SOL UTI ONS

Annual Report 2020

BUFAB

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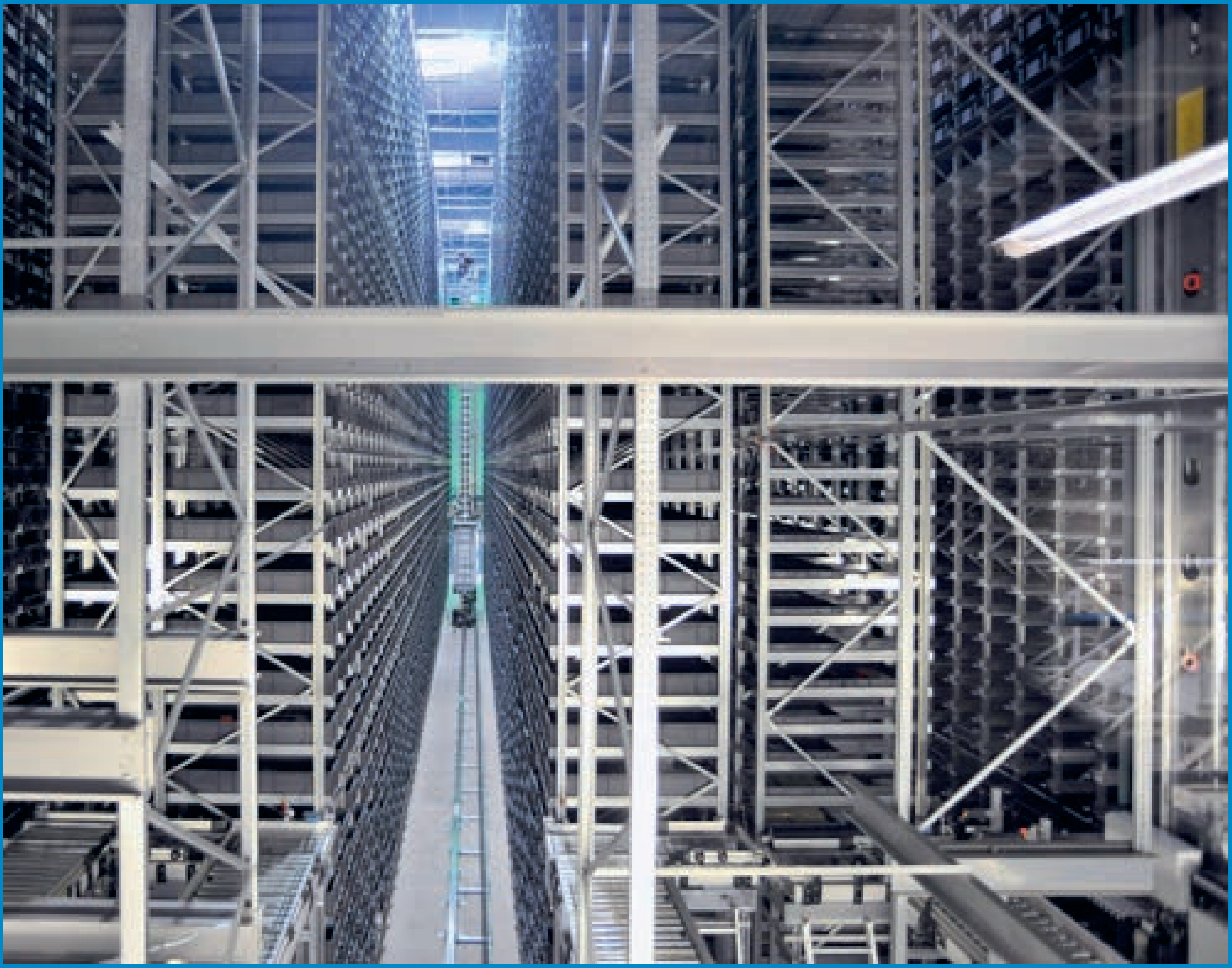


The year in brief

- » Net sales increased by 9 percent to SEK 4,756 million (4,348), of which –5 percent was organic
- » Operating profit (EBITA) amounted to SEK 482 million (384), corresponding to a margin of 10.1 percent (8.8)
- » Earnings per share amounted to SEK 8.04 (6.75)
- » Operating cash flow increased to SEK 540 million (351)
- » Overall, Bufab achieved all-time high sales and operating profit, earnings per share and cahs flow in 2020

Net sales

+9%

Operating profit (EBITA), %

10.1%

Operating cash flow

540SEKm

Key figures

SEK million	**2020**	2019	Change, %
Net sales	4,756	4,348	9
Gross profit	1,252	1,183	6
%	*26.3*	*27.2*	
Operating expenses	–771	–799	–4
%	*–16.2*	*–18.4*	
Operating profit (EBITA)	482	384	26
%	*10.1*	*8.8*	
Operating profit	452	368	23
%	*9.5*	*8.5*	
Profit after tax	299	253	18
Earnings per share, SEK	8.04	6.75	19
Dividend per share, SEK	2.75	—	
Operating cash flow	540	351	54

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.

13,000

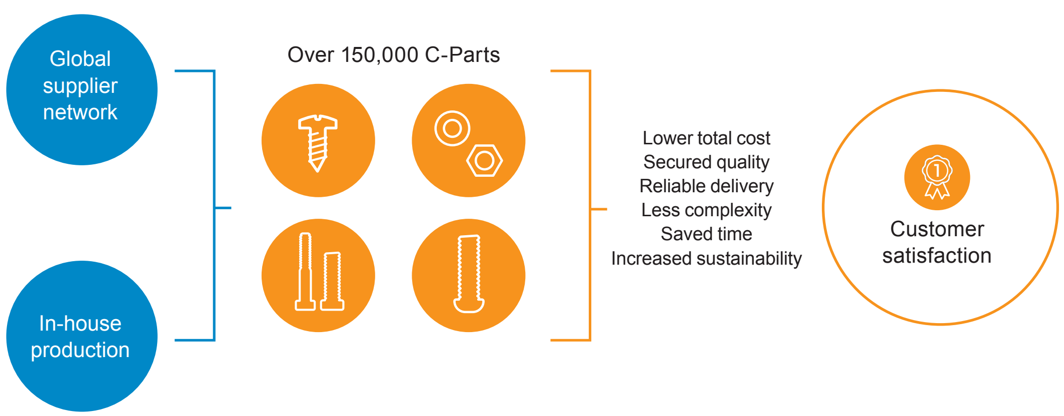
Bufab's customer base is diversified and comprises approximately 13,000 customers in numerous different industries.

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.

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, 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 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.

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 almost 45 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.

Bufab has reported an operating profit each year for almost 45 years, and has financed all growth using its own cash flow.

Working toward leadership despite challenging year

Entrepreneurship. Agility and speed. Hard work and loyalty of employees. All of this helped Bufab to end 2020 in a strong position, despite the tough challenges and the uncertainty caused by the pandemic. In actual fact, 2020 was one of our most successful years ever. This enabled us to take another important step toward leadership in our industry.

As the pandemic spread around the world during the spring of 2020, our most important goal was to protect our employees and their health. Our subsidiaries in China and the rest of Asia were first to experience the dramatic impact of the coronavirus. Thanks to their experiences, we were able to rapidly put the right measures in place throughout the Group. At the same time as we ensured the safety of our employees, we implemented a series of measures to protect our customers from the disruptions in global supply chains. It took speed, agility and entrepreneurship from our employees to meet the customers' fluctuating needs.

We also adapted staffing and cost levels to an entirely new demand scenario and intensified our already started efficiency programme to SEK 100 million. The programme reached its target at year-end. During the autumn, we worked to restore the profitable growth seen in the Group over a number of years. This work included a major competency development drive in the sales team and additional investments in our customer offering. As a result of the measures, Bufab could – for the sixth consecutive year – report a new record in sales and operating profit, combined with strong cash flow. The most important performance measures include growth of 9 percent, an improved operating margin of 10 percent and an increase in profit after tax of 19 percent. The greatly strengthened balance sheet also creates scope for further investments and acquisitions.

Good growth potential

Supplying C-parts is in many ways a challenging business. We have thousands of customers and suppliers worldwide, and we manage billions of components every year. Our goal is to be leader in the field. This implies that we will become the preferred choice for customers, as we offer the best and most sustainable solutions. But this also means we must be the most attractive employer in our industry.

We have invested a great deal of time and effort in developing relationships with our key customers. Many of them suffered major difficulties with the supply of components in 2020 and therefore have become even more motivated to simplify and secure their supply chains. This strengthens Bufab's position, as simplicity and security are just what we offer. One of the challenges in 2020 was assessing suppliers when travel restrictions were in place. This meant the services we can offer through our local presence in many supplier markets were seen as even more valuable for our customers. During the year, we continued to assess and assist suppliers in their improvement efforts, despite often challenging and difficult conditions.

Bufab's market share has steadily increased over the past eight years and we want to continue growing. The goal is for 10 percent annual growth, organically and through acquisitions, in order to contribute to owners, employees, society, suppliers and customers. Growth is important for economic reasons. But it also creates international reach and a broad offering, which is increasingly important as customers consolidate their component deliveries to the leading global suppliers.

New ambitious strategy

One effect of the dramatic events of 2020 was that we assessed our position and subsequently set a new, more ambitious strategy for the next few years.

The strategy is simple but still ambitious and focuses on four areas "*Grow!*", "*Improve*", "*Invest*"

and "*Acquire*". As previously, our main focus is growth. We want to continue increasing our market shares every year, through both existing and new customers. We also intend to capitalize on our investments in processes and digital tools in recent years to further improve Bufab's productivity and margin. Growth and improved profitability offer scope for further investments, and this creates a virtuous circle.

Acquisitions are also a key part of our new strategy. During 2020, we worked to integrate and realise growth synergies from the two major acquisitions completed in the second half of 2019. This is a long-term effort. But the companies have already developed well organically and made a strong contribution to our growth and profitability. At the same time, we are continuing our work to assess potential new acquisition candidates.

You can read more about each part of the strategy on page 7 of this report. During the autumn of 2020, concrete plans were drawn up for how we can implement it in each business unit and subsidiary, and this work has already begun.

Sustainability as an integral part of the strategy and in daily work

It is important to our customers, employees and owners that we grow in a responsible and sustainable manner. This enables us to contribute towards making the entire industry more sustainable: by making demands on our suppliers and by setting a good example. Sustainability is also an increasingly important part of our customer offering. Accordingly, sustainability is a central part of the new strategy. It is even used in the strategy's name: "*Sustainable leadership*". A first, and tangible sign of the new level of ambition was Bufab's decision in February 2021 to sign the UN-backed Science Based Targets initiative. As a result, we undertake to achieve significant reductions in greenhouse gases throughout our value chain to contribute towards the goal in the Paris Agreement to limit global warming to 1.5°C. It will not be easy, but we are convinced that we can achieve this through close collaboration with our customers and suppliers. We describe this in more detail in our Sustainability Report together with other parts of our sustainability agenda.

Continued positive development opportunities

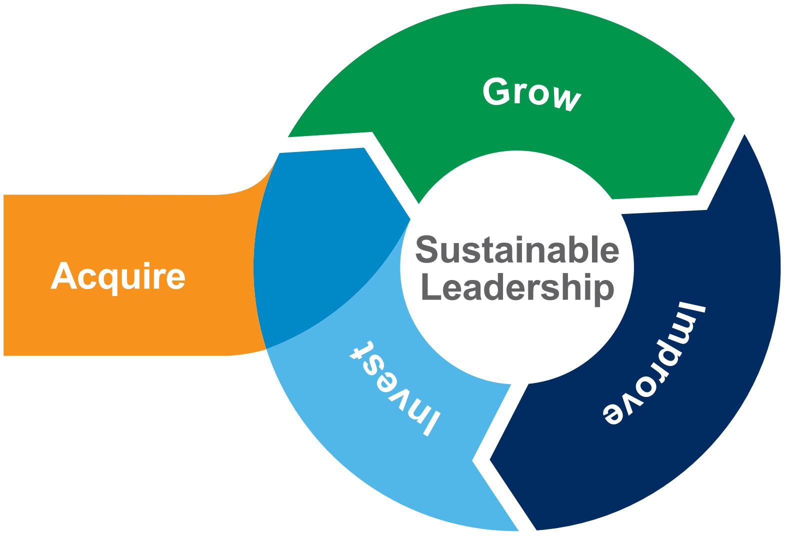
2021 is also looking to be a tough year and there is a great deal of uncertainty. But we can see that the favourable growth at the end of 2020 has continued at the start of the new year. Thanks to the experiences from 2020, our strong earnings trend and stable customer relationships, and the work that is now underway, I am convinced that Bufab will continue to report a healthy development.

I want to end by thanking all of Bufab's 1,300 employees – our "Solutionists" – for their outstanding efforts during 2020.

Jörgen Rosengren
President and CEO

Strategy for Sustainable Leadership

We have achieved successful growth over decades based on our insistence to always put quality and customers first.



Over the past years, we have strengthened our customer relationships and developed a market leading C-Parts supply chain management, improved our processes, systems and productivity, digitally integrated with customers and suppliers, built a stronger supplier base, developed our team, and made many good acquisitions. Four years ago, we set up a vision to be the leading player in the industry. Now it's time to increase the ambition even further. Our new strategy is called Sustainable Leadership.

Sustainable Leadership

In 2020, we took substantial steps forward towards this goal. Despite the pandemic, we increased our market share and strengthened our customer relations. We worked under difficult conditions on improving our supplier base and our internal processes and systems. But we also looked to the future by developing a new strategy and roadmap. The new plan means an increased ambition level in many areas. It also means integrating sustainability into the company's day-to-day business. And finally, it means that once we attain a leadership position, we intend to keep it. Hence the strategy's new name: Sustainable Leadership.

We need to continue to Grow, Improve, Invest and Acquire. The growth generates good returns, but is also strategically important for the development of our customer base and offering. Our investments the past years into productivity, digitization, a stronger team and our supplier base also makes it possible to improve our business, which was also evident in the results achieved in 2020. Growth and improvement together create room for us to invest, which in turn allows more growth and improvement. And finally, we can continue to drive the consolidation of our industry by making more win-win acquisitions that can contribute further to our growth, our financial result, and our strategic position.

Each of these areas is dealt with on next page.

Grow

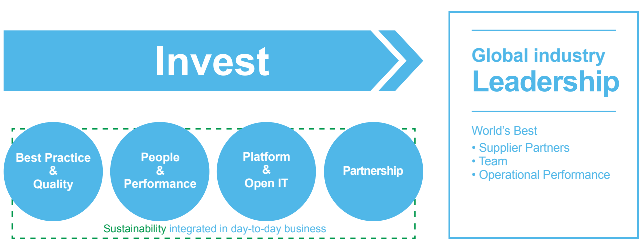
Our ambition is to be the preferred partner of all customers. We have consistently grown our share – both regarding market and most customers – over the past eight years.

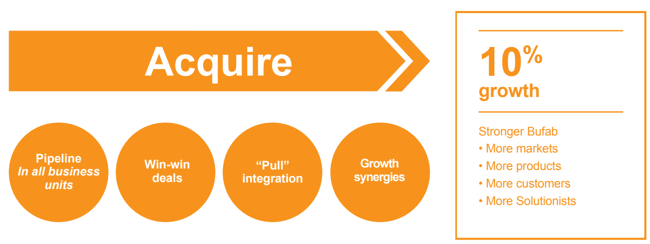
Going forward, we aim to continue rapid profitable growth. As in the past, we intend to invest in better productivity solutions for our customers. During 2020, we took a new look at our entire offering and how we communicate it. But we also made investment plans for developing the offering going forward. A leading offering, combined with excellent sales people and account teams, are critical to building lasting, growth-generating customer partnerships. That's why we've also restarted investment in our sales force – despite the pandemic constraints – in the "sales excellence" program. We will continue these and other investments with the goal to build the industry's best team of Solutionists.

Improve

Over the past several years, we have strengthened our capabilities in many areas. As one example, we have dramatically improved the level of digital integration with our customers and suppliers. The results of these investment were clearly visible in 2020, when we were able to leverage them for increased productivity and an improved margin and profit despite lower demand and challenging external circumstances.

This gives us confidence to continue on the same path. Customers demand continuous improvement. We will meet these demands going forward by an increased focus on widening our margin – decreasing cost, increasing productivity, but also ensuring that we get paid for the value we deliver. We will improve both precision and productivity on the strength of our new tools and processes. We will continue the work in each business unit to build stronger supplier partnerships, and to reward our best partners with consolidation of more business to them. And finally, we will continue developing the skill bases organized around our centers of excellence already existing in core business units, and start creating such centers in more places around the world.





Invest

Achieving Sustainable Leadership requires continuous investment in the business. We have continued to invest – in good times and in bad – and intend to keep investing going forward.

Important investment areas recently include IT infrastructure, development of digital tools and processes, the Bufab Best Practice, and a Global Sourcing organization including new sourcing offices. Important investment areas going forward include:

- Productivity Solutions
- People – Academy, Personal development, Values, Organization, People Best Practice
- Platform – Best Practice and Performance Management to integrate sustainability in day-to-day operations. Also digitization of our processed to improve precision, productivity and the value to our partners
- Partnerships – with the best suppliers and the most demanding customers

The aim is that these investments will help bring Bufab to a position of Sustainable Leadership.

Acquire

We have acquired more than 50 companies since 1978 and see further acquisitions as an important way of growing, while also strengthening our offering and skills. By increasing our global presence, we can serve customers better and in more markets. Our most recent acquisitions are the North American company American Bolt and Screw and the Danish company HT BENDIX A/S, each with annual sales of about SEK 500 million. Both these companies give us access to important new growth opportunities, and strengthen our product offering, our skill set, and our supplier base.

Our new Sustainable Leadership strategy includes a continued focus on acquisitions. As we grow, we need to make more and larger acquisitions. All business units are tasked with identifying a pipeline for potential acquisition candidates. These candidates should be well run, provide growth synergies, and be open for a win-win deal.

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.

9

Acquisitions since 2014

1,900 SEKm

Net Sales

Over the past 40 years, Bufab has made over 50 acquisitions and in the last six years completed nine acquisitions with a total turnover of SEK 1,900 million. Thanks to this, we have increased our presence in new industries, product segments and geographic markets and become even more relevant to our customers.

The vast majority of our acquisitions have performed very well since they became part of Bufab, and have contributed greatly to our strong earnings development. This is because we are very selective when acquiring new companies and acquire exclusively well-managed and profitable companies. We apply a "Pull Integration"-strategy which in short means that we allow the acquired company, at their own pace, 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 are building a common future where the acquired companies' own responsibilities, competence and entrepreneurship are at the center.

In 2019, we completed two major strategic acquisitions. HT Bendix A/S with particularly strong expertise in the furniture and interior design market, which is an important complement to our business in the Nordic region and American Bolt & Screw, which strengthens our offering to global customers, and gives us a stronger platform for continued expansion in North America. Both of these acquisitions have involved growth synergies in the form of new and broadened customer relationships, interesting suppliers and expertise.

In 2020, we have significantly strengthened our financial position and are well equipped to continue our growth journey by adding further acquisitions.

Acquisitions 2014–2020

	Date	Net Sales (SEKm)	Employees
American Bolt & Screw Corp	November 2019	500	90
HT BENDIX A/S	July 2019	500	80
Rudhäll Industri AB	October 2018	210	76
Kian Soon Mechanical Components Pte. Ltd	December 2017	105	64
Thunderbolts Group Limited	May 2017	32	19
Montrose Holdings Ltd	December 2016	80	51
Magnetfabriken AB	March 2016	20	6
Apex Stainless Holdings Ltd	November 2015	300	110
Flos BV	February 2015	160	52
Total		**1,907**	**548**

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 2020 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 42 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 6 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. 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 2020, Bufab had approximately 1,300 employees around the world. The Bufab share has been listed on Nasdaq Stockholm since 21 February 2014.

Significant events during the financial year

The coronavirus pandemic

Bufab's operations were highly affected by the coronavirus pandemic during the year. China and Southeast Asia were already affected in January by the restrictions implemented following the outbreak of the pandemic. The Group's subsidiaries in Asia rapidly prepared an action plan to enable them to conduct operations safely and efficiently despite the pandemic. These experiences meant that the Group was well-equipped when the virus subsequently spread to Europe and North America. Three main goals were established already during the first quarter: to protect employees, the Group's customers and Bufab from the effects of the pandemic. All subsidiaries adopted the goals and implemented the required measures.

These efforts had a good impact. We avoided extensive spread of infection at our workplaces during the year. Stable deliveries with good quality to our thousands of customers throughout the world were maintained. This was achieved despite the major disruptions to global supply chains, predominantly during the spring. During the second quarter, the pandemic forced many of Bufab's customers to reduce their production, which led to strongly negative organic growth. To address this, the Group rapidly introduced comprehensive short-time working and other cost-saving measures in all subsidiaries.

During the third and fourth quarters, first a gradual and then a strong recovery in demand was noted in all segments. Combined with an improved gross margin and reduced costs, the recovery led to a strong increase in operating profit and operating margin in the second half of the year. The cost level is deserving of particular comment. The savings programme, which was expanded during the year to SEK 100 million, has produced favourable results. Overall, the Group delivered a strong organic growth (10%) at the end of the year despite a significant reduction in the number of employees. This was the result of systematic work on efficiency and investments in digitalisation, as part of the Group's Leadership strategy, which accelerated during the year. Moreover, all business units displayed highly effective cost control. This resulted in major cost savings during the year.

New segment structure

As of 1 January 2020, the former two operating segments of International and Sweden were replaced by four new: North, West, East and UK/North America. In turn, the segments are organised into ten business units. As a result of this change, Jörn Maurer joined Group management with responsibility for segment West. The purpose of the reorganisation was to achieve a clearer focus on the Group's international breadth and growth opportunities, and to increase focus on operational improvements in each subsidiary.

Order intake and net sales

Order intake amounted to SEK 4,827 million (4,354) and was in line with net sales. Net sales rose by 9 percent to SEK 4,756 million (4,348). Organic growth was –5 percent, mainly as a result of the effects of the coronavirus pandemic on demand during the second quarter. However, towards the end of the year a strong organic growth was noted.The market share is deemed to have increased somewhat.

Profit and profitability

Gross margin declined to 26.3 percent (27.2). This decline was essentially attributable to the second quarter and was due to lower volumes in the manufacturing companies and a weaker business mix in segment West.

However, operating expenses as a share of net sales declined sharply to 16.2 percent (18.4), which was attributable to the cost savings programme and good flexibility and cost control during the most recent three quarters.

In total, operating profit (EBITA) rose to SEK 482 million (384), equal to an operating margin of 10.1 percent (8.8). Operating profit was the highest ever for Bufab, for the sixth consecutive year. Earnings per share amounted to SEK 8.04 (6.75).

Compared with the preceding year, exchange-rate fluctuations impacted operating profit negatively by SEK –21 million, volumes negatively by SEK –73 million, cost savings and the price/mix/other positively by SEK +106 million and acquisitions positively by SEK +86 million.

Operating profit was impacted positively by adjustments of contingent additional purchase considerations of SEK +15 million, negatively by restructuring costs of SEK –20 million, and positively by subsidies for short-time work and such measures of SEK +27 million.

Cost savings programme

During the second quarter, the Group expanded its existing cost savings programme from SEK 40 million to SEK 100 million, on a full-year basis relative to 2019. The programme has been fully implemented. The implementation generated restructuring costs of approximately SEK 20 million in the second half of 2020. The savings were achieved through increased efficiency, general cost savings and natural attrition, and will extend across all of the Group's segments. A small number of layoffs were required in certain subsidiaries. As a result of the cost savings programme, the number of employees in the Group, adjusted for acquisitions, has fallen by approximately 170 employees since the end of the second quarter of 2019, a reduction of about 12 percent. The cost-savings programme did not affect the Group's growth ambitions.

Key figures

SEK million	**2020**	2019	2018	2017	2016
Order intake	4,827	4,354	3,798	3,256	2,887
Net sales	4,756	4,348	3,786	3,201	2,847
Gross profit	1,252	1,183	1,088	917	828
%	*26.3*	*27.2*	*28.7*	*28.6*	*29.1*
Operating expenses*	–771	–799	–721	–606	–551
%	*–16.2*	*–18,4*	*–19.0*	*–18.9*	*–19.4*
Operating profit (EBITA)	482	384	367	311	277
%	*10.1*	*8.8*	*9.7*	*9.7*	*9.7*
Profit after tax	299	253	255	213	163
Adjusted profit after tax	299	253	255	213	187
Earnings per share, SEK	8.04	6.75	6.79	5.61	4.29
Adjusted earnings per share, SEK	8.04	6.75	6.79	5.61	4.92
Dividend per share, SEK	2.75**	0.00	2.50	2.25	2.00
Operating cash flow	540	351	175	183	267

* For definitions, see page 66.

** Proposed by the Board of Directors.

Support for short-time work

During the second and third quarters, several of the Group's subsidiaries took part in various forms of government support programmes, which were initiated in several countries in the wake of the coronavirus pandemic, mainly in the shape of short-term work schemes. For the full year, these support programmes amounted to SEK 27 million globally, of which approximately SEK 7 million pertained to government support in Sweden. The government support was recognised under other operating income in the consolidated income statement.

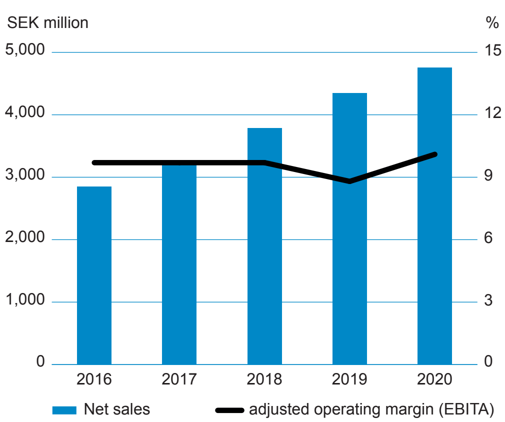
Financial items and tax

The Group's net financial items amounted to SEK –60 million (–42), of which exchange-rate differences accounted for SEK –4 million (+4). The Group's profit after financial items was SEK 392 million (326). The decline in net financial items year-on-year was attributable to the financing of the acquisitions of HT BENDIX and American Bolt & Screw, as well as interest expenses for leases in the newly acquired companies. The tax expense was SEK –92 million (–73), implying an effective tax rate of 24 percent (22).

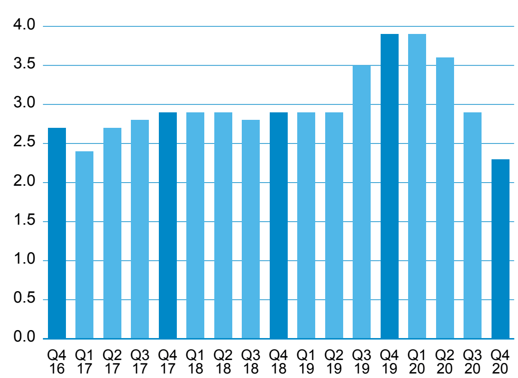
Cash flow, working capital and financial position

Operating cash flow amounted to SEK 540 million (351), supported by good development of operating profit and working capital. Average working capital in relation to net sales amounted to 33.1 percent (35.3). The improvement is primarily attributable to increased volumes, lower tied-up capital in the acquired company American Bolt & Screw, and to a positive trend in working capital during the year. On 31 December 2020, the Group's adjusted net debt totalled SEK 1,220 million (1,666) and the debt/equity ratio was 80 percent (118). The reduced net debt and debt/equity ratio were directly attributable to the favourable operating cash flow. The performance measure net debt/EBITDA, adjusted, was a multiple of 2.3 (3.9) on 31 December 2020. The ratio improved by a multiple of 1.6 during the year as a result of strong cash flow and a favourable earnings trend.

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



Net debt / EBITDA, adjusted, multiple



Financial targets

Profitable Growth 10–15%

Average annual increase of net sales by 10 percent and of earnings per share by 15 percent, through both organic growth and acquisitions.

Profitability: 12%

Achieve an annual operating margin (EBITA) of 12 percent latest by 2023.

Dividend 30–60%

Dividend of 30–60 percent of annual net profit.

Financial stability 2–3x

Net debt in relation to operating profit before depreciation and amortization (ND/EBITDA) shall normally be in the range of 2–3x.

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

42%

Share of total sales

+8%

Sales growth

9.4%

Operating margin (EBITA)

SEGMENT NORTH

Order intake amounted to SEK 2,052 million (1,866) and was in line with net sales.

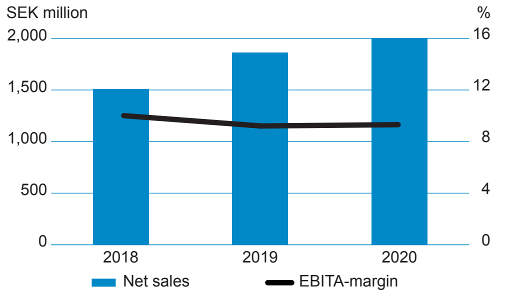
Net sales increased by 8 percent to SEK 2,005 million (1,865). Organic growth was –6 percent.

Gross margin declined to 23.2 percent (25.4). The decline was primarily attributable to the segment's manufacturing companies and the acquisition of HT BENDIX A/S which has a lower gross margin than the rest of the segment but comparable operating margin.

The result effect of the lower gross margin was mitigated by a significantly lower share of operating expenses, which in turn, were due to cost savings made.

Operating profit (EBITA) was SEK 189 million (174), equal to a margin of 9.4 percent (9.3).

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



Financial position

SEK million	2020	2019	2018
Order intake	2,052	1,866	1,508
Net sales	2,005	1,865	1,508
Gross profit	465	474	416
%	*23.2*	*25.4*	*27.6*
Operating expenses	–276	–300	–263
%	*–13.7*	*–16.1*	*–17.6*
Operating profit (EBITA)	189	174	153
%	*9.4*	*9.3*	*10.1*

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

22%

Share of total sales

–11%

Sales growth

8.3%

Operating margin (EBITA)

SEGMENT WEST

Order intake was SEK 1,047 million (1,157), which was higher than net sales.

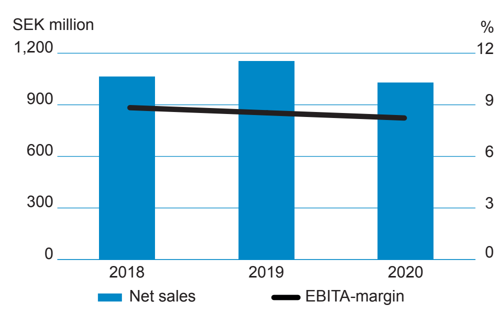
Net sales declined by 11 percent to SEK 1,028 million (1,155). Organic growth was –10 percent.

Gross margin declined to 25.0 percent (26.5). The decline was primarily due to lower volumes and a poorer business mix in the segment's companies.

The result effect of the lower gross margin was partly mitigated by a lower share of operating expenses, which in turn, were due to cost savings made.

EBITA totalled SEK 86 million (99), equal to a margin of 8.3 percent (8.6).

Net sales (SEK million) and EBITA margin



Financial position

SEK million	2020	2019	2018
Order intake	1,047	1,157	1,065
Net sales	1,028	1,155	1,064
Gross profit	257	306	285
%	*25.0*	*26.5*	*26.8*
Operating expenses	–171	–207	–190
%	*–16.7*	*–17.9*	*–17.9*
Operating profit (EBITA)	86	99	95
%	*8.3*	*8.6*	*8.9*

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

15%

Share of total sales

–1%

Sales growth

14.4%

Operating margin (EBITA)

SEGMENT EAST

Order intake amounted to SEK 725 million (721), which was higher than net sales.

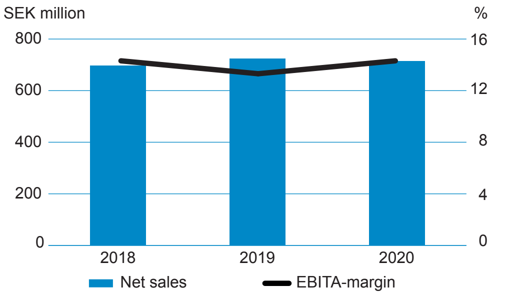
Net sales decreased by 1 percent to SEK 715 million (723). Organic growth was 4 percent

Gross margin was 31.8 percent (31.9).

Operating expenses declined as a result of the implemented cost savings, which yielded an improved operating profit compared with 2019.

EBITA totalled SEK 103 million (97), equal to a margin of 14.4 percent (13.4).

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



Financial position

SEK million	2020	2019	2018
Order intake	725	721	697
Net sales	715	723	696
Gross profit	227	230	225
%	*31.8*	*31.9*	*32.3*
Operating expenses	–125	–134	–125
%	*–17.4*	*–18.5*	*–18.0*
Operating profit (EBITA)	103	97	100
%	*14.4*	*13.4*	*14.4*

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

21%

Share of total sales

+69%

Sales growth

12.7%

Operating margin (EBITA)

SEGMENT UK/NORTH AMERICA

Order intake amounted to SEK 1,002 million (602) and was in line with net sales.

Net sales rose by 69 percent to SEK 1,008 million (598). Organic growth was –1 percent.

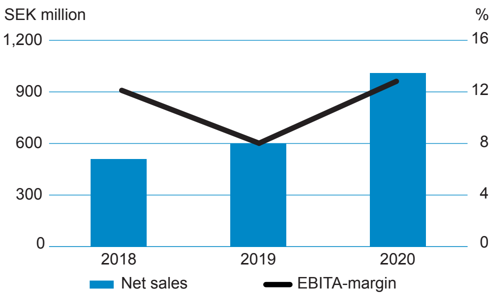
Gross margin was to 31.4 percent (31.0).

The stable gross margin together with a strong sales growth led to a significant improvement of the gross profit.

The operating profit improved strongly compared to 2019 and this was primarily due to a very strong contribution from American Bolt & Screw that had a good development during the year.

EBITA totalled SEK 128 million (47), equal to a margin of 12.7 percent (7.9).

Net sales (SEK million) and EBITA margin



Financial position

SEK million	2020	2019	2018
Order intake	1,002	602	510
Net sales	1,008	598	510
Gross profit	317	185	175
%	*31.4*	*31.0*	*34.3*
Operating expenses	–189	–138	–114
%	*–18.7*	*–23.1*	*–22.4*
Operating profit (EBITA)	128	47	61
%	*12.7*	*7.9*	*12.0*

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 at 31 December 2020 amounted to 1,295 (1,423). The average number of full-time employees in 2020 was 1,357 (1,296). 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 42 companies, five of which operate in-house manufacturing. At year-end 2020, three of the five manufacturing companies were subject to environmental licensing requirements under the Swedish Environmental Code. Environmentally licensed operations account for about 6 percent (8) 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 2020

Below is a summary of the guidelines adopted by the AGM on April 21, 2020. The full guidelines can be found on Bufab's website www.bufab.com.

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 2021

The proposed guidelines for remuneration of senior executives for 2021 is unchanged relative to 2020. This is detailed in the official notice of the 2021 AGM, which is available on Bufab's website, www.bufab.com.

Remuneration Report 2020

The Remuneration Report 2020 provides an overview of how the guidelines for remuneration of senior executives, as adopted by the 2020 AGM, were implemented during the year. The Remuneration Report is available on Bufab's website, www.bufab.com.

Long-term share-based incentive programme

The 2020 Annual General Meeting resolved to adopt a long-term share-based incentive programme based on call options, comprising the CEO, senior executives and other key employees within the Group. The programme comprises a maximum of 350,000 call options, corresponding to approximately 0.9 percent of the total number of shares in the company. The purchase price for the call options has been set, using a Black & Scholes valuation, at SEK 12.12, corresponding to the market value of the options at the date of transfer.

Each call option entitles the holder to acquire one share in Bufab during the period 15 May 2020–15 November 2023. The purchase price per share is SEK 90.20, corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 5 May 2020–11 May 2020. During the interim period, a total of 277,500 call options were subscribed for.

A detailed description of the share-based incentive programme can be found in Note 34 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 loss after financial items of SEK 9 million (profit: 143).

Share capital and ownership structure

On 31 December 2020, 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 2020. The largest shareholder on 31 December 2020 was Liljedahl Group AB with 29.1 percent of shares and votes. On 31 December 2020, Bufab had 829,070 repurchased shares held in treasury.

2021 Annual General Meeting

The AGM for Bufab AB (publ) will be held on 20 April 2021 in Värnamo, Sweden.

Notice of the 2021 AGM and other documentation will be available on Bufab's website, www.bufab.com, from 17 March 2021.

Proposed appropriation of profits

	SEK
The following earnings are at the disposal of the AGM:	
Retained earnings	**348,021,404**
The Board of Directors proposes that the earnings be appropriated as follows:	
A dividend of SEK 2.75 per share to be paid to shareholders	102,524,023
To be carried forward	245,497,381
Total	**348,021,404**

Consolidated income statement

SEK million	Note	2020	2019
Net sales	2, 5	4,756	4,348
Cost of goods sold	6, 7, 10	–3,504	–3,165
Gross profit		**1,252**	**1,183**
Distribution costs	6, 7, 10	–548	–565
Administrative expenses	6, 7, 10	–287	–250
Other operating income	8	55	39
Other operating expenses	7, 9	–20	–39
Operating profit	2, 3, 4, 5, 6, 7, 8, 9, 10, 13	**452**	**368**
Profit from financial items			
Interest and similar income	11	3	7
Interest and similar expenses	12	–63	–49
Profit after financial items	13	**392**	**326**
Tax on profit for the year	14	–92	–73
PROFIT FOR THE YEAR[1]		**299**	**253**

[1] Profit in its entirety is attributable to Parent Company shareholders.

Statement of comprehensive income

SEK million	Note	2020	2019
Profit after tax		299	253
Other comprehensive income			
Items that will not be reclassified in profit or loss			
Actuarial gains and losses, net after tax		1	–2
Items that may be reclassified in profit or loss			
Translation difference, net assets in foreign currency		–157	60
Gain from hedging of net assets in foreign currency		32	28
Deferred tax on gain from hedging		–7	6
Other comprehensive income after tax		**–131**	**36**
Total comprehensive income		**168**	**289**
Total comprehensive income attributable to:			
Parent Company shareholders		168	289
Earnings per share			
Earnings per share before dilution, SEK	15	8.04	6.77
Weighted number of shares outstanding before dilution, thousands		37,195	37,364
Earnings per share after dilution, SEK	15	7.95	6.75
Weighted number of shares outstanding after dilution, thousands		37,564	37,524

Consolidated balance sheet

SEK million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	16	1,677	1,771
Other intangible assets	16	216	252
Work in progress and advances for intangible assets	19	0	11
Total intangible assets		**1,893**	**2,034**
Property, plant and equipment			
Land and buildings	17	21	21
Plant and machinery	17	125	138
Equipment, tools and fixtures & fittings	17	84	81
Rights of use	19	304	382
Work in progress and advances for property, plant and equipment	18	14	11
Total property, plant and equipment		**548**	**633**
Financial assets			
Other non-current receivables	20	8	9
Total financial assets		**8**	**9**
Deferred tax assets	25	29	28
Total deferred tax assets		**29**	**28**
Total non-current assets		**2,478**	**2,704**
Current assets			
Inventories	2		
Raw materials and consumables		44	45
Products in progress		41	41
Finished goods and merchandise		1,231	1,408
Total inventories		**1,316**	**1,494**
Current receivables			
Trade receivables	21	772	730
Current tax assets		50	36
Other receivables		53	46
Prepaid expenses and accrued income	22	30	25
Total current receivables		**905**	**836**
Cash and bank balances		292	216
Total current assets		**2,513**	**2,547**
TOTAL ASSETS		**4,991**	**5,250**

Consolidated balance sheet, cont.

SEK million	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity	23		
Share capital		1	1
Other paid-in capital		488	488
Other reserves		–29	102
Retained earnings		1,470	1,158
Total equity		**1,931**	**1,750**
Non-current liabilities			
Pension obligations, interest-bearing	24	38	37
Deferred tax, non-interest-bearing	25	94	119
Lease liabilities	19	239	303
Other interest-bearing liabilities	26, 28	1,467	1,769
Other non-interest-bearing liabilities	27	271	378
Total non-current liabilities		**2,108**	**2,606**
Current interest-bearing liabilities			
Lease liabilities	19	87	99
Liabilities to credit institutions		2	17
Overdraft facilities	28, 29	7	60
Total current interest-bearing liabilities		**95**	**175**
Current non-interest-bearing liabilities			
Trade payables		454	410
Current tax liabilities		48	38
Other liabilities	27	160	107
Accrued expenses and deferred income	30	195	164
Total current non-interest-bearing liabilities		**857**	**719**
TOTAL EQUITY AND LIABILITIES		**4,991**	**5,250**

Consolidated statement of changes in equity

SEK million	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Equity on 31 December 2018	**1**	**488**	**66**	**1,027**	**1,600**
Adjustment resulting from the introduction of IFRS 16 Leases	—	—	—	–18	–18
Equity on 1 January 2019	**1**	**488**	**66**	**1,027**	**1,582**
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**
Equity on 1 January 2020	**1**	**488**	**102**	**1,158**	**1,750**
Comprehensive income					
Profit after tax	—	—	—	299	299
Other comprehensive income					
Items that will not be reclassified in profit or loss					
Actuarial loss on pension obligations, net after tax	—	—	1	—	1
Items that may be reclassified in profit or loss					
Translation difference, net assets in foreign currency	—	—	–157	—	–157
Gain from hedging of net assets in foreign currency	—	—	32	—	32
Deferred tax on gain from hedging of net assets in foreign currency	—	—	–7	—	–7
Total comprehensive income	**—**	**—**	**–131**	**299**	**168**
Transactions with shareholders					
Issued call options	—	—	—	3	3
Redemption of call options	—	—	—	10	10
Dividend to Parent Company shareholders	—	—	—	0	0
Total transactions with shareholders	**0**	**0**	**0**	**13**	**13**
Equity on 31 December 2020	**1**	**488**	**–29**	**1,470**	**1,931**

Consolidated cash-flow statement

SEK million	Note	31 Dec 2020	31 Dec 2019
Operating activities			
Profit before financial items		452	368
Depreciation/amortisation and impairment		183	148
Interest and other finance income		3	7
Interest and other finance expenses		–60	–49
Other non-cash items		–8	2
Income tax paid		–89	–79
Cash flow from operating activities before changes in working capital		**480**	**397**
Cash flow from changes in working capital			
Increase (–) / decrease (+) in inventories		96	60
Increase (–) / decrease (+) in operating receivables		–111	66
Increase (+) / decrease (–) in operating liabilities		105	–136
Cash flow from operating activities		**570**	**387**
Investing activities			
Acquisition of intangible assets		–5	–11
Acquisition of property, plant and equipment		–61	–56
Company acquisitions including additional purchase considerations	33	–23	–543
Cash flow from investing activities		**–89**	**–610**
Financing activities			
Dividend paid		0	–94
Call options	34	3	3
Repurchase of own shares	34	0	–31
Redemption call options/sale of own shares		10	0
Borrowings, non-current	36	284	655
Loan repayments, non-current	36	–631	–249
Change in current liabilities	36	–62	7
Cash flow from financing activities		**–396**	**291**
Cash flow for the year	36	**86**	**68**
Cash and cash equivalents at beginning of year		216	144
Translation differences		–10	4
Cash and cash equivalents at year-end		**292**	**216**

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.

Consolidated financial statements

The consolidated financial statements consist of financial statements for the Parent Company and companies over which the Parent Company exercises a controlling influence. A controlling influence exists if the Parent Company has influence over the investment object, is exposed to or has the right to variable returns from its involvement, and can use its influence over the investment to impact the returns. In assessing whether a controlling influence exists, shares that potentially carry entitlement to votes and the existence of de facto control are taken into account. Shareholdings in Group companies have been eliminated according to the acquisition method, which essentially means the identifiable assets, liabilities and contingent liabilities of the company taken over are valued and recognised in the consolidated financial statements, as if they had been taken over through direct acquisition and not indirectly through the acquisition of shares in the company. The measurement is based on fair value. If the value of net assets is less than the purchase price, goodwill on consolidation arises. If the opposite is true, the difference is recognised directly in profit or loss. Goodwill is determined in local currency and is recognised at cost less any impairment. The Group's equity includes the Parent Company's equity and the share of the subsidiaries' equity earned after the date of acquisition. Acquired and divested companies are consolidated and deconsolidated respectively from the date of acquisition or divestment.

Contingent considerations are measured at fair value on the date of the transaction and remeasured subsequently when the financial statements are being prepared. The effects of the remeasurement are recognised as income or cost in consolidated profit/loss for the year. Transaction charges in connection with the acquisition are expensed. In an acquisition, it is possible to measure non-controlling interests at fair value, which means goodwill is included in non-controlling interests. Alternatively, non-controlling interests' comprise a share of net assets. The choice is made individually for every acquisition.

Intra-Group receivables and liabilities and transactions between companies in the Group and thereby associated unrealised gains are eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains, but only if there is no indication of impairment.

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	**2020**	2019	**2020**	2019
DKK	1.41	1.42	1.35	1.40
EUR	10.49	10.59	10.04	10.43
GBP	11.80	12.07	11.09	12.21
CZK	0.40	0.41	0.38	0.41
HUF	0.03	0.03	0.03	0.03
NOK	0.98	1.07	0.95	1.06
PLN	2.36	2.46	2.22	2.44
RMB	1.33	1.37	1.25	1.33
INR	0.12	0.13	0.11	0.13
NTD	0.31	0.31	0.29	0.32
RUB	0.13	0.15	0.11	0.15
USD	9.20	9.46	8.19	9.32
RON	2.18	2.27	2.06	2.23
TRY	1.33	1.67	1.12	1.57

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

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.

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 (1.7) and 3.6 percent (4.3).

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.

Right-of-use assets are usually depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is amortised over the useful life of the underlying asset.

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.

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.

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
Right-of-use assets	3–15 years

Impairment of non-financial assets

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.

Borrowing costs

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

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 was SEK 101 million (108). 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 2020 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 (148).

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:

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.

Government support

Government support is recognised at fair value when there is reasonable certainty that the grant will be received and that the Group will meet the conditions tied to the grant. For more information, see Note 8.

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 32 (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, except for contingent considerations attributable to acquisitions which are measured at fair value.

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 other 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.

Financial liabilities at fair value

The Group's liabilities for contingent considerations attributable to acquisitions are measured at fair value. These items are recognised at fair value in the balance sheet with changes in value recognised in profit or loss.

Impairment

The Group measures future expected credit losses related to investments in debt instruments recognised at amortised cost and fair value, respectively, with changes through other comprehensive income based on forward-looking information. The impairment methodology applied by the Group depends on whether or not there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach for loss allowances, meaning that the reserve will correspond to the expected loss across the entire lifetime of the trade receivables. The Group makes provisions for trade receivables based on the Group's expected losses based on a historic model of expected losses in each age category.

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. 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, Ireland, 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, but also during the pandemic year 2020.

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 technical knowledge, 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 and Europe. 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.

There is considerable uncertainty about the operational and macroeconomic effects of Brexit. As regards Brexit, Bufab has taken several operative steps to reduce any adverse impact on the Group and minimise risks. The Group is monitoring the situation carefully.

It cannot be ruled out that the COVID-19 pandemic, or other future epidemics or pandemics, will significantly affect the ability of customers, Bufab or Bufab's suppliers to conduct their business. Such happenings could also greatly reduce global demand, or hinder proper functioning of global logistics chains. These factors could have a significant negative impact on Bufab's earnings and financial position. We are monitoring developments carefully and working actively with customers and suppliers in order to manage such situations.

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 31.

Bufab has a substantial goodwill item in its consolidated balance sheet, Which is regularly tested for impairment requirements; see also Note 16.

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. Freight costs could also be significantly effected by the variances in the global distribution chains. 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 31.

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. The company is further exposed to attempts of IT-based attacks, such as virus attacks, password and identity theft, or various forms of other IT-based fraud or theft. 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 Bufab International 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.

Currency	Costs*	Sales*
EUR	1,569	2,014
GBP	259	477
USD	1,344	902
DKK	148	348
RMB	98	137
NOK	31	82
PLN	118	64
SGD	197	71
INR	22	44
RUB	9	27
TRY	8	38
RON	10	25
CZK	26	51
NTD	169	0
HUF	8	0
JPY	3	0
CHF	1	0

* Expressed in SEK million at the average rate for 2020. Currency flows represent gross flows, including intra-Group transactions

Some 81 percent (74) of the Group's total invoicing and 85 percent (76) of its costs are in foreign currencies. Flow exposure in 2020 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).

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 2020 the Group had some of 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 21 million (36) and GBP 16 million (26), respectively, at 31 December 2020. For a specification refer to Note 37. 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 21.

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 26.

At year-end 2020, the Group had a liquidity reserve in the amount of SEK 1,242 million (666). 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 2020, the liquidity reserve totalled 3.5 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 39 percent (33), whereby the equity/assets ratio is defined as recognised equity divided by total assets.

Equity/assets ratio	2020	2019
Group		
Equity	1,931	1,750
Total assets	4,991	5,250
Equity/assets ratio	**39%**	**33%**

The net debt/equity ratio as at 31 December 2020 amounted to 80 percent (118), where the net debt/equity ratio is defined as net debt divided by recognised equity.

Debt/equity ratio	2020	2019
Group		
Interest-bearing liabilities	1,840	2,284
Cash	–292	–216
Net debt	1,548	2,068
Total equity	1,931	1,750
Debt/equity ratio, %	**80%**	**118%**

Classification of financial instruments

The following table shows the classification of financial instruments in the balance sheet for 2020 and 2019 (for definitions, see Note 2).

The maturity structure for existing borrowings is shown in Note 26. 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 2020	Within one year	Between one and five years	After five years
Bank loans and overdrafts	9	1,467	—
Interest	29	22	—
Lease liabilities	87	239	51
Liabilities for additional purchase considerations	79	213	40
Trade payables	454	—	—
Total	**658**	**1,941**	**91**

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**

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 48 million (43).

Volume changes and sourcing prices affect Bufab's earnings. A 1-percentage point change in volume has an effect on earnings of about SEK 15 million (13), while a 5-percentage point change has an effect of about SEK 75 million (65) on operating profit. A 1-percentage point change in merchandise sourcing prices has an effect on earnings of about SEK 30 million (26), while a 5-percentage point change has an effect of about SEK 150 million (130) 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 1,546 million (2,068) 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 15 million (21).

The Group has considerable net currency exposure in terms of translation and transaction effects to the USD, which is related to the company's operations in North America and 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 4 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 20 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, EUR and USD. A one percentage point change in the EUR, GBP and USD, respectively, would, notwithstanding any hedges and all other variables held constant, yield a positive impact on the Group's equity of SEK 6 million, SEK 5 million and SEK 1 million, respectively. A five percentage point change in the EUR, GBP and USD, respectively, would, notwithstanding any hedges and all other variables held constant, yield a positive impact on the Group's equity of SEK 30 million, SEK 25 million and SEK 5 million, respectively. For information on the hedging of foreign net assets, see Note 37.

Assets, 2020	Financial assets measured at amortised cost	Financial assets measured at fair value	**Total**
Financial assets	**8**	**—**	**8**
Current assets		**—**	
– Trade receivables	772	—	**772**
– Other receivables	53	—	**53**
– Cash and cash equivalents	292	—	**292**
Total current assets	**1,117**	**—**	**1,117**
Total assets	**1,125**	**—**	**1,125**

Liabilities, 2020	Financial liabilities at amortised cost	Financial liabilities at fair value	**Total**
Non-current liabilities and provisions			
– liabilities for contingent considerations	—	55	**55**
– non-current liabilities and considerations	1,689	—	**1,689**
Non-current liabilities and considerations	**1,689**	**55**	**1,744**
Current liabilities and provisions			
– Trade payables	454	—	**454**
– Interest-bearing liabilities	95	—	**95**
– liabilities for contingent considerations	—	79	**79**
Total current liabilities	**549**	**79**	**628**
Total liabilities	**2,238**	**134**	**2,372**

Assets, 2019	Financial assets at amortised cost	Financial assets measured at fair value	**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	Financial liabilities at fair value	**Total**
Non-current liabilities and provisions			
– liabilities for contingent considerations	—	105	**105**
– non-current liabilities and considerations	2,004	—	**2,004**
Non-current liabilities and considerations	**2,004**	**105**	**2,109**
Current liabilities and provisions			
– Trade payables	410	—	**410**
– Interest-bearing liabilities	175	—	**175**
– liabilities for contingent considerations	—	44	**44**
Total current liabilities	**585**	**44**	**629**
Total liabilities	**2,738**		**2,738**

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 16.

Inventories represents a significant item in the Group's balance sheet. At 31 December 2020, inventories amounted to SEK 1,316 million (1,494), net, after deductions for obsolescence of SEK 102 million (108).

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 31.

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 31.

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 2.

In conjunction with acquisitions, Bufab sometimes agrees on contingent considerations. On 31 December 2020, the balance sheet included contingent considerations of SEK 134 million. These are conditional upon the acquired companies achieving a certain earnings growth over time. Liabilities in the balance sheet pertaining to contingent 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 27 and Note 33.

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. As described on page 10 of the Board of Directors' Report, a new segment structure was implemented as of 1 January 2020. The comparative figures have been restated to reflect this. Four operational segments have been identified in the Group, North, West, East and UK/North America. This segment structure is consistent with the internal reporting. Segment North comprises Bufab's operations in Sweden, Finland, Norway and Denmark, as well as a purchasing office in China, which is affiliated to the segment. The business mainly comprises trading companies, but also some manufacturing of particularly demanding components. Segment West comprises Bufab's operations in France, the Netherlands, Germany, the Czech Republic, Austria and Spain and comprises trading companies. Segment East comprises Bufab's operations in Poland, Hungary, Romania, the Baltic States, Russia, Slovakia, Turkey, China, Singapore and other countries in Southeast Asia, and India and comprises trading companies. Segment UK/North America comprises Bufab's operations in the UK, Ireland, the US and Mexico, including the new acquisition of American Bolt & Screw Mfg. Corp. Common overhead costs are distributed between the segments and are allocated on an arm's length basis. In Other, the Group's two sourcing companies report together with unallocated costs for the Parent Company and Group eliminations.

Group	North		West		East		UK/North America		Other		Total	
Income items	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net sales	**2,005**	**1,865**	**1,028**	**1,155**	**715**	**723**	**1,008**	**598**	**3**	**8**	**4,756**	**4,342**
Operating profit/loss (EBITA)	**189**	**174**	**86**	**99**	**103**	**97**	**128**	**47**	**–22**	**–34**	**482**	**384**
Amortisation of acquisition-related intangible assets	–12	–7	–1	–1	–2	–2	–15	–5	—	—	**–30**	**–15**
Financial items	—	—	—	—	—	—	—	—	—	—	**–60**	**–42**
Profit after financial items	—	—	—	—	—	—	—	—	—	—	**391**	**326**
Taxes	—	—	—	—	—	—	—	—	—	—	**–92**	**–73**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**299**	**253**
Non-current assets[1)]	426	478	79	104	57	70	185	225	16	20	**763**	**897**

Geographic distribution of net sales and non-current assets	**2020**		2019	
	Net sales [1)]	Non-current assets [2)]	Net sales [1)]	Non-current assets [2)]
Sweden	1,171	331	1,283	367
Denmark	529	87	236	103
US	522	118	84	152
UK	481	68	511	78
Other	2,054	160	2,235	197
	4,756	**764**	**4,348**	**897**

1) No single customer accounts for 10 per cent or more of Group sales.
2) Includes intangible assets and property, plant and equipment excluding Goodwill.

NOTE 6

EMPLOYEES, PERSONNEL EXPENSES AND FEES PAID TO DIRECTORS AND AUDITORS

Average number of employees	2020	% Male	2019	% Male
Parent Company				
Sweden	1	100%	1	100%
Total	**1**	**100%**	**1**	**100%**
Subsidiaries				
Sweden	380	76%	387	79%
Norway	17	76%	19	79%
Finland	55	76%	56	80%
Denmark	84	87%	40	88%
Germany	25	68%	27	74%
Poland	52	69%	53	72%
Austria	28	79%	28	82%
Czech Republic	22	59%	22	59%
Spain	10	70%	11	55%
France	81	65%	93	63%
Netherlands	93	77%	94	79%
UK	181	81%	200	79%
Slovakia	13	69%	14	64%
Estonia	13	46%	13	46%
China	56	50%	51	49%
India	22	73%	24	71%
Taiwan	21	38%	23	52%
Romania	15	73%	18	67%
Russia	15	53%	16	50%
Hungary	8	63%	9	67%
Singapore	60	52%	63	46%
North America	91	76%	24	79%
Other	9	100%	10	80%
Total, subsidiaries	**1,351**	**73%**	**1,295**	**73%**
GROUP TOTAL	**1,352**	**73%**	**1,296**	**73%**

Board and senior executives	2020	% Female	2019	% Female
Board	7	43%	7	43%
CEO and other senior executives	7	14%	8	25%

	Parent Company		Subsidiaries		Group total	
Salaries, employee benefits and social security fees	**2020**	2019	**2020**	2019	**2020**	2019
Salaries and benefits excluding bonuses, etc.	6.1	6.0	601.7	549.4	607.8	555.4
Bonuses, etc.	1.8	0.1	7.6	5.2	9.4	5.3
Total salaries and other remuneration	**7.9**	**6.1**	**609.3**	**554.6**	**617.2**	**560.7**
Social security fees, excluding pension costs	2.7	1.9	109.2	129.6	111.9	131.5
Pension costs	1.1	1.2	49.3	45.5	50.4	46.7
Total social security fees	**3.8**	**3.1**	**158.5**	**175.1**	**162.3**	**178.2**

Salaries and other remuneration categorised by country and among Board members and CEO (senior executives) and other employees	2020 Management[1)]	2020 Other employees	2019 Management[1)]	2019 Other employees
Parent Company				
Salaries and other remuneration, excl. bonuses etc.	6.1	—	6.0	—
Bonuses, etc.	1.8	—	0.1	—
Total Parent Company	**7.9**	**—**	**6.1**	**—**
Subsidiaries, Sweden				
Salaries and other remuneration, excl. bonuses etc.	12.5	169.6	12.6	169.5
Bonuses, etc.	2.4	—	0.4	—
Total subsidiaries, Sweden	**14.9**	**169.6**	**13.0**	**169.5**
Foreign subsidiaries				
Salaries and other remuneration, excl. bonuses etc.	36.1	383.7	32.6	334.7
Bonuses, etc.	5.1	—	4.8	—
Total foreign subsidiaries	**41.2**	**383.7**	**37.4**	**334.7**
Group total				
Salaries and other remuneration, excl. bonuses etc.	54.6	553.3	51.2	504.2
Bonuses, etc.	9.3	—	5.3	—
Group total	**63.9**	**553.3**	**56.5**	**504.2**

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

Group	2020 Fee/Basic salary	2020 Variable remuneration	2020 Other benefits/ remuneration	2020 Pension	2019 Fee/Basic salary	2019 Variable remuneration	2019 Other benefits/ remuneration	2019 Pension
Board of Directors								
Bengt Liljedahl	0.6	—	—	—	0.2	—	—	—
Per-Arne Blomquist	0.2	—	—	—	—	—	—	—
Hans Björstrand	0.2	—	—	—	0.2	—	—	—
Johanna Hagelberg	0.2	—	—	—	0.3	—	—	—
Anna Liljedahl	0.2	—	—	—	0.1	—	—	—
Eva Nilsagård	0.3	—	—	—	0.3	—	—	—
Bertil Persson	0.2	—	—	—	—	—	—	—
Sven-Olof Kulldorff	0.1	—	—	—	0.4	—	—	—
Johan Sjö	0.1	—	—	—	0.1	—	—	—
Adam Samuelsson	—	—	—	—	0.1	—	—	—
Gunnar Tindberg	—	—	—	—	0.1	—	—	—
CEO								
Jörgen Rosengren	4.0	1.8	0.4	1.1	4.4	0.1	0.4	1.2
Other senior executives, 7 (7) people.	*12.5*	*3.5*	*1.6*	*4.6*	*11.6*	*0.4*	*1.5*	*3.6*

The Chairman is paid fees as resolved by the Annual General Meeting (AGM). The AGM set the Chairman's fees at SEK 0.5 million (0.5). Other Board members shall receive a total of SEK 1.7 million (1.6) 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. For the CEO, a basic salary of SEK 4.0 million (4.4), variable remuneration of SEK 1.8 million (0.1) and pension benefits of SEK 1.1 million (1.2) were expensed during the year. For other senior executives, basic salaries of SEK 12.5 million (11.6) and variable remuneration of SEK 3.5 million (0.4) were expensed. There were seven (seven) other senior executives in 2020.

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	2020	2019
PricewaterhouseCoopers		
Audit assignment	5	4
– of which to PricewaterhouseCoopers AB	*2*	*2*
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	0	4
– of which to PricewaterhouseCoopers AB	*0*	*0*
Total	**5**	**8**
Other auditors		
Auditing fees to others	1	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

	2020	2019
Materials purchased, including costs of delivery	3,024	2,730
Salaries, including social security contributions	822	795
Depreciation	183	148
Other	329	346
Total operating expenses	**4,359**	**4,019**

NOTE 8
OTHER OPERATING INCOME

	2020	2019
Capital gain on sale of property, plant and equipment	—	—
Remeasurement of additional purchase considerations	15	—
Exchange-rate gains on operating receivables/liabilities	—	29
Government grants received	27	—
Other	13	10
Total other operating income	**55**	**39**

NOTE 9
OTHER OPERATING EXPENSES

	2020	2019
Exchange-rate losses on operating receivables/liabilities	–3	–38
Remeasurement of additional purchase considerations	—	—
Other	–17	–1
Total other operating expenses	**–20**	**–39**

NOTE 10
DEPRECIATION/AMORTISATION OF NON-CURRENT ASSETS

	2020	2019
Depreciation/amortisation according to plan, by class of asset*		
Other intangible assets	–34	–19
Buildings	–84	–69
Plant and machinery	–26	–25
Equipment, tools and fixtures & fittings	–40	–35
Total depreciation/amortisation	**–183**	**–148**
Depreciation/amortisation according to plan, by function*		
Cost of goods sold	–62	–55
Distribution costs	–84	–61
Administrative expenses	–38	–32
Total depreciation/amortisation	**–183**	**–148**

* Depreciation/amortisation includes amortisation on right-of-use assets relating to leases. Refer to Note 19.

NOTE 11
INTEREST AND SIMILAR INCOME

	2020	2019
Exchange-rate differences	0	4
Interest income, other	3	3
Total	**3**	**7**

NOTE 12
INTEREST AND SIMILAR EXPENSES

	2020	2019
Interest expenses, lease liabilities	–12	–11
Interest expenses, other	–47	–38
Exchange-rate differences	–4	—
Other	—	—
Total	**–63**	**–49**

NOTE 13

EXCHANGE-RATE DIFFERENCES AFFECTING PROFIT/LOSS ITEMS

	2020	2019
Exchange-rate differences affecting operating profit	–3	–6
Exchange-rate differences on financial items	–4	4
Total	**–7**	**–2**

NOTE 14

TAX ON PROFIT FOR THE YEAR

	2020	2019
Current tax		
Current tax for the year	–105	–73
Current tax for previous years	—	—
Total	**–105**	**–73**
Deferred tax expense (–) / income (+)		
Deferred tax income on temporary differences	14	0
Total	**14**	**0**
Recognised tax expense	**–92**	**–73**

Reconciliation of effective tax	**2020**	2019
Profit before tax	391	326
Tax according to Parent Company's applicable rate	–84	–70
Effect of foreign subsidiaries' tax rates	–9	–2
Effect of non-deductible expenses	–1	–1
Revaluation of loss carry-forwards/temp. differences	2	0
Recognised tax expense	**–92**	**–73**
Effective tax rate	24%	22%

NOTE 15

EARNINGS PER SHARE

	2020	2019
Profit after tax	299	253
Estimated average number of ordinary shares outstanding before dilution	37,195	37,365
Earnings per share before dilution, SEK	**8.04**	**6.77**
Estimated average number of ordinary shares outstanding after dilution	37,564	37,524
Earnings per share after dilution, SEK	**7.95**	**6.75**

NOTE 16
INTANGIBLE ASSETS

	Goodwill		Other intangible assets	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Accumulated cost				
At beginning of year	1,814	1,139	321	127
New purchases for the year	—	—	5	—
Reclassifications	—	—	11	—
New purchases through acquisitions	—	670	—	194
Divestments and disposals	—	—	–3	—
Exchange-rate differences for the year	–94	5	–22	—
At year-end	**1,720**	**1,814**	**312**	**321**
Accumulated amortisation according to plan and impairments				
At beginning of year	–44	–43	–69	–44
Amortisation according to plan for the year	—	—	–34	–15
New purchases through acquisitions	—	—	—	–10
Divestments and disposals	—	—	3	—
Amortisation in acquired companies	—	—	—	–1
Exchange-rate differences for the year	0	–1	4	1
At year-end	**–44**	**–44**	**–96**	**–69**
Carrying amount at beginning of period	**1,096**	**1,096**	**252**	**83**
Carrying amount at end of period	**1,677**	**1,771**	**216**	**252**

Bufab tests goodwill for impairment requirements on an annual basis.

The Group's goodwill has been allocated to its lowest cash-generating units. This means that SEK 873 million (886) is attributable to segment North, SEK 194 million (202) to segment West, SEK 118 million (130) to segment East and SEK 491 million (553) to segment UK/North America.

Segment North comprises two cash-generating units with goodwill of SEK 262 million (270) and SEK 611 million (616), respectively. Segment West comprises one cash-generating unit with goodwill of SEK 118 million (130). Segment East comprises two cash-generating units with goodwill of SEK 74 million (82) and SEK 44 million (48), respectively. Segment UK/North America comprises two cash-generating units with goodwill of SEK 336 million (383) and SEK 155 million (170), respectively.

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 2021–2023, as approved by executive management and the Board. The plans for these years are detailed. The key components of cash flow are sales, gross margin and the various operational costs as well as investments in working capital and non-current assets. The growth assumptions 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. Since the operations are deemed to be in a phase that is representative for the long perspective, the third year of the financial plan is extrapolated with an estimated growth rate and inflation rate of 2 (2) percent.

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 8.0 percent (7.5) after tax.

Impairment testing was conducted in conjunction with the annual accounts on 31 December 2020 and was addressed by the company's Board. No impairment requirement was indicated in this test.

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 9.5 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 growth of 0 percent result in any need for impairment of goodwill.

NOTE 17
PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Plant and machinery		Equipment, tools and fixtures & fittings	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Accumulated cost						
At beginning of year	36	29	325	291	307	223
New purchases for the year	3	—	12	33	32	25
New purchases through acquisitions	0	7	—	—	—	57
Divestments and disposals	–4	—	–10	—	–4	–6
Reclassifications	—	—	—	—	2	3
Exchange-rate differences for the year	–1	—	–1	1	–16	4
At year-end	**33**	**36**	**326**	**325**	**321**	**307**
Accumulated depreciation according to plan						
At beginning of year	–15	–7	–187	–164	–226	–164
Divestments and disposals	—	—	9	—	2	—
Amortisation according to plan for the year	–2	–2	–24	–24	–24	–20
Amortisation in acquired companies	4	–5	—	—	—	–45
Exchange-rate differences for the year	1	—	1	1	11	3
At year-end	**–12**	**–14**	**–201**	**–187**	**–237**	**–226**
Carrying amount at beginning of period	**21**	**21**	**138**	**127**	**81**	**59**
Carrying amount at end of period	**21**	**22**	**125**	**138**	**84**	**81**

NOTE 18
WORK IN PROGRESS AND ADVANCES FOR PROPERTY, PLANT AND EQUIPMENT

	Intangible assets		Property, plant and equipment	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
At beginning of year	11	—	11	14
Reclassifications	–11	—	–11	–3
Investments	—	11	14	—
Carrying amount at end of period	**—**	**11**	**14**	**11**

NOTE 19
RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	2020	2019
Properties	275	351
Machinery	1	2
Equipment and other	8	7
Vehicles	20	22
Total assets with right-of-use	**304**	**382**
Lease liabilities		
Current	87	99
Non-current	239	303
Total lease liabilities	**326**	**402**

In 2020, additional right-of-use assets amounted to SEK 34 million (114), SEK 0 million (62) of which from company acquisitions.

Renegotiated contracts or option extensions exercised have had an impact on right-of-use assets and lease assets of SEK 5 million (56).

For information about the interest expense and duration of the leases, see Notes 12 and Note 3, respectively.

Reported amount in income statement

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

	2020	2019
Amortisation of right-of-use assets		
Properties	–83	–68
Machinery	–1	–1
Equipment and other	–3	–3
Vehicles	–12	–12
Total amortisation of right-of-use assets	**–99**	**–84**

NOTE 20

OTHER NON-CURRENT RECEIVABLES

	31 Dec 2020	31 Dec 2019
Accumulated cost		
At beginning of year	9	5
Investments for the year	—	4
Exchange-rate differences	–1	—
Carrying amount at year-end	**8**	**9**

NOTE 21

PAST-DUE RECEIVABLES

	31 Dec 2020	31 Dec 2019
Number of days past due		
30–90 days	33	47
91–180 days	3	6
181–360 days	2	3
More than 360 days	3	4
Carrying amount at year-end	**41**	**60**
Provision in balance sheet for doubtful debts	6	9

Bad debt losses	2020	2019
Costs of bad debt losses affecting profit for the year	3	2
Total	**3**	**2**

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

NOTE 22

PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2020	31 Dec 2019
Rent	3	6
Insurance	3	3
Licences	3	4
Other prepaid expenses	21	12
Carrying amount at year-end	**30**	**25**

NOTE 23

EQUITY

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

NOTE 24

PENSION OBLIGATIONS, INTEREST-BEARING

	31 Dec 2020	31 Dec 2019
FPG/PRI	27	27
Retirement pension, foreign companies	11	10
Total	**38**	**37**

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

	Sweden	
	31 Dec 2020	31 Dec 2019
Discount rate	1.1%	1.4%
Rate of salary increase[1)]	—	—
Inflation	1.5%	1.7%

	Other countries	
	31 Dec 2020	31 Dec 2019
Discount rate	1.6%	1.6%
Rate of salary increase[1)]	2.2%	2.5%
Inflation	1.8%	2.0%

[1)] 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.

Total costs for pension costs recognised in profit or loss (SEK million)	2020	2019
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	49	46
Total costs recognised in profit or loss	**50**	**47**

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 25

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	31 Dec 2020		31 Dec 2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Machinery and equipment	—	15	—	21
Tax allocation reserve	—	24	—	25
Intangible assets	—	50	—	65
Other	18	5	17	8
Loss carry-forwards	11	—	11	—
Total	**29**	**94**	**28**	**119**

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 26

NON-CURRENT INTEREST-BEARING LIABILITIES

	31 Dec 2020	31 Dec 2019
Amount of liability items expected to be settled one–five years after balance-sheet date	1,467	1,769
Amount of liability items expected to be settled more than five years after balance-sheet date	—	—
Total	**1,467**	**1,769**

Of the Group's non-current interest-bearing liabilities, SEK 1,428 million (1,769) stem from credit from Svenska Handelsbanken and the remaining amount from other credit institutions. 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 2.0 percent (2.1).

NOTE 27

LIABILITIES RELATING TO ADDITIONAL PURCHASE CONSIDERATIONS

	2020	2019
Carrying amount at beginning of year	409	47
Additional purchase considerations for acquired companies	—	400
Paid additional purchase considerations for acquired companies	–23	–30
Remeasurement of liability for additional purchase considerations	–15	–8
Exchange-rate fluctuations	–39	—
Carrying amount at year-end	**332**	**409**
– of which recognised as "Other current liability"	79	44
– of which recognised as "Other non-interest-bearing liabilities"	253	365

Additional purchase considerations are related to acquisitions carried out in 2017–2019. For more information, see Note 33. 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 additional purchase considerations outstanding amounted to SEK 332 million on 31 December 2020, of which SEK 198 million is unconditional and SEK 134 million contingent considerations. Liabilities for additional purchase considerations are, in all material respects, in USD and DKK. The additional purchase considerations recognised as a liability fall due for payment between 2021 and 2029.

NOTE 28

PLEDGED ASSETS

	31 Dec 2020	31 Dec 2019
Floating charges	257	257
Shares in subsidiaries	1,910	1,761
Total	**2,167**	**2,018**

NOTE 29

OVERDRAFT FACILITIES

	31 Dec 2020	31 Dec 2019
Credit limit granted	136	156
Unutilised portion	–129	–96
Credit amount utilised	**7**	**60**

NOTE 30

ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2020	31 Dec 2019
Accrued salaries incl. holiday pay	79	81
Accrued social security contributions	23	22
Other items	93	61
Total	**195**	**164**

NOTE 31
CONTINGENT LIABILITIES

	31 Dec 2020	31 Dec 2019
Environment	30	30
VAT	16	16
Other contingent liabilities	5	5
Total	**51**	**51**

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 32
RELATED-PARTY TRANSACTIONS

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

NOTE 33
ACQUISITIONS

2020
The Group completed no acquisitions in 2020.

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 North and American Bolt & Screw Mfg. Corp. in segment UK/North America. 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:

Final 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[1)]	**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**

[1)] The consideration is stated excluding acquisition expenses.

The purchase consideration for 100 percent of shares in the final 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 up to and including 2023. 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 definitive.

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.

In 2020, SEK 8 million in additional purchase consideration was adjusted. For more information, see Note 27 on liabilities relating to additional purchase considerations.

Final 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[1)]	**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**

[1)] The consideration is stated excluding acquisition expenses.

The purchase consideration for 100 percent of shares in the final 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 up to and including 2023. 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 definitive.

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.

In 2020, SEK 15 million in additional purchase consideration was adjusted. For more information, see Note 27 on liabilities relating to additional purchase considerations.

NOTE 34

INCENTIVE PROGRAMME

Incentive programme 2020–2023

The Annual General Meeting on 21 April 2020 resolved to adopt a long-term share-based incentive programme based on call options, comprising the CEO, senior executives and other key employees within the Group. The programme comprises a maximum of 350,000 call options, corresponding to approximately 0.9 percent of the total number of shares in the company. The purchase price for the call options has been set, using a Black & Scholes valuation, at SEK 12.12, corresponding to the market value of the options at the date of transfer. Each call option entitles the holder to acquire one share in Bufab during the period 15 May 2023–15 November 2023. The purchase price per share is SEK 90.20, corresponding to 115 percent of the volume-weighted average price paid for the company's share on Nasdaq Stockholm during the period 5 May 2020–11 May 2020. During 2020, a total of 258,450 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 2023, 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. No shares were repurchased during the year of 2020.

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 t2019, 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 2019, 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 2018, 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 2017, 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.

During the period 15 May 2020–15 November 2020, 213,968 options were repurchased under prevailing market conditions based on an independent external valuation using the Black & Scholes model. During the corresponding period, 115,982 options were also redeemed for the same number of shares.

	2020		2019	
	Average exercise price per call option	No. of options	Average exercise price per call option	No. of options
On 1 January	**121.43**	**948,800**	**126.89**	**642,800**
Allocated during the year	90.20	258,450	109.96	306,000
Redeemed during the year	120.40	–329,950	—	—
Forfeited during the year	120.40	–4,000	—	—
On 31 December	**112.58**	**873,300**	**121.43**	**948,800**

Incentive programme	Date of allotment	Maturity date	Exercise price	Stock options on 31 December 2020	Stock options on 31 December 2019
Incentive programme 2020–2023	11 May 2020	15 November 2023	90.20	258,450	—
Incentive programme 2019–2023	15 August 2019	15 February 2023	109.96	306,000	306,000
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
Total				**873,300**	**948,800**

Participant subsidy (gross salary bonus)	**2020**	2019
Cost of participant subsidy	3	3
Total	**3**	**3**

NOTE 35
EVENTS AFTER THE END OF THE FINANCIAL YEAR

Bufab signs the Science-Based Targets Initiative for reducing greenhouse gas emissions

On February 25, 2021 Bufab signed the international Science-Based Targets Initiative (SBTi) as a part of its efforts to further reduce global greenhouse gas emissions. The Group has thus committed to set targets that are aligned with the Paris Agreement, intended to limit global warming to 1.5°C.

New financial Targets

On March 17, 2021 Bufab's Board of Directors decided on new financial targets for the period until 2025. The new financial targets are;

1. **Profitable growth**
   Average annual increase of net sales by 10 percent and of earnings per share by 15 percent, through both organic growth and acquisitions.
2. **Profitability**
   Achieve an annual operating margin (EBITA) of 12 percent latest by 2023.
3. **Dividend**
   Dividend of 30–60 percent of annual net profit.
4. **Financial stability**
   Net debt in relation to operating profit before depreciation and amortization (ND/EBITDA) shall normally be in the range of 2–3x.

De nya finansiella målen grundar sig dels på Bufabs starka utveckling de senaste åren, dels på Bufabs nya strategi för Hållbart ledarskap.

NOTE 36
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 2020	31 Dec 2019
Non-current interest-bearing liabilities, excluding lease liabilities	1,505	1,806
Non-current interest-bearing lease liabilities	239	303
Current interest-bearing liabilities, excluding lease liabilities	9	76
Current interest-bearing lease liabilities	87	99
Less: Cash and cash equivalents	–292	–216
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	**1,549**	**2,068**

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	**—**	**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**
Additional leases	170	—	—	—	—	**170**
Exchange-rate fluctuations	14	29	4	–4	—	**43**
Reclassifications	—	33	—	—	—	**33**
Cash flow	–82	497	–2	–68	—	**345**
Net debt on 1 January 2020	**402**	**1,806**	**76**	**–216**	**—**	**2,068**
Exchange-rate fluctuations	–16	–48	–5	10	—	**–59**
Additional leases	34	—	—	—	—	**34**
Cash flow	–93	–253	–63	–86	—	**–495**
Net debt on 31 December 2020	**327**	**1,505**	**9**	**–292**	**—**	**1,549**

NOTE 37
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 2020
Reported amount bank loans	SEK million	210
Reported amount in hedged currency	EUR million	21
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	8
Changes to the hedged item's carrying amount due to fluctuations in currency during the year	SEK million	–8

Hedged net investments in foreign operations in GBP		
Reported amount bank loans	SEK million	180
Reported amount in hedged currency	GBP million	–16
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	18
Changes to the hedged item's carrying amount due to fluctuations in currency during the year	SEK million	–18

Parent Company income statement

SEK million	Note	2020	2019
Administrative expenses	2	–16	–14
Other operating income		7	6
Operating profit/loss	2	**–9**	**–7**
Profit from financial items			
Interest and similar expenses	3	—	—
Earnings from shares in Group companies	4	—	150
Profit/loss after financial items		**–9**	**143**
Appropriations	5	19	9
Tax on profit for the year	6	–3	–1
PROFIT FOR THE YEAR		**7**	**151**

Statement of comprehensive income

SEK million	2020	2019
Profit after tax	7	151
Other comprehensive income	—	—
Total comprehensive income	**7**	**151**

Parent Company balance sheet

SEK million	Note	31 Dec 2020	31 Dec 2019
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		61	72
Other receivables		46	31
Total current receivables		**107**	**103**
Cash and bank balances		0	0
Total current assets		**107**	**103**
TOTAL ASSETS		**952**	**948**
EQUITY AND LIABILITIES			
Equity	8		
Restricted equity			
Share capital		1	1
Other paid-in capital		488	488
Unrestricted equity			
Retained earnings		355	190
Profit for the year		7	151
Total equity		**851**	**830**
Untaxed reserves	9	**81**	**100**
Current non-interest-bearing liabilities			
Trade payables		0	1
Liabilities to Group companies		13	13
Accrued expenses and deferred income	10	7	4
Total current non-interest-bearing liabilities		**20**	**18**
TOTAL EQUITY AND LIABILITIES		**952**	**948**

Parent Company statement of changes in equity

SEK million	Share capital	Other paid-in capital *	Retained earnings	Total equity
Equity on 1 January 2019	**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 transactions with shareholders	**0**	**0**	**–122**	**–122**
Equity on 31 December 2019	**1**	**488**	**341**	**830**
Other comprehensive income	—	—	**7**	**7**
Transactions with shareholders				
Issued call options	—	—	3	**3**
Redemption of call options	—	—	10	**10**
Dividend to Parent Company shareholders	—	—	—	**—**
Total transactions with shareholders	**0**	**0**	**13**	**13**
Equity on 31 December 2020	**1**	**488**	**362**	**851**

* 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	2020	2019
Operating activities	2		
Loss before financial items		–9	–7
Income tax paid		–3	–1
Cash flow from operating activities before changes in working capital		**–12**	**–8**
Cash flow from changes in working capital			
Increase (–) / decrease (+) in operating receivables		–3	–18
Increase (+) / decrease (–) in operating liabilities		2	11
Cash flow from operating activities		**–13**	**–15**
Financing activities			
Dividends		—	–94
Issued call options		3	3
Repurchase of own shares		—	–31
Redemption of call options		10	–
Group contributions paid		—	–13
Dividends received		—	150
Cash flow from financing activities		**13**	**15**
Cash flow for the year		0	0
Cash and cash equivalents at beginning of year		0	0
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	**2020**	2019
Female	—	—
Male	1	1
Total	**1**	**1**

Salaries, employee benefits and social security fees	**2020** Salaries and benefits	**2020** Social security fees	2019 Salaries and benefits	2019 Social security fees
Salaries and remuneration to Board and CEO	7.9	3.6	6.1	3.1
(of which bonuses, etc.)	1.8		0.1	
(of which pension cost, defined-contribution plans)		1.1		1.2
Total	**7.9**	**3.6**	**6.1**	**3.1**

Sickness absence

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

Auditors' fees and remuneration	**2020**	2019
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

	2020	2019
Interest expenses, other	—	—
Total	**0**	**0**

NOTE 4
EARNINGS FROM SHARES IN GROUP COMPANIES

	2020	2019
Dividend	—	150
Total	**0**	**150**

NOTE 5
APPROPRIATIONS

	2020	2019
Reversal of tax allocation reserve, 2015 tax year	—	22
Reversal of tax allocation reserve, 2016 tax year	20	—
Reversal of tax allocation reserve, 2017 tax year	2	
Transfers to tax allocation reserve, 2021 tax year	–3	—
Group contributions received	—	—
Group contributions paid	—	–13
Total	**19**	**9**

NOTE 6
TAX ON PROFIT FOR THE YEAR

	2020	2019
Current tax		
Current tax for the year	–3	–1
Current tax for previous years	—	—
Total	**–3**	**–1**

Reconciliation of effective tax	**2020**	2019
Profit before tax	10	152
Tax according to Parent Company's applicable rate	–2	–33
Effect of non-taxable income	—	32
Effect of non-deductible expenses	–1	0
Tax for previous years	—	—
Recognised effective tax	**–3**	**–1**

NOTE 7

PARTICIPATIONS IN GROUP COMPANIES

	31 Dec 2020	31 Dec 2019
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 Subsidiary / Corp. Reg. No. / registered office	Holding[1], %	**31 Dec 2020** **Carrying amount**	31 Dec 2019 Carrying amount
Bufab International AB, 556194-4884, Värnamo	100%	845	845
Bufab Sweden AB, 556082-7973, Värnamo	100%		
Bufab Lann AB, 556180-8675, Värnamo	100%		
Magnetfabriken AB, 559010-5614, Västerås	100%		
Rudhäll Industri AB. 556265-0993, Gnosjö	100%		
Hallborn Metall AB. 556096-5112, Gnosjö	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 Hungary Kft, 13-09-143460, Budaörs, HU	100%		
Bufab Germany GmbH, 07229 / 21283, Mörfelden-Walldorf, DE	100%		
BUMAX AB, 556176-1957, Åshammar	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, NI	100%		
Bufab Singapore PTE. Ltd, 201614160Z, Singapore, SG	100%		
Bufab Supply Chain Management Co., Ltd, 91330211, Ningbo, CN	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%		
American Bolt De México, S. de R.L de C.v, ABM15061878A, Tijuana, MX	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. On 31 December 2020, Bufab had 829,070 repurchased shares held in treasury.

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. For example, in 2020 the board decided not to propose any dividend for 2019, due to uncertainty prevailing in connection with COVID-19 pandemic.

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 2020	31 Dec 2019
Tax allocation reserve, 2015 tax year	–	–
Tax allocation reserve, 2016 tax year	–	20
Tax allocation reserve, 2017 tax year	30	32
Tax allocation reserve, 2018 tax year	28	28
Tax allocation reserve, 2019 tax year	21	21
Tax allocation reserve, 2021 tax year	3	–
Total	**81**	**100**

NOTE 10
ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2020	31 Dec 2019
Accrued salaries incl. holiday pay	4	2
Accrued social security contributions	1	1
Other items	2	1
Total	**7**	**4**

NOTE 11
PLEDGED ASSETS

	31 Dec 2020	31 Dec 2019
Shares in subsidiaries	845	845
Total	**845**	**845**

NOTE 12
CONTINGENT LIABILITIES

	31 Dec 2020	31 Dec 2019
Guarantees to subsidiaries	2,209	2,207
Total	**2,209**	**2,207**

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	**348,021,404**
The Board of Directors and CEO propose that the earnings be appropriated as follows:	
A dividend of SEK 2.75 per share to be paid to shareholders	102,524,023
To be carried forward	245,497,381
Total	**348,021,404**

The income statements and balance sheets will be presented for adoption by the Annual General Meeting on 20 April 2021.
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, 17 March 2021

Bengt Liljedahl
Chairman of the Board

Hans Björstrand
Board member

Per-Arne Blomquist
Board member

Johanna Hagelberg
Board member

Anna Liljedahl
Board member

Eva Nilsagård
Board member

Bertil Persson
Board member

Jörgen Rosengren
President and CEO

Our audit report was submitted on 17 March 2021
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 2020. The annual accounts and consolidated accounts of the company are included on pages 9-52 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 2020 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 2020 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 seven different countries).

For the components (18 units in 17 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 component 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.

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 2020, the group reported goodwill of 1,677 MSEK which is divided between a total of seven cash-generating units, of which two cash-generating units are attributable to segment North, two are attributable to segment UK/North America, two attributable to East and one attributable to segment West.

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 estimates and judgements of the future.

Based on the group's prepared impairment tests, no impairment requirement for goodwill was identified as at 31 December 2020.The most significant assumptions applied in the impairment testing are described in Note 16.

Our audit measures included an assessment of the cash flow calculations' mathematical correctness and a reconciliation of the cash flow forecasts against the 2021 budget adopted by the Board of the Directors and against financial plans for 2021–2023.

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 im-pairment 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 2020, the group reported inventories of 1,316 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 26%) 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 C-Parts 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 26 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 correct-ness of the company's reports concerning obsolescence calcu-lations.

We have also discussed with management and examined minutes from Board meetings and other management meet-ings 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 invento-ry valuation in the annual report, including the estimations and judgements made to value the inventory at 31 December 2020.

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 1–8 and pages 62–68. Other information also includes the remuneration report that we obtained prior to the date of this auditor´s report. 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 2020 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.

Gothenburg, 17 March 2021
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 2020, 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

A. Shareholders

I toppen av bolagsstyrningsstrukturen påverkar aktieägarna den huvudsakliga riktningen i företaget genom deras inflytande. Starka huvudägare bidrar med ett stort intresse och engagemang i företaget och för dess framgång. 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 2020, Bufab had 5,607 shareholders (4,808). Of the total number of shares, 16 percent were held by foreign shareholders. The ten largest shareholders owned a combined total of 68.0 percent of the shares. The largest shareholder was Liljedahl Group with 29.2 percent of the capital and votes.For more information about the share and shareholders, see page 65

B. 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.

2020 AGM

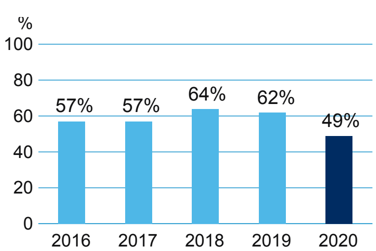
The AGM was held in Värnamo on 21 April 2020. Some 86 shareholders attended the Meeting, in person or by proxy, representing 48.9 percent of the company's voting rights. The Board of Directors was represented by Eva Nilsagård and the CEO, CFO and auditor also attended.
The following key resolutions were made:

- Adoption of the income statement and balance sheets for 2019, appropriation of the company's results, and discharge from liability of Board members and the CEO.
- The re-election of Hans Björstrand, Johanna Hagelberg, Anna Liljedahl, Bengt Liljedahl and Eva Nilsagård. Per-Arne Blomquist and Bertil Persson were elected as new members of the Board. Bengt Liljedahl was elected Chairman of the Board.
- Guidelines for remuneration of senior executives.
- A long-term share-based incentive programme for 2020 was approved.

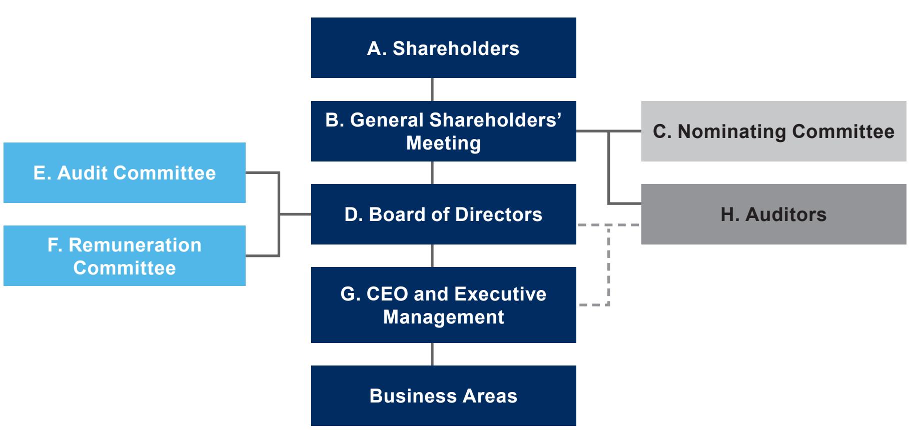
Annual General Meetig 2021

The 2021 AGM will be held on 20 April 2021 in Värnamo. Notice of the AGM is available at www.bufab.com. Shareholders who, no later than April 12, 2021, are entered in the share register maintained by Euroclear Sweden AB, and who have notified their intention to attend the Annual General Meeting, are entitled to attend the Annual General Meeting, in person or by proxy.

Attendance AGM 2016–2020, % of votes



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

C. 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 2020 AGM consisted of Fredrik Liljedahl (Liljedahl Group), Adam Gerge (Didner & Gerge fonder), Johan Ståhl (Lannebo fonder), Niklas Johansson (Handelsbanken Fonder) and the Chairman of the Board Sven-Olof Kulldorff, adjunct.

The reasoned statement to the 2020 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 2020 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 remain at 43 percent. The Nomination Committee notes that female representation at 43 percent 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

The Nomination Committee for the 2021 AGM

Name	Represents	Share of votes, %
Fredrik Liljedahl (Chairman)	Liljedahl Group	29.15
Adam Gerge	Didner & Gerge fonder	7.94
Johan Ståhl	Lannebo fonder	7.75
Niklas Johansson	Handelsbanken Fonder	7.27
Bengt Liljedahl	Chairman of the Board, co-opted	

D. Board of Directors

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 2020 AGM, the Board has comprised seven AGM-elected members; Bengt Liljedahl (Chairman), Hans Björstrand, Per-Arne Blomquist, Johanna Hagelberg, Anna Liljedahl, Eva Nilsagård and Bertil Persson. 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 2020

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 2020

Group	Attendance			Remuneration			
	Board meetings	Audit Committee	Remuneration Committee	Board fee/ Basic salary, SEK million	Variable remuneration	Other benefits and remuneration	Pension
Board of Directors							
Bengt Liljedahl	9/9	4/4	3/3	0.6	—	—	—
Per-Arne Blomquist*	6/9	4/4		0.2			
Hans Björstrand	9/9			0.2	—	—	—
Johanna Hagelberg	9/9	3/3		0.2	—	—	—
Anna Liljedahl	9/9		2/2	0.2	—	—	—
Eva Nilsagård	8/9	7/7		0.3	—	—	—
Bertil Persson*	5/9		2/2	0,2	—	—	—
Sven-Olof Kulldorff*	3/3		1/1	0.1	—	—	—
Johan Sjö*	3/3	3/3		0.1	—	—	—
CEO							
Jörgen Rosengren				4.0	1.8	0.4	1.2
The senior executives, 7 (7) people				12.5	3.5	1.6	3.6

* Sven-Olof Kuldorff and Johan Sjö stepped down from the Board in April 2021 while Per-Arne Blomquist and Bertil Persson joined the Board in April 2021.

The Board's focus area during the year

Covid-19
This year's Board meetings focused heavily on the impact of the Covid-19 pandemic on Bufab and its markets. The focus was on ensuring Bufab's resilience and flexibility in these challenging times. The Board's commitments were to ensure the safety of its employees. A strengthened financial position and increased availability of cash and cash equivalents were also high on the agenda.

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 21 April 2020, 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. No remuneration shall be paid for work in the Remuneration Committee.

Board members are not entitled to any benefits after leaving their position on the Board. During the period March–December 2020, the Board of Directors chose to voluntarily waive 10 percent of its fee.

E. 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

Audit Committee:

- Eva Nilsagård (Chairman),
- Per-Arne Blomquist
- Bengt Liljedahl

Board meetings during 2020

Telephone – 7 February
- Approval of press release for 2019 Year-end Report
- Proposed dividends

Telephone – 20 March
- Report from the company's auditors
- Desicion to cancel proposed dividend
- Approval of Annual Report and Sustainability Report 2019
- Approval of notice of AGM

Telephone – (statutory Board meeting) – 21 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

Telephone – 20 April
- Approval of press release for the Q1 2020 Report

Telephone – 15–16 June
- Preparation for strategy discussion in August
- Updated regarding Corona and its impact on the business

January | February | March | April | May | June

F. Renumeration 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 at least 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.

Remuneration Committee:

- Bengt Liljedahl (Chairman)
- Anna Liljedahl
- Bertil Persson

G. CEO and Executive Management

In addition to the President and CEO, group management consists of four business area managers and two managers responsible for Bufab's Group functions: Finance and Purchasing. The CEO is Jörgen Rosengren, and a presentation can be found on page 65 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 21 April 2020.

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 2020 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 Maj 2023–15 November 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.

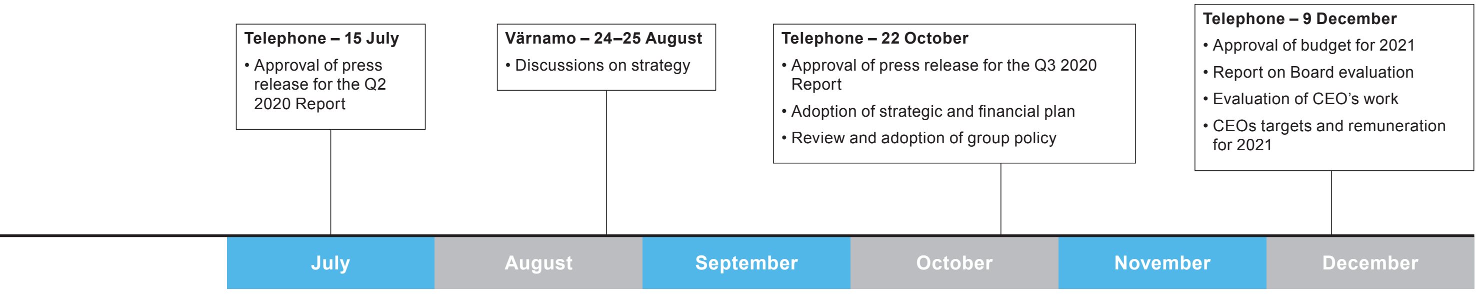
The allocation of call options is to use the market-based value on the date of the transfer using an external independent valuation, by applying the Black & Scholes pricing model.

A detailed description of the share-based incentive programme can be found in Note 34 on page 43 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 18 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.



H. 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 2020 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 are to be paid in accordance with approved invoices. In 2020, the company's auditor was paid a total of SEK 5 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, 17 March 2021

Bengt Liljedahl
Chairman of the Board

Hans Björstrand | **Per-Arne Blomquist**

Johanna Hagelberg | **Anna Liljedahl**

Eva Nilsagård | **Bertil Persson**

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 2020 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, 17 March 2021
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountan

Board of Directors

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): 11,107,500 shares through company.

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): 50,000 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

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 OptiGroup, 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, Nimbus Group AB and Xbrane Biopharma AB and Chairman of Spermosens AB.

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

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): 11,107,500 shares.

Per-Arne Blomquist

Board member since 2020.

Born: 1962

Education: Bachelor of Business Administration and Finance

Present assignments: CEO Qarlbo Associates AB. Senior adviser at EQT.

Previous assignments: CFO and deputy CEO at Dometic Holding AB. Additionally, Per-Arne has experience from positions as CFO and acting CEO in TeliaSonera AB, CFO at SEB, Chairman of the Board of Zmarta Group/Freedom Finance and IP-Only and member of the Board of Neste Oil Oy.

Other Board assignments: Chairman of the Board of Bluestep Holding AB and member of the Board of Djurgården Hockey AB and C-RAD AB.

Shareholding: (including through companies and related parties): 80,000

Bertil Persson

Board member since 2020.

Born: 1961

Education: Bachelor of Business Administration and Finance

Previous assignments: CEO and President at Beijer Alma, deputy CEO at LGP Telecom AB, CFO at Scania and head of treasury Investor. Senior advisor Hjarmarsson & Partners.

Other Board assignments: Member of the Board of Nobina AB, Troax AB and Christian Berner Tech Trade AB.

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

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 2020 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 2020 AGM until the end of the 2021 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): 335,450 shares and 108,000 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): 2,096 shares and 7,500 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 48,000 options

Marcus Söderberg

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): 6,362 shares and 58,500 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): 120,000 shares and 54,000 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): 100 shares and 19,500 options.

Jörn Maurer

Regional Director, Region West since 2015 (employed 2003).

Boarn: 1974.

Education: BA in Business Administration and Operations & Industrial Mechanic Field, CCI Darmstadt.

Previous assignments: Mitsubishi Polyester Film; Tartler Group.

Shareholding: (including through companies and related parties): 20,725 shares and 58,500 options.

Five-year summary

SEK million	2020	2019	2018	2017	2016
EARNINGS					
Order intake	**4,827**	**4,354**	**3,798**	**3,256**	**2,887**
Net sales	**4,756**	**4,348**	**3,786**	**3,201**	**2,847**
North	2,005	1,865	1,508	—	—
West	1,028	1,155	1,064	—	—
East	715	723	696	—	—
UK/North America	1,008	598	510	—	—
Gross profit	**1,252**	**1,183**	**1,088**	**917**	**828**
Operating profit (EBITA)	**482**	**384**	**367**	**311**	**277**
North	189	174	153	—	—
West	86	99	95	—	—
East	103	97	100	—	—
UK/North America	128	47	61	—	—
Depreciation and amortisation of acquired intangible assets	–30	–15	–9	–7	–5
Net financial items	**–60**	**–42**	**–29**	**–26**	**–21**
Profit/loss after financial items	**–391**	**326**	**329**	**278**	**251**
Tax on profit for the year	**–92**	**–73**	**–74**	**–65**	**–88**
Profit for the year	**299**	**253**	**255**	**213**	**163**
MARGINS					
Gross margin, %	**26.3**	**27.2**	**28.7**	**28.6**	**29.1**
Operating margin, %	**10.1**	**8.8**	**9.7**	**9.7**	**9.7**
North	9.4	9.3	10.1	—	—
West	8.3	8.6	8.9	—	—
East	14.4	13.4	14.4	—	—
UK/North America	12.7	7.9	12.0	—	—
CAPITAL STRUCTURE					
Net debt	1,546	2,068	1,177	1,015	839
Net debt, adjusted	1,220	1,666	1,177	1,015	839
Equity	1,931	1,750	1,600	1,416	1,297
Debt/equity ratio, %	80	118	74	72	65
Equity/assets ratio, %	39	33	43	43	45
Average working capital in relation to net sales, %	33.1	35.3	35.7	35.4	36.5
CASH FLOW					
Operating cash flow	540	351	175	183	267
KEY FIGURES PER SHARE					
Earnings per share	8.04	6.75	6.79	5.61	4.29
Dividend per share	2.75*	—	2.50	2.25	2.00
EMPLOYEES					
Average number of employees	1,357	1,296	1,177	1,058	973

* 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 2020 was 13.3 million shares for a total amount of SEK 1.5 billion and the average turnover was 52,944 shares.

Brief facts

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

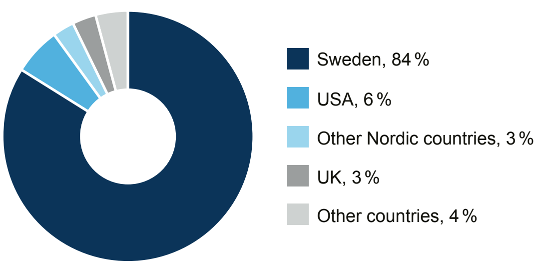
More information

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

Share data	**2020**	2019
Earning per share before dilution, SEK	8.04	6,75
Earnings per share after dilution, SEK	7.95	6,75
Dividend per share, SEK[1)]	2.75	0.00
Yield[2)]	1,4%	0.0%
Share of dividend I[3)]	34,2%	0%
Share price at year-end, SEK	194,4	130.6
Highest share price, SEK	199,6	132.0
Lowest share price, SEK	61,0	85.1
Number of shareholders at year-end	5,607	4,808
Market capitalisation at year-end, SEK million	7,409	4,977

[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.

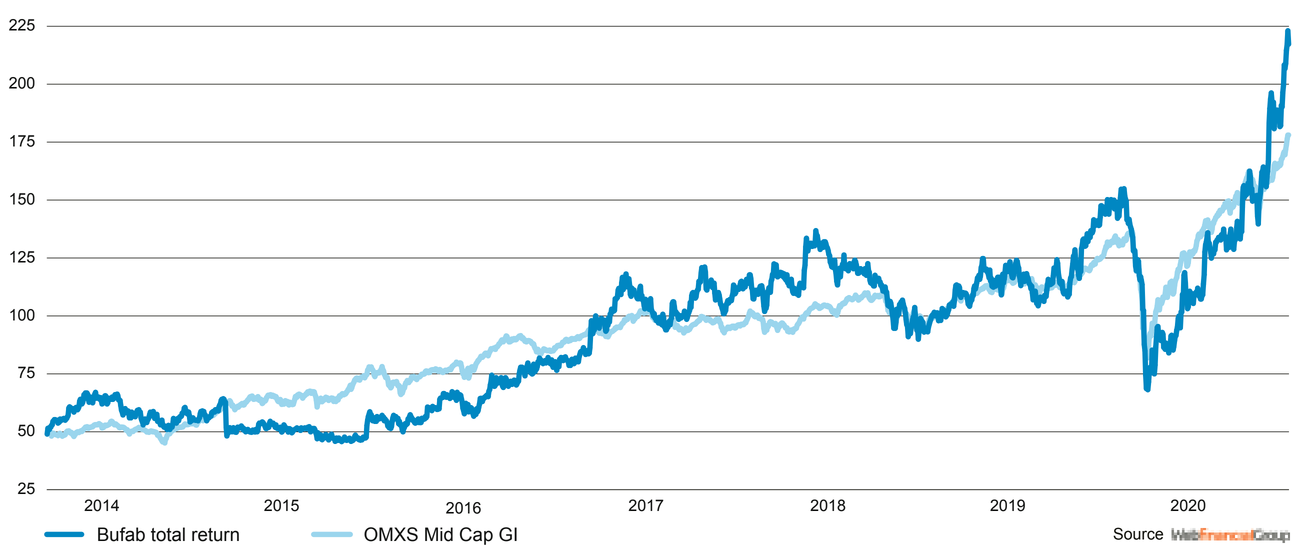
Ownership distribution by country, 31 December 2020



Largest shareholders on 31 December 2020	Share of capital and votes
Liljedahl Group	29.1 %
Handelsbanken fonder	8.3 %
Didner & Gerge fonder	8.0 %
Lannebo fonder	7.8%
State Street Bank	2.9 %
Carnegie fonder	2.7 %
Spiltan fonder	2.5 %
Nordea fonder	2.2 %
Bufab (share in own holding)	2.2 %
Skandia	2.3%
Other shareholders	32.0 %
Total	**100 %**

Source: Euroclear, 31 December 2020

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 (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	2020	2019
EBITDA, adjusted	524	426
Other non-cash items	–8	2
Changes in inventory	96	60
Changes in operating receivables	–111	66
Changes in operating liabilities	105	–136
Cash flow from operations	**606**	**418**
Investments excluding acquisitions	–66	–67
Operating cash flow	**540**	**351**

EBITDA

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

SEK million	2020	2019
Operating profit	452	368
Depreciation/amortisation and impairment	183	148
EBITDA	**635**	**517**

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	2020	2019
Operating profit	452	368
Depreciation/amortisation and impairment	183	148
Less: amortisation on right-of-use assets according to IFRS 16	–99	–82
Less: interest expenses on lease liabilities according to IFRS 16	–12	–11
EBITDA	**524**	**426**

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	2020	2019
Operating profit	452	368
Depreciation/amortisation and impairment	30	15
EBITA	**482**	**384**

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	2020	2019
Distribution costs	–548	–565
Administrative expenses	–287	–250
Other operating income	110	39
Other operating expenses	–75	–39
Depreciation and amortisation of acquired intangible assets	30	15
Operating expenses	**–771**	**–799**

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	2020	2019
Current assets	2,513	2,547
Less: cash and cash equivalents	–292	–216
Less: current non-interest-bearing liabilities excluding liabilities for additional purchase prices	–776	–677
Working capital on the balance-sheet date	**1,445**	**1,654**

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	2020	2019
Non-current interest-bearing liabilities	1,744	2,109
Current interest-bearing liabilities	96	175
Less: Cash and cash equivalents	–292	–216
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	**1,546**	**2,068**

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	2020	2019
Non-current interest-bearing liabilities	1,744	2,109
Current interest-bearing liabilities	96	175
Less: lease liabilities according to IFRS 16	–326	–402
Less: cash and cash equivalents	–292	–216
Less: other interest-bearing receivables	0	0
Net debt on balance-sheet date	**1,220**	**1,666**

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.

	2020				
	Group	North	West	East	UK/North America
Organic growth	–5	–6	–10	4	–1
Currency translation effects	–2	–1	0	–5	–2
Acquisitions	16	14	–1	0	72
Recognised growth	**10**	**8**	**–11**	**–1**	**69**

	2019				
	Group	North*	West*	East*	UK/North America*
Organic growth	1	—	—	—	—
Currency translation effects	2	—	—	—	—
Acquisitions	12	—	—	—	—
Recognised growth	**15**	**—**	**—**	**—**	**—**

* Due to the new segment structure from 1 January 2020, comparative figures are not reported for 2019 with respect to organic growth for the segments.

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