.

In segment Sweden, the slowdown was stronger and resulted in negative organic growth despite retained market shares. The gross margin was strengthened organically compared with the recent two quarters and last year. This improvement was mainly due to comprehensive price increases. Our two most recent acquisitions also performed well, which, combined with effective cost control, facilitated a strong increase in operating profit despite the weaker market.

During the quarter, we continued our focus on the “Leadership 2020” strategy, with the aim to become the leading company in our industry next year. We strive to increase our customer value and efficiency. Both of these factors are particularly important in times of low market growth.

In July, Bufab completed the acquisition of HT BENDIX A/S, a leading Danish supply chain partner with approximately SEK 500 million in sales. This acquisition is a strong and significant complement to our existing operations in the Nordic region. The company has integrated well with the operations and is already contributing to the Group's earnings. We continue our search for attractive acquisition candidates that can contribute with growth synergies, customer relations, supplier bases and expertise.

The former uncertainty regarding demand was replaced in the quarter by a clear, but nonetheless limited slowdown. This situation presents challenges and opportunities. We are addressing the weaker demand using stricter cost control and through efficiency enhancement of structure and processes. The digital tools that we have developed and deployed in recent years play an important role in this. In this way, we intend to create the scope for continued investments in our Leadership strategy, but still adapt the cost base to the prevailing market.

We can also see many business opportunities in a weaker market. Lower demand enables purchasing savings. A strong focus on realising these will be of high 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 to strengthen our position.

On this basis, we feel quite confident even in the prevailing market situation. Our strategy remains unchanged and we aim at a continued good development also going forward.

Jörgen Rosengren
President and CEO

About Bufab

Bufab AB (publ), Corporate Registration Number 556685-6240, is a trading company that offers its customers a full-service solution as Supply Chain Partner for sourcing, quality control and logistics for C-Parts (screws, nuts, etc.). Bufab's Global Parts Productivity™ customer offering aims to improve productivity in the customers' value chain for C-Parts.

Bufab was founded in 1977 in Småland and is an international company with operations in 27 countries. The head office is located in Värnamo, Sweden, and Bufab has about 1,350 employees. Bufab's net sales for the past 12 months amounted to approximately SEK 4.2 billion and the operating margin was approximately 9.5 percent. The Bufab share is listed on Nasdaq Stockholm, under the ticker “BUFAB”. Please visit www.bufab.com for more information.

The Group in brief

THIRD QUARTER

Order intake amounted to SEK 1,042 million (893) and was in line with net sales.

Net sales rose by 17 percent to SEK 1,044 million (895). The Group's organic growth was +0 percent, comprising -4 percent for segment Sweden and +2 percent for segment International.

Underlying demand is considered to be lower than in the preceding year, but market share higher.

Gross margin declined to 26.7 percent (28.9). The decline was primarily attributable to segment Sweden and the acquisitions of Rudhäll and HT BENDIX, which have a lower gross margin than the remainder of the Group, but a comparable EBITA margin. Adjusted for these acquisitions, the gross margin was 28.1 percent (28.9).

The proportion of operating expenses declined during the period. However, adjusted for the acquisitions of Rudhäll and HT BENDIX, the share of costs increased organically. This was due to the low level of growth and measures implemented under Leadership 2020. Work to reduce the share of costs was initiated to address potential lower growth in the coming quarters.

Operating profit (EBITA) rose to SEK 89 million (81), equal to an operating margin of 8.5 percent (9.1).

Exchange-rate fluctuations impacted operating profit negatively by SEK -2 million, volumes positively by SEK +2 million, the price/cost/mix and other factors negatively by SEK -4 million and acquisitions positively by SEK +12 million.

JANUARY - SEPTEMBER

Order intake amounted to SEK 3,206 million (2,816) and was in line with net sales.

Net sales rose by 14 percent to SEK 3,223 million (2,820). The Group's organic growth was +3 percent, comprising -2 percent for segment Sweden and +5 percent for segment International.

Underlying demand is considered to be slightly higher in segment International, but lower in segment Sweden. Market share is deemed to have increased in segment International and to be unchanged in segment Sweden.

The gross margin declined to 27.5 (29.0) percent, which was attributable to the weak performance of segment Sweden and the acquisitions of Rudhäll and HT BENDIX. Adjusted for these acquisitions, the gross margin was 28.5 percent (29.0).

The share of operating expenses was lower during the period. Operating profit (EBITA) rose to SEK 311 million (285), equal to an operating margin of 9.6 percent (10.1).

Exchange-rate fluctuations impacted operating profit positively by SEK +3 million, volumes positively by SEK +37 million, the price/cost/mix and other factors negatively by SEK -29 million and acquisitions positively by SEK +14 million.

FINANCIAL ITEMS AND TAX

The Group's net financial items amounted to SEK -10 million (-14) for the third quarter, of which exchange-rate differences had an impact of SEK +0 million (-8) on net financial items. During the nine-month period, net financial items amounted to SEK -29 million (-25), of which exchange-rate differences were SEK +4 million (-6).

The Group's profit after financial items was SEK 74 million (65) for the quarter and SEK 273 (253) for the nine-month period.

The tax expense for the quarter was SEK -15 million (-14), implying an effective tax rate of 22 percent (21). The tax expense for the nine-month period was SEK -59 million (-60), which implies an effective tax rate of 22 percent (24).

CASH FLOW, WORKING CAPITAL AND FINANCIAL POSITION

	Quarter 3		Jan-Sep	
SEK million	2019	2018	2019	2018
EBITDA, adjusted	99	92	341	315
Other non-cash items	2	1	2	2
Changes in working capital	31	-23	-36	-158
Cash flow from operations	132	70	306	159
Investments excluding acquisitions	-10	-20	-51	-47
Operating cash flow	122	50	255	112

Operating cash flow amounted to SEK 122 million (50) for the period. The strong cash flow for the quarter was attributable to reduced working capital. Operating cash flow for the nine-month period was SEK 255 million (112).

Average working capital in relation to net sales was lower than in the preceding year at 35.6 percent (36.5).

On 30 September 2019, the Group's net debt totalled SEK 1,841 million (1,109). Adjusted net debt amounted to SEK 1,496 million (1,109). The difference between these performance measures comprise the effects of IFRS 16 Leases. The increase in adjusted net debt was primarily due to completed acquisitions and dividends paid.

On 30 September 2019, the debt/equity ratio was 106 percent (72). Adjusted for the new accounting regulations in IFRS 16 Leases, the debt/equity ratio increased by 14 percentage points to 86 percent (72).

Segment International

Third quarter

Order intake amounted to SEK 673 million (658) and was in line with net sales.

Net sales rose by 5 percent to SEK 676 million (647). Organic growth was 2 percent. The underlying demand was somewhat lower, but the market share was higher.

Gross margin was 29.3 percent (30.4), mainly due to a weaker mix than the strong comparison quarter.

Operating profit (EBITA) amounted to SEK 69 million (73), corresponding to an operating margin of 10.2 percent (11.3).

Exchange-rate fluctuations impacted operating profit positively by SEK +2 million, volumes positively by SEK +5 million, the price/cost/mix and other factors negatively by SEK -11 million and acquisitions by SEK 0 million.

January - September

Order intake amounted to SEK 2,123 million (1,980) and was in line with net sales.

Net sales rose by 8 percent to SEK 2,137 million (1,971). Organic growth was 5 percent, driven by somewhat higher underlying demand and increased market shares in most markets.

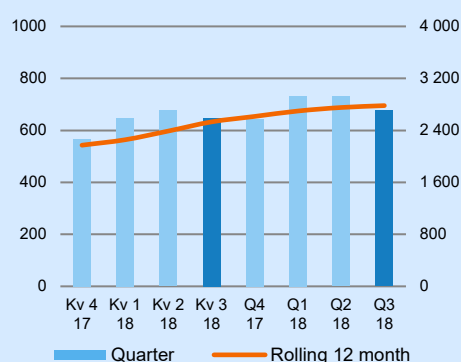
Gross margin was 29.6 percent (30.0).

Operating profit (EBITA) was SEK 233 million (222), equal to an operating margin of 10.9 percent (11.3).

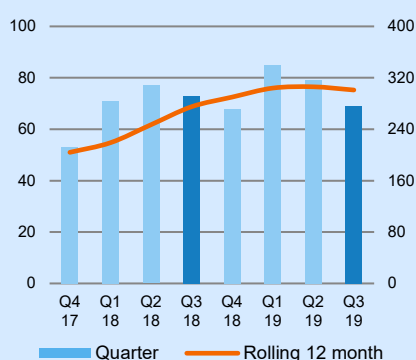
Exchange-rate fluctuations impacted operating profit positively by SEK +7 million, volumes positively by SEK +40 million, the price/cost/mix and other factors negatively by SEK -36 million and acquisitions by SEK +0 million.

	Quarter 3			Jan-Sep			12-months Rolling	Full year
SEK million	2019	2018	Δ %	2019	2018	Δ %	2018/19	2018
Order intake	673	658	2	2,123	1,980	7	2,791	2,648
Net sales	676	647	5	2,137	1,971	8	2,781	2,615
Gross profit	198	197	1	632	591	7	829	788
%	29.3	30.4		29.6	30.0		29.8	30.1
Operating expenses	-129	-124	4	-399	-369	8	-528	-498
%	19.1	19.2		18.7	18.7		19.0	19.1
Operating profit (EBITA)	69	73	-6	233	222	5	301	290
%	10.2	11.3		10.9	11.3		10.8	11.1

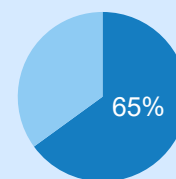
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

5%

OPERATING MARGIN (EBITA)

10.2%

Segment Sweden

Third quarter

Order intake amounted to SEK 369 million (235) and was in line with net sales.

Net sales rose by 48 percent to SEK 368 million (248). The entire increase was attributable to the acquisitions of Rudhäll Industri and HT BENDIX. Organic growth was -4 percent, due to lower underlying demand. The market share in Sweden is deemed to be unchanged.

Gross margin declined to 23.7 percent (27.0). The entire change was attributable to the acquisitions of Rudhäll Industri and HT BENDIX, which have a lower gross margin, but a comparable operating margin to the remainder of the segment. Adjusted for these two acquisitions, the gross margin was strengthened somewhat to 27.3 percent (27.0).

However, the lower gross margin was partly offset by a lower share of operating expenses. Operating profit (EBITA) amounted to SEK 28 million (22), corresponding to an operating margin of 7.6 percent (8.9).

Exchange-rate fluctuations impacted operating profit negatively by SEK -4 million, volumes negatively by SEK -2 million, the price/cost/mix and other factors positively by SEK +5 million and acquisitions positively by SEK +7 million.

January-September

Order intake amounted to SEK 1,083 million (836) and was in line with net sales.

Net sales rose by 28 percent to SEK 1,087 million (849). Organic growth was -2 percent, due to lower underlying demand. The market share is assessed as being unchanged.

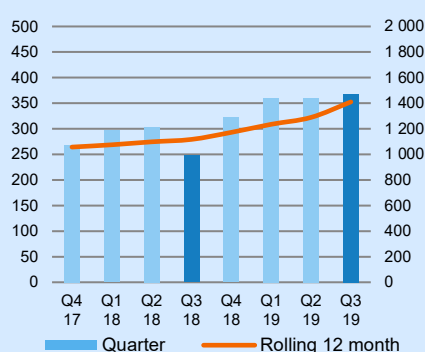
Gross margin declined to 24.9 percent (28.6). Adjusted for the acquisitions of Rudhäll and HT BENDIX, the gross margin was 27.7 percent (28.6). The organic decline is attributable to higher purchasing prices in Swedish kronor, which were not fully offset despite comprehensive price increases for customers.

The share of operating expenses was lower during the period. Operating profit (EBITA) was SEK 103 million (99), equal to an operating margin of 9.5 percent (11.7).

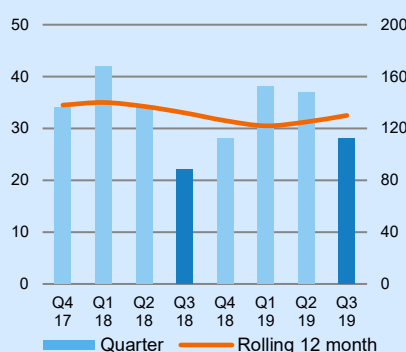
Exchange-rate fluctuations impacted operating profit negatively by SEK -4 million, volumes negatively by SEK -3 million, the price/cost/mix and other factors negatively by SEK -2 million and acquisitions positively by SEK +12 million.

	Quarter 3			Jan-Sep			12- months Rolling	Full year
SEK million	2019	2018	%	2019	2018	%	2018/19	2018
Order intake	369	235	57	1,083	836	30	1,369	1,149
Net sales	368	248	48	1,087	849	28	1,410	1,172
Gross profit	87	67	30	271	243	12	351	323
%	23.7	27.0		24.9	28.6		24.9	27.6
Operating expenses	-59	-45	31	-168	-144	16	-221	-197
%	16.0	18.1		15.4	17.0		15.6	16.8
Operating profit (EBITA)	28	22	28	103	99	4	130	126
%	7.6	8.9		9.5	11.7		9.2	10.8

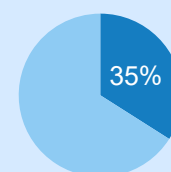
Net sales, SEK million



Operating profit (EBITA), SEK million



SHARE OF TOTAL SALES



SALES GROWTH

+48%

OPERATING MARGIN (EBITA)

7.6%

Consolidated Income Statement

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net sales	1,044	895	3,223	2,820
Cost of goods sold	-765	-636	-2,337	-2,003
Gross profit	279	259	886	817
Distribution costs	-140	-125	-416	-378
Administrative expenses	-57	-56	-174	-165
Other operating income	11	13	30	40
Other operating expenses	-9	-12	-25	-36
Operating profit	85	79	302	279
<i>Profit/loss from financial items</i>				
Interest income and similar income items	1	1	5	2
Interest expenses and similar expenses	-11	-15	-34	-27
Profit after financial items	74	65	273	253
Tax on net profit for the period	-15	-14	-59	-60
Profit after tax	59	51	214	193

Statement of Comprehensive Income

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit after tax	59	51	214	193
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Translation differences / Currency hedging net after tax	20	-18	60	57
Other comprehensive income after tax	20	-18	60	57
Total comprehensive income	79	33	274	250
Total comprehensive income attributable to:				
Parent Company shareholders	79	33	274	250

Earnings per share

<i>SEK</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Earnings per share	1.57	1.37	5.72	5.14
Weighted number of shares outstanding before dilution, thousands	37,358	37,467	37,431	37,622
Diluted earnings per share, SEK	1.57	1.37	5.72	5.14
Weighted number of shares outstanding after dilution, thousands	37,358	37,467	37,431	37,622

Consolidated Balance Sheet

<i>SEK million</i>	<i>30 Sep 19</i>	<i>30 Sep 18</i>	<i>31 Dec 18</i>
ASSETS			
<i>Non-current assets</i>			
Intangible assets	1,581	1,150	1,179
Property, plant and equipment	565	193	221
Financial assets	27	24	21
Total non-current assets	2,173	1,367	1,421
<i>Current assets</i>			
Inventories	1,411	1,204	1,315
Current receivables	882	804	814
Cash and cash equivalents	179	187	144
Total current assets	2,473	2,195	2,273
Total assets	4,645	3,562	3,694
EQUITY AND LIABILITIES			
Equity	1,733	1,549	1,600
<i>Non-current liabilities</i>			
Non-current liabilities, interest-bearing	1,843	1,189	1,247
Non-current liabilities, non-interest-bearing	153	75	89
Total non-current liabilities	1,996	1,264	1,336
<i>Current liabilities</i>			
Current liabilities, interest-bearing	177	107	74
Current liabilities, non-interest-bearing	739	642	684
Total current liabilities	916	749	758
Total equity and liabilities	4,645	3,562	3,694

Consolidated Statement of Changes in Equity

<i>SEK million</i>	30 Sep 19	30 Sep 18	31 Dec 18
Equity at the close of the preceding year	1,600	1,416	1,416
Adjustment resulting from the introduction of IFRS 16	-18	-	-
Equity at beginning of year	1,581	1,416	1,416
Comprehensive income			
Profit after tax	214	193	255
<i>Other comprehensive income</i>			
Items that will not be reclassified in profit or loss	-	-	-
Items that may be reclassified in profit or loss			
Translation differences / Currency hedging net after tax	60	57	47
Total comprehensive income	274	250	302
Transactions with shareholders			
Issued call options	3	4	4
Repurchase of own shares	-31	-37	-37
Dividends	-94	-85	-85
Total transactions with shareholders	-122	-118	-118
Equity at end of period	1,733	1,549	1,600

Consolidated Cash Flow Statement

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<i>Operating activities</i>				
Profit before financial items	85	79	302	278
Depreciation/amortisation and impairment	37	13	105	37
Interest and other finance income	0	-2	1	1
Interest and other finance expenses	-10	-12	-30	-26
Other non-cash items	2	1	2	2
Income tax paid	-17	-18	-77	-67
Cash flow from operating activities before changes in working capital	96	60	303	225
<i>Changes in working capital</i>				
Increase (-)/decrease (+) in inventories	27	-30	61	-100
Increase (-)/decrease (+) in operating receivables	118	59	-15	-60
Increase (+)/decrease (-) in operating liabilities	-114	-52	-82	2
Cash flow from operating activities	127	37	267	67
<i>Investing activities</i>				
Acquisition of property, plant and equipment	-10	-20	-40	-47
Company acquisitions including additional purchase considerations	-335	-5	-337	-25
Acquisition of intangible assets	0	0	-11	0
Cash flow from investing activities	-345	-25	-388	-72
<i>Financing activities</i>				
Dividend paid	0	0	-94	-85
Call options	3	0	3	4
Repurchase of own shares	-31	0	-31	-37
Increase (+)/decrease (-) in borrowings	271	-10	273	184
Cash flow from financing activities	243	-10	151	66
Cash flow for the period	25	2	30	61
Cash and cash equivalents at beginning of period	152	185	144	120
Translation differences	1	0	5	6
Cash and cash equivalents at end of period	179	187	179	187

The Group's segment reporting

International SEK million	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	648	676	647	644	731	730	676	
Gross profit	192	202	197	197	217	216	198	
%	29.7	29.9	30.4	30.6	29.8	29.6	29.3	
Operating expenses	-121	-125	-124	-129	-132	-137	-129	
%	18.7	18.5	19.2	20.0	18.1	18.8	19.1	
Operating profit (EBITA)	71	77	73	68	85	79	69	
%	11.0	11.4	11.3	10.6	11.7	10.9	10.2	

Sweden SEK million	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	297	304	248	322	360	360	368	
Gross profit	89	87	67	81	91	93	87	
%	29.9	28.6	27.0	25.1	25.3	25.8	23.7	
Operating expenses	-47	-53	-45	-53	-53	-56	-59	
%	15.8	17.4	18.1	16.5	14.7	15.5	16.0	
Operating profit (EBITA)	42	34	22	28	38	37	28	
%	14.1	11.2	8.9	8.7	10.6	10.2	7.6	

Other* SEK million	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	-	-	-	-	-	-	-	-
Gross profit	-4	-7	-5	-7	-4	-6	-6	
Operating expenses	-3	-6	-9	-8	0	-7	-3	
Operating profit (EBITA)	-7	-13	-14	-15	-4	-13	-8	

*Other includes unallocated costs of a Group-wide nature

Group SEK million	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	945	980	895	966	1,091	1,089	1,044	
Gross profit	277	282	259	271	304	303	279	
%	29.3	28.8	28.9	28.1	27.9	27.8	26.7	
Operating expenses	-171	-184	-178	-189	-184	-200	-191	
%	18.1	18.8	19.9	19.6	16.9	18.4	18.3	
Operating profit (EBITA)	106	98	81	82	119	103	89	
%	11.2	10.0	9.1	8.5	10.9	9.5	8.5	

Consolidated Key Figures

	Quarter 3			Jan-Sep		
	2019	2018	Δ	2019	2018	Δ
Order intake, SEK million	1,042	893	17	3,206	2,816	14
Net sales, SEK million	1,044	895	17	3,223	2,820	14
Gross profit, SEK million	279	259	8	886	817	8
EBITDA, SEK million	122	92	33	407	316	29
EBITDA, adjusted, SEK million ⁽²⁾	99	92	8	341	316	8
Operating profit (EBITA), SEK million ⁽¹⁾	89	81	9	311	285	9
Operating profit, SEK million	85	79	7	302	279	8
Profit after tax, SEK million	59	51	15	214	193	11
Gross margin, % ⁽¹⁾	26.7	28.9		27.5	29.0	
Operating margin (EBITA), % ⁽¹⁾	8.5	9.1		9.6	10.1	
Operating margin, % ⁽¹⁾	8.1	8.8		9.4	9.9	
Net margin, %	5.6	5.7		6.6	6.8	
Net debt, SEK million	1,841	1,109	66			
Net debt, adjusted, SEK million ⁽²⁾	1,496	1,109	35			
Debt/equity ratio, %	106	72				
Net debt / EBITDA, adjusted, multiple ^{(1) (2)}	3.5	2.8				
Working capital, SEK million	1,608	1,392	16			
Average working capital, SEK million	1,544	1,340	15			
Average working capital in relation to net sales, %	35.6	36.5				
Equity/assets ratio, % ⁽¹⁾	37	44				
Operating cash flow, SEK million	122	50	144	255	112	127
Earnings per share, SEK ⁽¹⁾	1.57	1.37	15	5.72	5.14	11

⁽¹⁾ These performance measures were impacted by the introduction of IFRS 16. See the table on page 14.

⁽²⁾ Paid purchase prices have been charged in full to adjusted net debt while EBITDA, adjusted, has only been credited from the respective acquisition date.

Performance measures affected by IFRS 16

	Quarter 3				Jan-Sep			
	2019	Adjusted for the effect of IFRS 16 Leases	2019 Pro forma	2018	2019	Adjusted for the effect of IFRS 16 Leases	2019 Pro forma	2018
Gross profit, SEK million	279	0	279	259	886	0	886	817
EBITDA, SEK million	122	-23	99	92	407	-66	341	316
EBITDA, adjusted, SEK million	99	-	99	92	341	-	341	316
Operating expenses, SEK million	-191	-3	-194	-178	-575	-8	-584	-532
Operating profit (EBITA), SEK million	89	-3	86	81	311	-8	303	285
Operating profit, SEK million	85	-3	82	79	302	-8	294	279
Profit before tax, SEK million	74	0	74	65	274	0	274	253
Profit after tax, SEK million	59	0	59	51	214	0	214	193
Earnings per share, SEK	1.57	0	1.57	1.37	5.72	0	5.72	5.14
Net debt, SEK million	1,841	-345	1,496	1,109				
Net debt, adjusted, SEK million	1,496	-	1,496	1,109				
Debt/equity ratio, %	106	-20	86	72				
Equity/assets ratio, %	37	+4	41	44				
Cash flow from operating activities before changes in working capital	96	-23	73	60	303	-66	240	182

Parent Company Income Statement

<i>SEK million</i>	<i>Quarter 3</i>		<i>Jan-Sep</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Administrative expenses	-4	-4	-11	-11
Other operating income	2	2	5	6
Operating loss	-2	-2	-6	-5
<i>Profit/loss from financial items</i>				
Interest expenses and similar expenses	0	0	0	0
Earnings from shares in Group companies	0	0	150	0
Profit/loss after financial items	-2	-2	144	-5
Tax on net profit/loss for the period	0	0	0	0
Profit/loss after tax	-2	-2	144	-5
Other comprehensive income	-	-	-	-
Total comprehensive income	-2	-2	144	-5

Parent Company Balance Sheet

<i>SEK million</i>	30 Sep 19	30 Sep 18	31 Dec 18
ASSETS			
<i>Non-current assets</i>			
Financial assets			
Participations in Group companies	845	845	845
Total non-current assets	845	845	845
<i>Current assets</i>			
Receivables from Group companies	80	14	77
Other current receivables	26	16	8
Cash and cash equivalents	-	7	-
Total current assets	106	37	85
Total assets	951	882	930
EQUITY AND LIABILITIES			
Equity	824	749	801
Untaxed reserves	122	128	122
<i>Non-current interest-bearing liabilities</i>			
Other non-current liabilities	-	-	-
Total non-current liabilities	0	0	0
<i>Current non-interest-bearing liabilities</i>			
Other current liabilities	6	5	7
Total current liabilities	6	5	7
Total equity and liabilities	951	882	930

Other information

ACCOUNTING POLICIES

This interim report has been prepared pursuant to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's financial statements were prepared in accordance with the Swedish Annual Accounts Act, Chapter 9 and the Swedish Financial Reporting Board's recommendation RFR 2.

The accounting policies applied correspond to the accounting policies and measurement principles presented in the 2018 Annual Report, with the exceptions outlined below. The 2018 Annual Report is available at www.bufab.com.

Bufab applies IFRS 16 Leases as of January 1, 2019.

IFRS 16 addresses the recognition of rental contracts and leases for both lessors and lessees. The implementation of this standard entails that nearly all leases will be recognised in the lessee's balance sheet, since no difference is made any longer between operational and financial leases. According to the new standard, an asset (the right to use a leased asset) and a financial liability covering the obligation to pay lease fees are to be recognised. Exceptions are made for short-term leases and leases for which the underlying assets have a low value. Bufab 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 will not be 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
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The effect on the income statement for the Group is not significant.

LONG-TERM SHARE-BASED INCENTIVE PROGRAMME

The 2019 Annual General Meeting resolved to adopt a long-term share-based incentive programme based on call options, comprising the CEO, senior executives and other key employees within the Group. The programme comprises a maximum of 350,000 call options, corresponding to approximately 0.9 percent of the total number of shares in the company. The purchase price for the call options has been set, using a Black & Scholes valuation, at SEK 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 interim 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, which may correspond to not more than the price paid for the call options. In this instance, payment of the subsidy will occur in August 2023 and requires that participants remain at that date in their positions or in another corresponding position of employment within the Bufab Group.

To hedge Bufab's delivery of shares, the Annual General Meeting also resolved to authorise the Board of Directors to repurchase a maximum of 350,000 shares in the company, and approved the transfer of a maximum of 350,000 of the company's repurchased shares to the participants of the programme. During the interim period, 302,252 shares were repurchased.

RISKS AND RISK MANAGEMENT

Exposure to risk is a natural part of business activity and this is reflected in Bufab's approach to risk management. The aim is to identify and prevent risks and to limit any loss or damage from these risks. The main risks to which the Group is exposed relate to the impact of the economy on demand.

For further information regarding risks and risk management, see Note 3 of the 2018 Annual Report.

SEASONAL VARIATIONS

Bufab has no significant seasonal variation in its sales, but sales over the year vary based on the number of production days in each quarter for customers.

RELATED-PARTY TRANSACTIONS

There were no related-party transactions during the period, except for the dividend to shareholders paid in accordance with an AGM resolution, the payment of fees to the Board of Directors and the remuneration of senior executives.

FINANCING AGREEMENT

In September, Bufab signed an agreement to increase its credit facility. The existing credit facility was increased to a total of SEK 2,200 million and extends until September 2022.

EMPLOYEES

The number of employees in the Group at 30 September 2019 amounted to 1,355 (1,178).

ACQUISITIONS

The following acquisitions were made during 2017-Q3 2019.

	<i>Date</i>	<i>Net sales*</i>	<i>Employees</i>
Thunderbolts Group Limited	24 May 2017	32	19
Kian Soon Mechanical Components Pte. Ltd	1 Dec 2017	105	64
Rudhäll Industri AB	5 October 2018	210	76
HT BENDIX A/S	16 July 2019	500	80

*Estimated annual net sales at the date of acquisition

On 16 July 2019, Bufab completed the acquisition of 100 percent of the shares in HT BENDIX A/S with operations in Denmark. The purchase consideration 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 added SEK 87 million to the Group's accumulated net sales since the transfer. The net impact, after acquisition costs, on accumulated operating profit in the quarter was SEK 7 million and the effect on profit after tax was SEK 5 million. This acquisition would have positively impacted the Group's net sales by an estimated SEK 367 million, EBITA by about SEK 33 million, operating profit by about SEK 27 million and profit after tax for the period by about SEK 21 million had it been implemented on 1 January 2019.

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

<i>HT BENDIX A/S</i>	<i>Fair value</i>
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	-91
Acquired net assets	119
Goodwill	277
Purchase consideration*	396
Less: cash and cash equivalents in acquired operations	0
Less: conditional purchase consideration	-88
Effect on the Group's cash and cash equivalents	307

* The consideration is stated excluding acquisition expenses

The acquisition analysis above is preliminary. Goodwill arising in connection with the acquisition is attributable to the knowledge accrued in the acquired company and the established and consolidated market positions and the anticipated profitability related to it. Goodwill is tested annually for any impairment requirement. Intangible assets will be amortised over a period of ten years. In addition to a negative net impact on the Group's cash and cash equivalents of SEK 307 million relating to the acquisition of HT BENDIX A/S, a total of SEK 30 million was paid during the year in additional purchase considerations for previous acquisitions. In October 2019, the shares in HT BENDIX A/S were pledged in accordance with the Group's existing financing agreement.

CONTINGENT LIABILITIES

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

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of Bufab AB (publ) will be held in Värnamo, on 21 April 2020.

FINANCIAL REPORTING DATES

Year-end report 2019

11 February 2020

Interim report for the first quarter of 2020

21 April 2020

Annual General Meeting for 2019

21 April 2020

Interim report for the second quarter of 2020

16 July 2020

Interim report for the third quarter of 2020

23 October 2020

Värnamo, 25 October 2019

Jörgen Rosengren
President and CEO

AUDITORS' REVIEW REPORT

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

Introduction

We have conducted a review of the financial information in summary (interim report) for Bufab AB (publ) (556685-6240) as of 30 September 2019 and the nine-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Focus and scope of the review

We have conducted our review in accordance with the Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope

than an audit conducted in accordance with International Standards on Auditing (ISA). The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion

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

Gothenburg, 25 October 2019

Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

Definitions of key figures

Gross margin, %

Gross profit as a percentage of net sales for the period

EBITDA

Operating profit before depreciation, amortisation and impairment

EBITDA, adjusted

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

Operating profit (EBITA)

Gross profit less operating expenses.

Net debt, adjusted

Interest-bearing liabilities, lease liabilities according to IFRS 16, less cash and cash equivalents and interest-bearing assets, calculated at the end of the period

Debt/equity ratio, %

Net debt divided by equity, calculated at the end of the period

Net debt / EBITDA, adjusted, multiple

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

Operating expenses

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

Working capital

Total current assets less cash and cash equivalents less current non-interest-bearing liabilities, calculated at the end of the period

Average working capital

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

Average working capital in relation to net sales, %

Average working capital as a percentage of net sales in the last twelve months

Equity/assets ratio, %

Equity as a percentage of total assets, calculated at the end of the period

Operating cash flow

EBITDA, adjusted, plus other non-cash items, minus changes in working capital and investments

Earnings per share

Profit after tax for the period divided by the average number of common shares

Performance measures not defined in accordance with IFRS

Bufab uses certain performance measures not defined in the rules for financial reporting adopted by Bufab. The purpose of these performance measures is to provide a better understanding of the performance of the operations. It should be pointed out that these alternative performance measures, as they are defined, are not fully comparable with other companies' performance measures with the same name.

Organic growth

Because Bufab has operations in many countries with different currencies, it is essential to provide an understanding of the company's performance without current effects when translating foreign subsidiaries. In addition, Bufab has an important strategic objective in carrying out value-generating acquisitions. For these reasons, growth is also recognised excluding currency effects when translating foreign subsidiaries and excluding acquired operations within the term Organic growth. This performance measure is expressed in percentage points of last year's net sales.

2019, %	Quarter 3			Jan-Sep		
	Group	Sweden	International	Group	Sweden	International
Organic growth	0	-4	2	3	-2	5
Currency translation effects	2	0	3	2	0	3
Acquisitions	15	52	0	9	30	0
Recognised growth	17	48	5	14	28	8

2018, %	Quarter 3			Jan-Sep		
	Group	Sweden	International	Group	Sweden	International
Organic growth	9	9	10	10	8	10
Currency translation effects	7	0	9	3	0	6
Acquisitions	6	0	8	6	0	8
Recognised growth	22	9	27	19	8	24

Operating cash flow

In order to improve its total cash flow, Bufab continuously measures the cash flow generated by operations in all its companies. This is expressed as Operating cash flow and defined below.

SEK million	Quarter 3		Jan-Sep	
	2019	2018	2019	2018
EBITDA, adjusted	99	92	341	316
Other non-cash items	2	1	2	2
Changes in inventory	27	-30	61	-100
Changes in operating receivables	118	59	-15	-60
Changes in operating liabilities	-114	-52	-82	2
Cash flow from operations	132	69	306	159
Investments excluding acquisitions	-10	-20	-51	-47
Operating cash flow	122	49	255	112

EBITDA

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

	Quarter 3		Jan-Sep	
	2019	2018	2019	2018
Operating profit	85	79	302	279
Depreciation/amortisation and impairment	37	13	105	37
EBITDA	122	92	407	316

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.

	Quarter 3		Jan-Sep	
	2019	2018	2019	2018
Operating profit	85	79	302	279
Depreciation/amortisation and impairment	37	13	105	37
Less: amortisation on right-of-use assets according to IFRS 16	-21	0	-60	0
Less: interest expenses on lease liabilities according to IFRS 16	-2	0	-7	0
EBITDA, adjusted	99	92	341	316

EBITA

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

	Quarter 3		Jan-Sep	
	2019	2018	2019	2018
SEK million				
Operating profit	85	79	302	279
Depreciation and amortisation of acquired intangible assets	3	2	9	6
EBITA	89	81	311	285

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.

	Quarter 3		Jan-Sep	
	2019	2018	2019	2018
SEK million				
Distribution costs	-140	-125	-416	-378
Administrative expenses	-57	-56	-174	-165
Other operating income	11	13	30	40
Other operating expenses	-9	-12	-25	-36
Depreciation and amortisation of acquired intangible assets	3	2	9	6
Operating expenses	-192	-178	-576	-533

Working capital

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

	30 Sep	30 Sep
	<i>2019</i>	<i>2018</i>
Current assets	2,473	2,195
Less: cash and cash equivalents	-179	-187
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	-686	-616
Working capital on the balance-sheet date	1,608	1,392

Net debt

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

	30 Sep	30 Sep
	<i>2019</i>	<i>2018</i>
Non-current interest-bearing liabilities	1,843	1,189
Current interest-bearing liabilities	177	107
Less: cash and cash equivalents	-179	-187
Less: other interest-bearing receivables	-	0
Net debt on balance-sheet date	1,841	1,109

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.

	30 Sep	30 Sep
	<i>2019</i>	<i>2018</i>
Non-current interest-bearing liabilities	1,843	1,189
Current interest-bearing liabilities	177	107
Less: lease liabilities according to IFRS 16	-345	-
Less: cash and cash equivalents	-179	-187
Less: other interest-bearing receivables	-	0
Net debt, adjusted, on the balance-sheet date	1,496	1,109

CONFERENCE CALL

A conference call will be held on 25 October 2019 at 10:00 a.m. CET. Jörgen Rosengren, President and CEO, and Marcus Andersson, CFO, will present the results. The conference call will be held in English.

To participate in the conference, use any of the following dial-in numbers: +44 2071 928 000, UK 08 445 718 892, Sweden 08 506 921 80 or the US 1 631 510 7495. Conference code: 9983815.

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



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This information is such that Bufab AB (publ) is obliged to disclose in accordance with the EU's Market Abuse Regulation. The information was submitted for publication by the aforementioned contact on 25 October 2019 at 7:30 a.m. CET.