Q3 report 1 July – 30 September 2021

18 November 2021

Kenneth Lundahl CEO
Michael Grindborn, CFO

Q3 – More than doubled order intake in the quarter

1

More than doubled order intake in the quarter

- The order intake increased by 116 percent to 306 MSEK (142) and was 54 percent higher than in the third quarter 2019
- The order intake was 26 percent higher than the revenue in the quarter

2

Strong financial position

- Equity/assets ratio 51%
- Net debt to EBITDA 1.2
- Extended bank agreement has been signed with Danske Bank with an sustainability-linked RCF of 510 MSEK and an overdraft facility of 75 MSEK

3

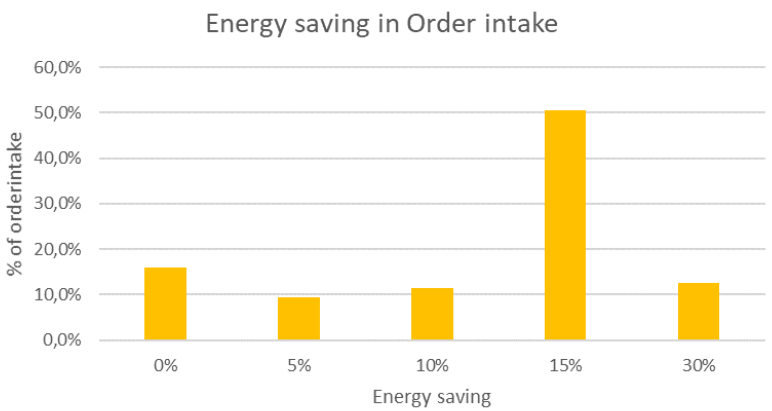
Sustainability

- Improved ESG risk rating at Sustainalytics to 20.8 (28.6)
- Balco has this autumn become a member of the Swedish Green Building Council and the UN Global Compact

4

Transformation into "Green estates"

- Of the order intake in the third quarter, 62% will give more than 15% in energy savings and 10% will give more than 30% in energy savings.
- Our goal is that in the long run at least 50% of our glazing projects will provide at least 30% energy savings and thus be able to be financed with green loans/bonds



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Q3 financial highlights

More than doubled order intake in the quarter

Net sales

- ***Net sales*** amounted to 243 MSEK (258)
- Renovation accounted for 88% of sales and New Build for 12%

Order intake and order backlog

- ***Order intake*** was 26% higher than net sales and increased 116% to 306 MSEK (142) and was 54 percent higher than in the third quarter 2019.
  The Renovation segment accounted for 96% of the order intake in the quarter.
- ***Order backlog*** increased by 13 percent to 1,460MSEK (1,294).

Operating profit

- ***Adj. Operating profit*** (EBIT) amounted to 25 MSEK (29)
- ***Adj. Operating profit margin*** amounted to 10.4% (11.2)

Cash flow

- ***Operating cash flow*** amounted to 24 MSEK (35)

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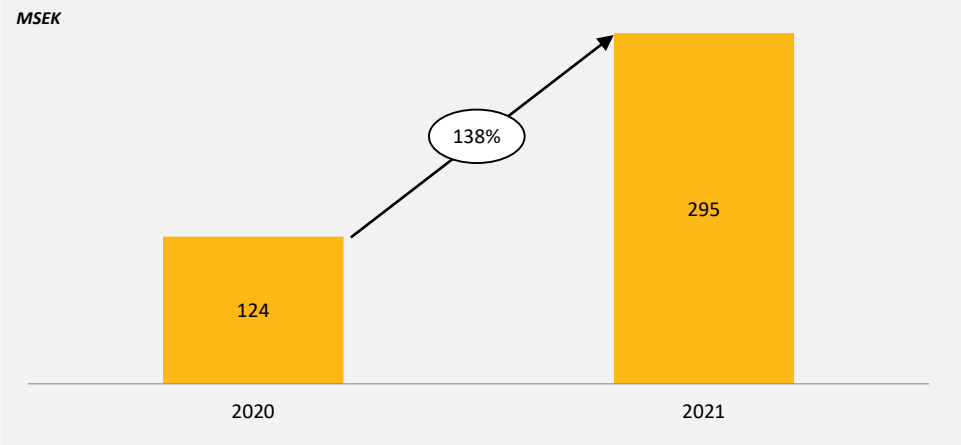
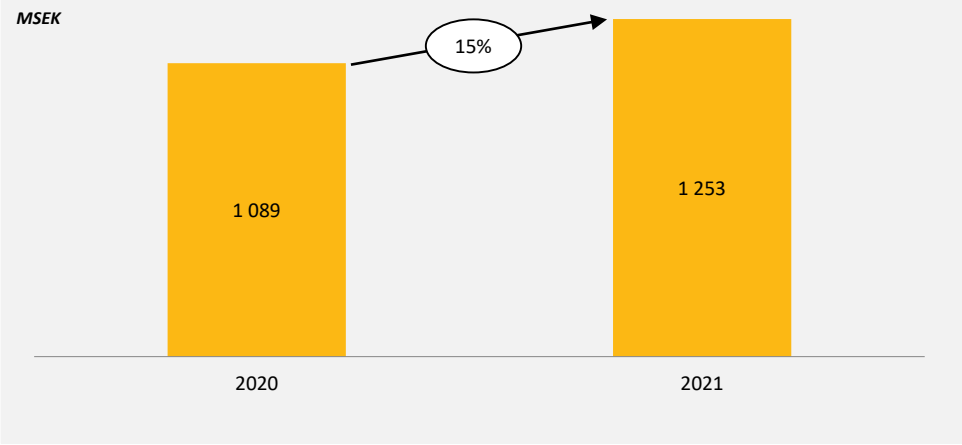
Q3 – development per business segment

Renovation segment – strong order intake

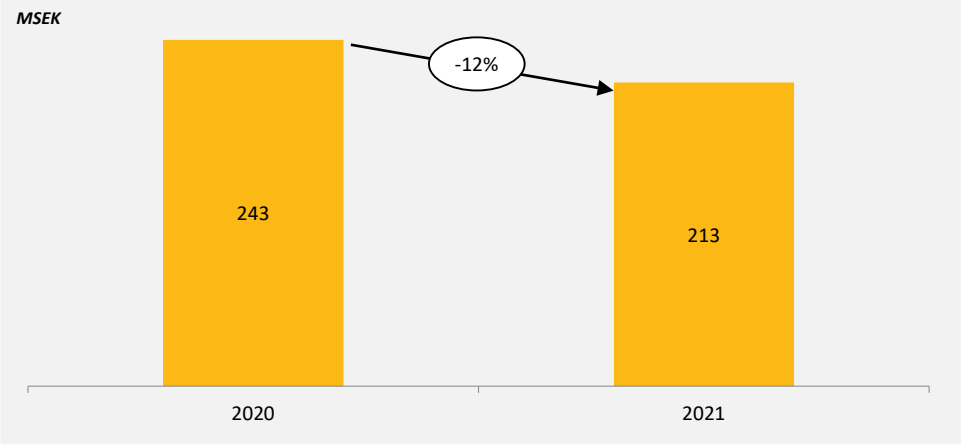
Order intake



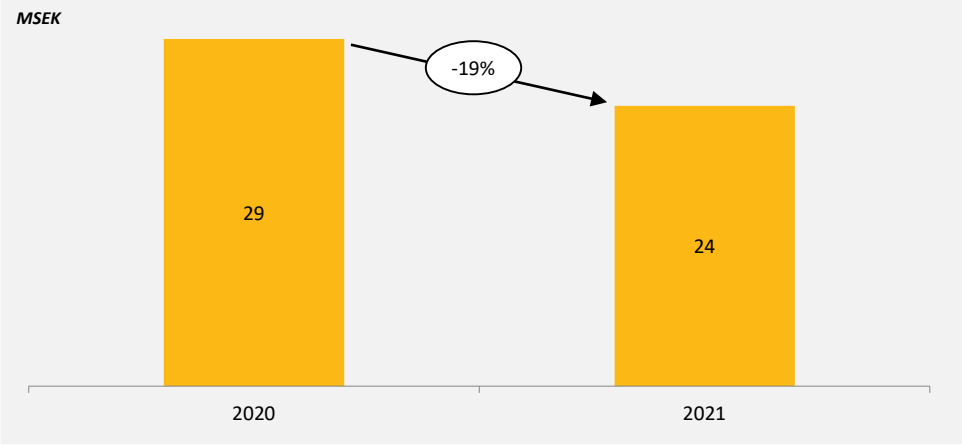
Order backlog



Revenue



Operating profit



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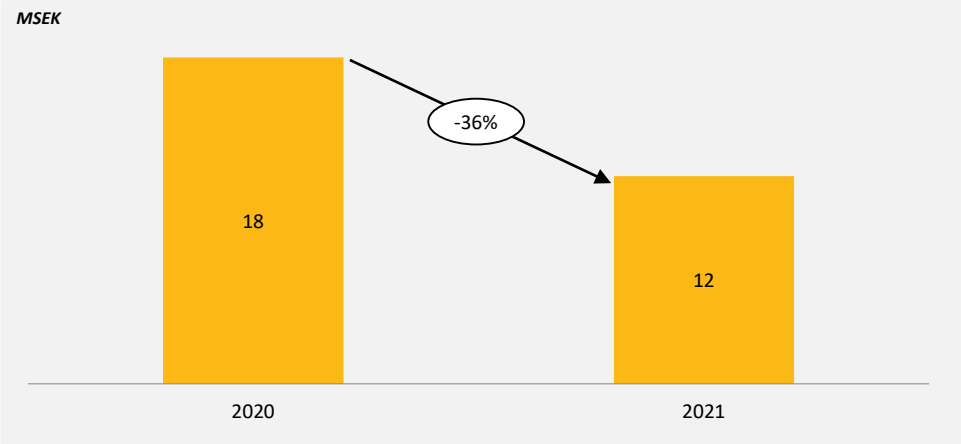
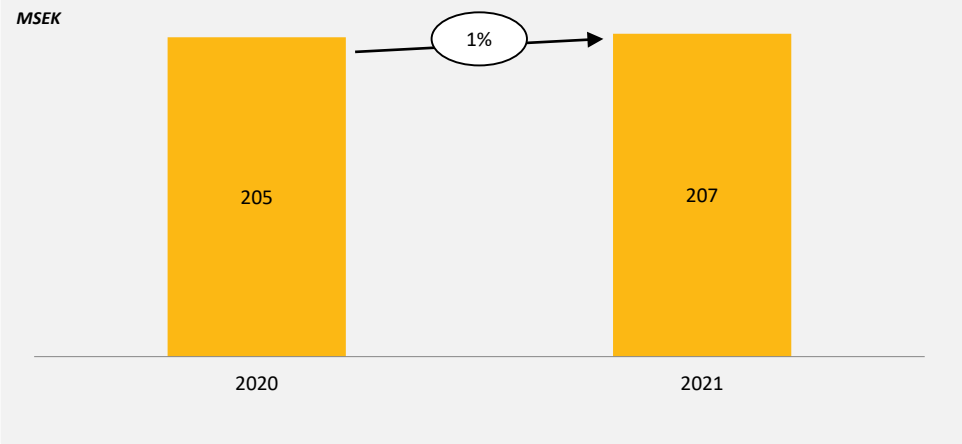
Q3 – development per business segment

New Build – increased sales from Maritime and Stora Fasad

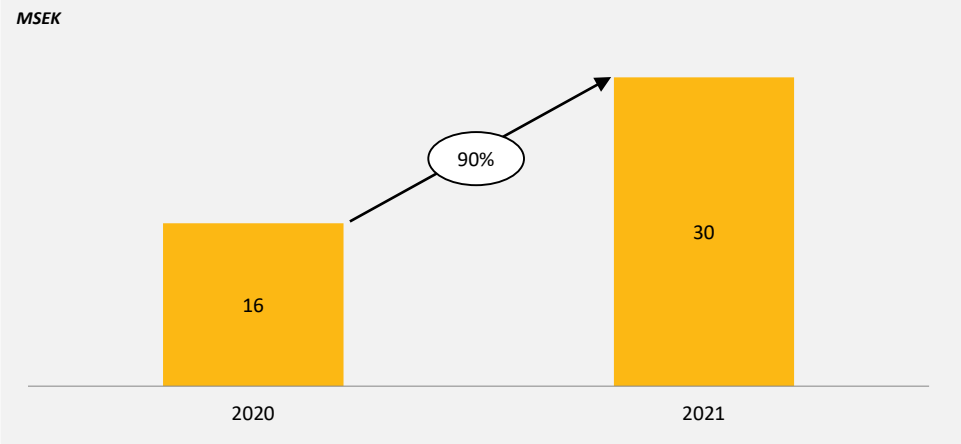
Order intake



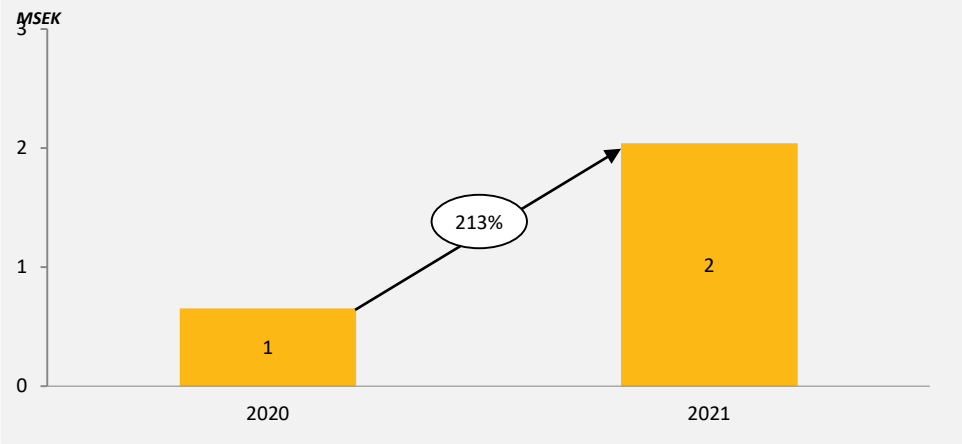
Order backlog



Revenue



Operating profit



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9M financial highlights

Order intake 53 percent growth and 35 percent higher than revenue

Net sales

- ***Net sales*** amounted to 797 (931)
- Renovation accounted for 85% of sales and New Build for 15%

Order intake

- ***Order intake*** increased by 53% to 1.075 MSEK (703)
- The Renovation segment accounted for 95% of the order intake

Operating profit

- ***Adj.Operating profit*** (EBIT) amounted to 81 MSEK (113)
- ***Adj.Operating profit margin*** amounted to 10.2% (12.1)

Cash flow

- ***Operating cash flow*** amounted to -30 MSEK (125)

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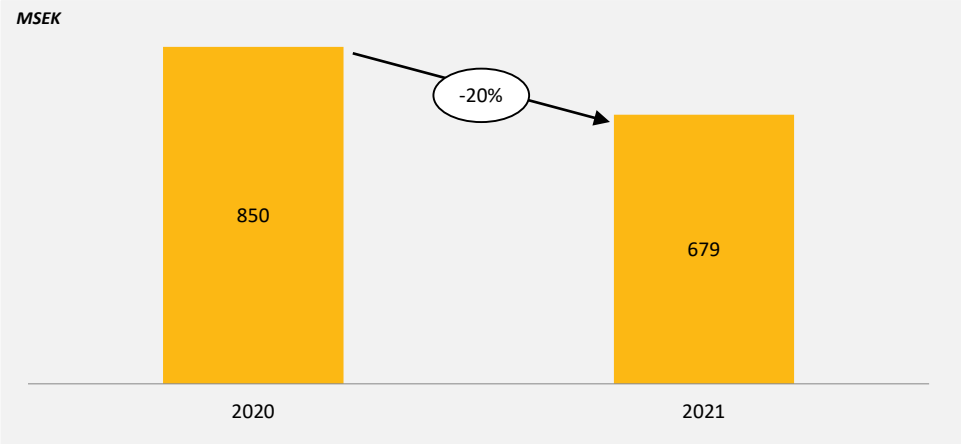
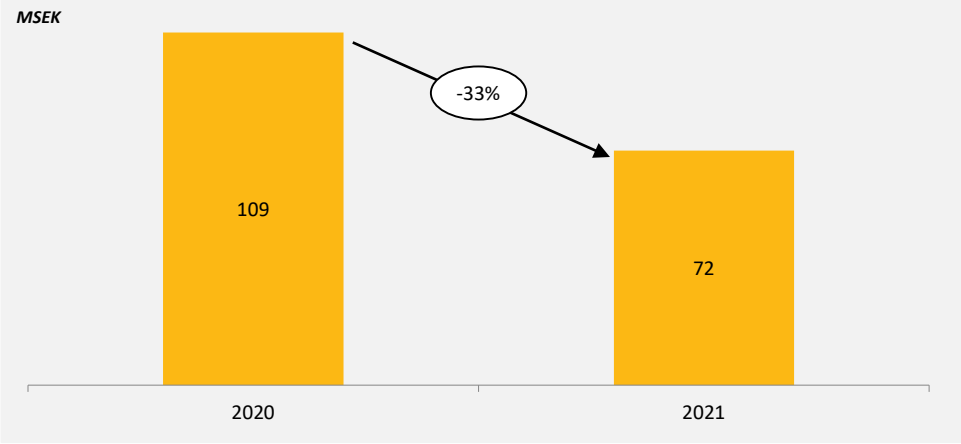
9M - revenue and earnings per business segment

Renovation – net sales and profit effected by Covid-19

Revenue

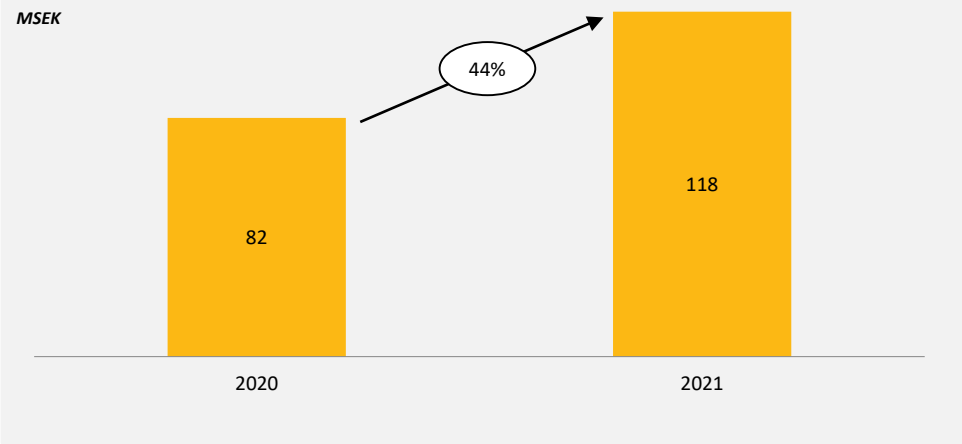


Operating profit

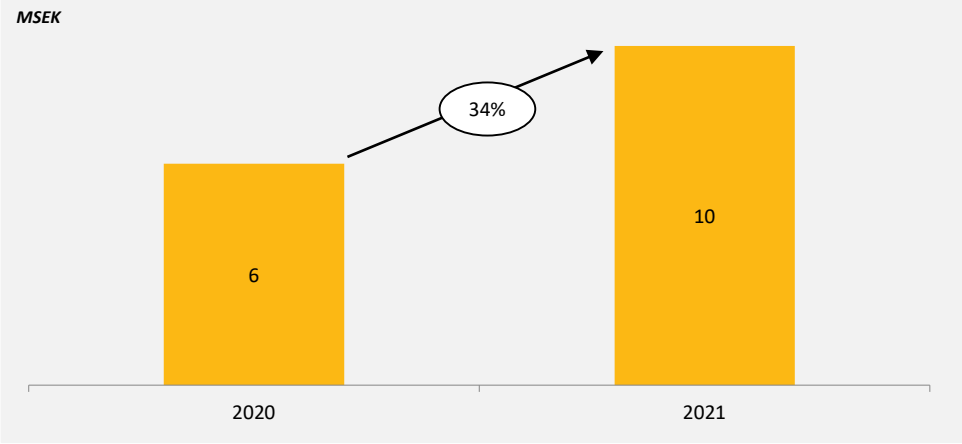


New Build – net sales growth with improved operating margin

Revenue



Operating profit



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Strong financial position

Equity ratio and balance sheet strong, prepared for more acquisitions

Equity/asset ratio	• ***Equity/asset ratio*** at 51.4% (49.4)
Net debt/EBITDA	• ***Net debt/EBITDA*** at 1.2x (0.4) • ***Net debt (excl. leasing)/EBITDA*** at 0.9x (0.1)
Net profit for the period	• ***Profit after tax*** 60 MSEK (83) for the nine-month period, corresponding to earnings per share of 2.76 SEK (3.82).
Prepared for acquisitions	• ***Acquisition head-room:*** Extended bank agreement has been signed with Danske Bank which is valid until October 12, 2024 with an sustainability-linked RCF of 510 MSEK and an overdraft facility of 75 MSEK. • Authorization to issue shares to finance acquisitions.

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Financial targets

		BALCO FIGURES Q3 2021, LTM
GROWTH	*"Balco shall achieve growth of 10% per year"*	REVENUE GROWTH **-16%**
PROFITABILITY	*"Balco shall achieve an operating profit margin (EBIT) of at least 13 percent.*	adj. EBIT MARGIN **9.7%**
CAPITAL STRUCTURE	*"Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortization (EBITDA), other than temporarily"*	NET DEBT/ adj. EBITDA **1.2x**
DIVIDEND POLICY	*"Balco shall distribute least half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions."*	**0%**[1)]

1) The Annual General Meeting decided no dividend for 2020, as the company has reduced occupancy during the first half of the year and had furlough from January to June.

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Sustainability initiatives

Lifetime 90 years

- Materials and construction last for at least 90 years and are fully recyclable thereafter only need two minor services
- Balco city balconies last for over 70 years

Energy savings and Climate positive

- Average 7 centigrade higher temperature inside a glazed balcony
- Energy savings of 15-30% depending on product and conditions
- Climate positive after 25-40 years with Balco glazed balconies

"Green estates"

- Complementary product offerings to help customers transform their buildings into "green estates" through energy savings
- New goal that 50% of Balco's glazed balcony projects shall give at least 30% energy savings

Improved ESG-rating (Sustainalytics)

BALCO

Green transformation of Estates

1

Goal

- Our goal is that in the long run at least 50% of our glazing projects will provide at least 30% energy savings and thus be able to be financed with green loans/bonds

2

Renovation of balconies a trigger

- Renovation of balconies with the Balco-method to new glazed balconies gives energy savings of 15-30 percent, so it is a trigger that enables energy savings of at least 30 percent and possibilities to get financing with green loans/bonds

3

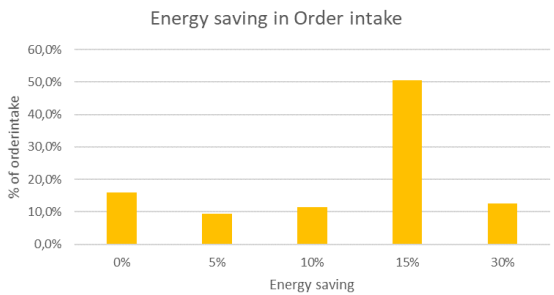
Energy declaration

- When we have a cooperation agreement with a customer our energy consultant can help the customer to analyze their energy declaration and give them suggestions on actions that can help the customer improve its energy declaration from D or E to B or C

4

Complementary offer

- To ensure energy savings of at least 30 percent Balco has broaden its offering when being turnkey contractor with in addition to balconies:
- Facade renovation
- Roof insulation
- Heat recovery
- Solar panels



Of the order intake in the third quarter, 62% will give more than 15% in energy savings and 10% will give more than 30% in energy savings.

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Q&A

Financial appendix

Consolidated income statement

MSEK	Note	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 2020/21	Jan-Dec 2020
Net sales		242,9	258,5	796,8	931,4	1 065,4	1 200,0
Production and project costs		-176,7	-193,0	-585,5	-691,1	-805,0	-910,6
Gross profit		**66,2**	**65,5**	**211,3**	**240,3**	**260,4**	**289,4**
Sales costs		-27,8	-25,0	-87,2	-82,2	-116,1	-111,0
Administration costs		-14,4	-11,6	-43,8	-45,6	-61,3	-63,0
Other operating income		-	-	-	-	-	-
Other operating expenses		-	-	-	-	-	-
Operating costs		**-42,2**	**-36,6**	**-131,1**	**-127,8**	**-177,4**	**-174,0**
Operating profit		**23,9**	**28,9**	**80,2**	**112,5**	**83,0**	**115,4**
Finance income		0,0	0,1	0,0	0,1	0,1	0,2
Finance costs		-1,2	-1,8	-4,2	-6,7	-7,3	-9,8
Profit before tax		**22,7**	**27,1**	**76,1**	**106,0**	**75,8**	**105,7**
Income tax		-4,5	-6,6	-15,6	-23,3	-20,3	-28,1
Net profit for the period		**18,3**	**20,5**	**60,5**	**82,6**	**55,5**	**77,6**
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		-0,7	-0,2	0,5	-2,0	-2,5	-5,0
Comprehensive income for the period		**17,6**	**20,4**	**61,0**	**80,6**	**53,0**	**72,7**
Of which attributable to:							
Owners of the parent company		17,6	20,4	61,0	80,6	53,0	72,7
Earnings per share, SEK, before dilution	4	0,83	0,95	2,76	3,82	2,53	3,58
Earnings per share, SEK, after dilution	4	0,81	0,94	2,69	3,77	2,46	3,51
Average number of shares, thousands		21 909,3	21 623,3	21 909,3	21 623,3	21 909,3	21 694,8

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Consolidated balance sheet

MSEK	30-sep 2021	30-sep 2020	31-dec 2020
ASSETS			
Non-current assets			
Goodwill	450,1	401,2	400,9
Other intangible assets	111,3	50,0	48,5
Concessions	37,4	43,3	42,5
Property, plant and equipment	149,8	133,3	129,8
Financial assets	2,4	3,5	1,4
Deferred tax assets	0,6	3,8	0,6
Total non-current assets	**751,5**	**635,1**	**623,8**
Current assets			
Inventory	42,6	30,7	25,6
Trade receivables	181,1	182,7	175,3
Contract assets	159,3	144,3	130,3
Current tax receivables	0,9	3,7	19,0
Other current receivables	77,8	26,8	35,2
Cash and cash equivalents	74,3	180,5	214,1
Total current assets	**536,0**	**568,7**	**599,6**
TOTAL ASSETS	**1 287,5**	**1 203,9**	**1 223,3**
EQUITY AND LIABILITIES			
Equity			
Share capital	131,5	129,7	131,5
Additional paid-in capital	405,1	393,5	403,2
Retained earnings, incl. profit for year	125,0	71,9	64,0
Equity attributable to owners of the parent company	**661,5**	**595,2**	**598,6**
Provisions			
Provision for pension	2,3	-	-
Deferred tax liabilities	34,0	32,9	18,9
Total provisions	**36,3**	**32,9**	**18,9**
Non-current liabilities			
Interest-bearing liabilities to banks	195,3	198,1	203,0
Leasing non-current liabilities	23,8	36,1	26,6
Other non-current liabilities	30,0	24,2	-
Total non-current liabilities	**249,1**	**258,4**	**229,6**
Current liabilities			
Interest-bearing liabilities to banks	10,4	10,4	10,4
Leasing current liabilities	16,7	16,4	19,4
Contract liabilities	66,5	57,2	82,2
Trade payables	117,9	133,3	112,2
Current tax liabilities	36,9	5,5	35,2
Other liabilities	29,9	35,3	34,8
Other accrued expenses and prepaid income	62,3	59,4	82,1
Total current liabilities	**340,5**	**317,4**	**376,2**
TOTAL EQUITY AND LIABILITIES	**1 287,5**	**1 203,9**	**1 223,3**

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Consolidated cash flow statement

MSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 2020/21	Jan-Dec 2020
Operating activities						
Operating profit (EBIT)	23,9	28,9	80,2	112,5	83,0	115,4
Adjustment for non-cash items	4,1	3,4	22,0	9,6	50,9	38,6
Interest received	0,1	0,1	0,2	0,4	0,0	0,2
Interest paid	-1,5	-1,5	-4,4	-6,1	-8,1	-9,8
Income tax paid	0,1	-7,5	3,0	-33,9	1,3	-35,7
Cash flow from operating activities before changes in working capital	**26,7**	**23,4**	**101,1**	**82,5**	**127,1**	**108,6**
Changes in working capital						
Increase (-)/Decrease (+) in inventories	-2,8	-2,7	-7,6	-4,7	-2,5	0,4
Increase (-)/Decrease (+) in operating receivables	-13,9	25,3	-49,8	-44,6	-48,4	-43,2
Increase (+)/Decrease (-) in operating liabilities	9,5	-22,0	-64,2	43,9	-62,0	46,0
Cash flow from operating activities	**19,5**	**23,9**	**-20,6**	**77,0**	**14,1**	**111,7**
Investing activities						
Purchase/sale of intangible assets	-0,8	-0,1	-2,4	-0,8	-2,7	-1,1
Purchase/sale of property, plant and equipment	-4,2	-2,9	-6,9	-9,4	-11,2	-13,7
Purchase/sale of subsidiaries	-	-	-85,3	-	-84,7	0,5
Cash flow from investing activities	**-4,9**	**-3,1**	**-94,6**	**-10,2**	**-98,6**	**-14,3**
Financing activities						
Changes in bank loans	-3,0	-2,0	-34,3	-10,4	-36,7	-12,8
Changes in leasing	2,3	1,8	5,5	10,1	-4,6	-
Changes in other non-current assets/liabilities	-0,0	-1,3	1,6	-4,7	6,3	-
Warrants	-	-	1,9	-	11,6	9,7
Rights issue	-	-	-	-	1,7	1,7
Distributed dividend	-	-	-	-	-	-
Cash flow from financing activities	**-0,7**	**-1,6**	**-25,1**	**-5,0**	**-21,6**	**-1,4**
Cash flow for the period	**13,8**	**19,2**	**-140,3**	**61,9**	**-106,1**	**96,1**
Cash and cash equivalents at beginning of the period	60,4	161,6	214,1	119,4	180,5	119,4
Exchange rate differential cash and cash equivalents	-	-0,3	0,4	-0,8	-0,2	-1,4
Cash and cash equivalents at end of the period	**74,2**	**180,5**	**74,2**	**180,5**	**74,2**	**214,1**

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Key ratios

MSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 2020/21	Jan-Dec 2020
Net sales	242,9	258,5	796,8	931,4	1 065,4	1 200,0
Order intake	306,3	141,9	1 074,5	703,0	1 304,2	932,7
Order backlog	1 460,4	1 294,0	1 460,4	1 294,0	1 460,4	1 086,6
Gross profit	66,2	65,5	211,3	240,3	260,4	289,4
EBITDA	34,6	38,2	106,7	140,7	119,0	153,0
Adjusted EBITDA	35,9	38,2	108,0	140,7	139,7	172,4
Operating profit (EBIT)	23,9	28,9	80,2	112,5	83,0	115,4
Adjusted operating profit	25,2	28,9	81,5	112,5	103,7	134,8
Gross profit margin, %	27,2	25,3	26,5	25,8	24,4	24,1
EBITDA margin, %	14,2	14,8	13,4	15,1	11,2	12,7
Adjusted EBITDA margin, %	14,8	14,8	13,6	15,1	13,1	14,4
Operating profit margin (EBIT), %	9,8	11,2	10,1	12,1	7,8	9,6
Adjusted operating profit margin (EBIT), %	10,4	11,2	10,2	12,1	9,7	11,2
Operating cash flow	23,9	34,8	-30,3	125,3	41,0	196,5
Operating cash conversion, %	66,6	91,1	-28,0	89,0	29,3	114,0
Capital employed, average	833,2	677,2	738,6	676,0	754,5	660,2
Capital employed, excl. goodwill, average	383,1	276,0	313,1	274,8	328,9	259,1
Equity, average	652,7	585,0	630,1	554,9	628,4	556,6
External interest-bearing net debt	171,9	80,4	171,9	80,4	171,9	45,2
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1,2 x	0,4 x	1,2 x	0,4 x	1,2 x	0,3 x
Return on capital employed, %, (12 months)	12,4	22,2	11,0	16,6	13,7	20,4
Return on capital employed, excl. goodwill, %, (12 months)	27,1	54,5	26,0	41,0	31,5	52,0
Return on invested capital, %, (12 months)	8,5	18,6	9,6	14,9	8,8	13,9
Equity/assets ratio, %	51,4	49,4	50,2	48,0	50,4	47,8
Number of full-time employees on the closing date	480	419	480	419	480	428
Average number of common shares for the period, 000s	21 909,3	21 623,3	21 909,3	21 623,3	21 909,3	21 623,3
Equity per common share, SEK	29,79	27,05	28,76	25,66	28,68	25,74

1) For information on adjusted operating profit, please see note 5

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Segments financials

Net sales, MSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 2020/21	Jan-Dec 2020
Renovation	212,6	242,5	678,6	849,6	924,8	1 095,7
New Build	30,3	16,0	118,2	81,8	140,7	104,3
Group other	6,7	7,0	18,4	16,1	23,6	21,3
Elimination	-6,7	-7,0	-18,4	-16,1	-23,6	-21,3
Total Net Sales	**242,8**	**258,5**	**796,8**	**931,4**	**1 065,4**	**1 200,0**

Operating profit, MSEK	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 2020/21	Jan-Dec 2020
Renovation	23,6	29,2	72,3	108,7	77,1	113,5
New Build	2,0	0,7	9,5	6,2	10,1	6,8
Group other	-1,3	-1,0	-1,6	-2,3	-4,2	-4,9
Elimination	-	-	-	-	-	-
Total EBIT	**24,3**	**28,9**	**80,2**	**112,5**	**83,0**	**115,4**

EBIT margin, %	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Oct-Sep 2020/21	Jan-Dec 2020
Renovation	11,1	12,0	10,7	12,8	8,3	10,4
New Build	6,7	4,1	8,1	7,6	7,2	6,5
Group other	n/a	n/a	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a	n/a	n/a
Total EBIT margin	**10,0**	**11,2**	**10,1**	**12,1**	**7,8**	**9,6**

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