

Interim report January-September 2017

BALCONIES
FOR
GREATER
LIVING



“We might as well make it clear from the start: we love balconies!”

Since Balco was founded in 1987, the Company has established itself as a leader in the segment for open and glazed balcony systems. Balco's high-quality products are in demand right across Europe and its innovative solutions and elegant designs have helped to increase the quality of life for many people. Balco currently operates in several markets in Europe and has production units in Sweden, Poland and Denmark. Consolidated net sales for 2016 amounted to SEK 802 million. Balco is a growth company focusing on technical innovation, high quality and satisfied customers. The Group's headquarters are in Växjö, Sweden. Balco is listed on Nasdaq Stockholm.

Learn more about Balco at www.balcogroup.se

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A stable quarter with continued growth

Third quarter: July-September 2017

- **Net sales** amounted to SEK 206.0 (192.1) million, an increase of 7.2 percent or SEK 13.9 million. The increase was entirely organic.
- **Operating profit** (EBIT) was SEK 12.2 million and includes SEK 9.2 million in IPO costs. Operating profit adjusted for items affecting comparability was SEK 21.4 (19.1) million, an increase of SEK 2.3 million, corresponding to an adjusted operating margin of 10.4 (9.9) percent.
- **The period's profit after tax** was SEK -2.0 (3.9) million.
- **The period's earnings per common share**, before and after dilution, were SEK -0.48 (0.04).
- **Operating cash flow** amounted to SEK 10.1 (-2.1) million.

Nine-month period: January-September 2017

- **Net sales** amounted to SEK 705.3 (563.9) million, an increase of 25.1 percent or SEK 141.4 million. The increase was entirely organic.
- **Operating profit** (EBIT) was SEK 66.0 (48.2) million, an increase of 36.9 percent or SEK 17.8 million, while adjusted operating profit was SEK 79.3 (49.5) million, an increase of SEK 29.8 million, corresponding to an adjusted operating margin of 11.2 (8.8) percent.
- **The period's profit after tax** was SEK 17.6 (8.3) million.
- **The period's earnings per common share**, before and after dilution, were SEK 0.88 (0.06).
- **Operating cash flow** amounted to SEK 44.5 (36.0) million.
- **The order backlog** amounted to SEK 1,218.2 (1,073.0) million at the end of the period.

Events in the third quarter

- The production unit in Poland was completed and was fully operational at end of September.

Events after the end of the quarter

- Balco was listed on Nasdaq Stockholm on 6 October 2017. As of the end of October, there were 21,428,773 common shares and 2,866 shareholders.
- At an extraordinary general meeting held on 5 October 2017, it was decided to establish a long-term incentive program for senior executives and key employees.
- Planning permission has been granted for Balco's historically largest order, which will result in production start in the fourth quarter. The project is worth in total approximately SEK 160 million and is within the Renovation segment.
- Balco has obtained a letter of intent regarding deliveries of balconies to yet another cruise ship. The possible order value is approximately SEK 60 million and it will be reported as an order intake once an agreement is signed.

Revenue and profit

SEK M	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%	Oct-Sep 2016/17	Jan-Dec 2016	%
Net sales	206,0	192,1	7%	705,3	563,9	25%	943,0	801,6	18%
Order intake	202,2	368,3	-45%	817,0	793,3	3%	1 090,0	1 066,3	2%
Order backlog	1 218,2	1 073,0	14%	1 218,2	1 073,0	14%	1 218,2	1 107,2	10%
Gross profit	49,0	47,8	3%	174,0	137,6	26%	226,3	189,9	19%
Gross profit, %	23,8	24,9		24,7	24,4		24,0	23,7	
Operating profit	12,2	17,7	-31%	66,0	48,2	37%	81,5	63,6	28%
EBIT margin, %	5,9	9,2	-36%	9,4	8,5	10%	8,6	7,9	9%
Adjusted operating profit	21,4	19,1	12%	79,3	49,5	60%	112,1	82,4	36%
Adjusted operating profit margin, %	10,4	9,9	4%	11,2	8,8	28%	11,9	10,3	16%
Net profit for the period	-3,3	4,7	-170%	16,2	9,6	69%	19,8	12,9	53%
Operating cash flow	10,1	-2,1	n/a	44,5	36,0	24%	81,9	73,4	12%

Kenneth Lundahl, President and CEO:

“During the autumn 2017, Balco passed two important milestones for the company’s future development: on 6 October, Balco was listed on Nasdaq Stockholm and, at the end of October, planning permission was granted for the largest project in Balco’s history, namely renovation of balconies in Östersund in Sweden, which will contribute to sales in 2018.”

It is with pleasure that I am able to note that Balco’s IPO on Nasdaq Stockholm was a success. There was great interest in becoming a Balco shareholder and the share was many times oversubscribed. I wish to take the opportunity to express my thanks for the confidence shown and to welcome all the new shareholders to Balco. An exchange listing was an important step for Balco for several reasons. Being listed contributes to increased transparency. It strengthens our ambitions and our wish to continue to develop and improve ourselves, while at the same time we create a platform for continued future growth and expansion.



The IPO and related refinancing strengthened Balco’s financial position. As a consequence of the strong balance sheet, the equity ratio has increased from approximately 18 percent to more than 42 percent.

I am able to note that demand for our products has remained strong during the autumn. The order book has continued to develop well and the order intake in the quarter was SEK 202 million. Sales in the third quarter increased by SEK 13.9 million, corresponding to growth of 7.2 percent. Growth was somewhat below our target of 10 percent due to the fact that the date when sales are reported is governed by when the customer is granted planning permission, and this affects sales between quarters. In terms of operations, the third quarter was productive for Balco. Following the end of the quarter, our customer was finally granted planning permission, which entails the start of production for the largest project in Balco’s history. The renovation project in Östersund in Sweden is worth approximately SEK 160 million and will contribute significantly to sales in 2018. Our newly established production unit in Poland was completed one month ahead of schedule and is now in full production as of the end of September. The expansion was important for meeting future capacity needs. We perceive continued strong demand for city balconies in Denmark and assess the potential for offering city balconies on other markets to be very good. Thus, we are working to establish a production unit for city balconies in Poland, in order to guarantee capacity and quality. Thanks to the fact that we are using our already existing premises, the objective is that operations will already be underway at the beginning of 2018.

Within the New Build segment, we see that balcony systems within maritime applications are of interest and we have a letter of intent regarding delivery of balcony systems for yet another cruise ship. This order will be worth approximately SEK 60 million and will be reported as an order intake once the agreement is signed. Production and delivery are expected to take place in 2018.

We are continuing with our cost awareness and increased volumes provide us with economies of scale, which are reflected in higher profitability. The adjusted operating profit in the quarter increased by SEK 2.3 million, corresponding to an adjusted operating margin of 10.4 (9.9) percent, at the same time as costs continued to be expended during the quarter on constructing capacity for the future. The adjusted operating margin for the interim period is 11.2 percent. We have come slightly closer to our objective of reaching an operating margin of 13.0 percent, which constitutes our objective in the medium-long-term.

Concurrently with the work on the IPO, Balco delivered a stable quarter with increased sales and profitability, and continued to develop the organisational and production capacity required in order to deliver an order book in excess of SEK 1.2 billion. Our strong position in the Renovation segment combined with our financial strength makes me with confidence looking forward to our continued development.

Växjö, 16 November 2017



Kenneth Lundahl, President and CEO
Balco Group AB

The Group's performance

Net sales

Net sales for the third quarter increased by 7.2 percent to SEK 206.0 (192.1) million, an increase of SEK 13.9 million. Net sales for the nine-month period January-September increased by 25.1 percent to SEK 705.3 (563.9) million, corresponding to an increase of SEK 141.4 million. The somewhat lower rate of sales growth in the quarter compared with the previous quarter was due to generally longer lead times for planning permission in Copenhagen, as well as a delay in the granting of planning permission for a handful of major projects in Sweden. The rate of increase in the third quarter fell somewhat short of Balco's growth objective of 10 percent annual growth, while the rate of growth for the nine-month period significantly exceeded the objective. Growth in each period was entirely organic. The increase in sales in the third quarter and for the period is explained by strong growth in the order book in recent years. Growth is also due to investments in an expanded sales organisation, geographic expansion, as well as continued product development. The main markets performed well during both the third quarter and the nine-month period, and we continue to view positively on the newly established markets.

The Renovation segment accounted for SEK 175.5 million of total net sales in the third quarter, while the New Build segment accounted for SEK 30.6 million. For the interim period, net sales for the Renovation segment were SEK 601.6 million, and SEK 103.7 million for the New Build segment.

During the third quarter, order intake amounted to SEK 202.2 (368.3) million. The order intake in the quarter was in all essential respects attributable to the Renovation segment, while the corresponding quarter of last year included SEK 106 million in order value for balcony systems for cruise ships within the New Build segment. The order intake for the nine-month period increased by SEK 23.7 million, to SEK 817.0 (793.3) million, corresponding to an increase of 3.0%. Of the order intake for the year, Renovation accounted for 92.0% (73.0%), while the New Build segment had a lower order intake and accounted for 8.0% (27.0%). The accumulated order book increased to SEK 1,218.2 (1,073.0) million, corresponding to growth of 13.5%.

Earnings

Gross profit for the third quarter increased and amounted to SEK 49.0 (47.8) million, corresponding to a somewhat lower gross margin of 23.8 (24.9) percent. Gross profit in the quarter increased with the increase in sales, but was adversely affected by currency movements. For the nine-month period, gross profit increased by SEK 36.4 million, to SEK 174.0 (137.6) million, a margin of 24.7 (24.4) percent, driven by the increased sales, but negatively affected by currency movements.

Selling expenses declined in the quarter to SEK 18.2 (20.2) million, related to the changed sales organisation within the New Build segment. However, selling expenses for the period increased somewhat, which is in line with Balco's strategy of continuing the expansion of the sales organisation within the Renovation segment. Total operating expenses in the third quarter amounted to SEK 36.8 (30.0) million, corresponding to 17.9 (15.6) percent of sales. The higher expenses in relation to sales are due to the IPO costs.

Operating profit for the third quarter declined compared with the preceding year and amounted to SEK 12.2 (17.7) million, corresponding to an operating margin of 5.9 (9.2) percent. Profit in the quarter was affected by the company's IPO costs in the amount of SEK 9.2 (1.3) million. Operating profit for the nine-month period improved and amounted to SEK 66.0 (48.2) million, resulting in an operating margin for the period of 9.4 (8.5) percent. The improvement in earnings for the nine-month period was due primarily to increased sales. IPO expenses for the interim period amounted to SEK 13.2 (1.3) million. The estimation in the prospectus of total cost for the IPO of approx. SEK 25 million remains.

Adjusted operating profit for the quarter increased to SEK 21.4 (19.1) million, corresponding to an adjusted operating margin of 10.4 (9.9) percent. For the nine-month period, the adjusted operating profit amounted to SEK 79.3 (49.5) million and the adjusted operating margin to 11.2 (8.8) percent. The earnings trend represents a step towards the company's profitability objective in the medium-long-term of an operating margin of at least 13 percent. Profit after tax for the quarter amounted to SEK -2.0 (3.9) million and, for the nine-month period, to SEK 17.6 (8.3) million.

Operations and performance by segment

Operations and market

Balco offers customised balcony solutions under its own brand to tenant-owner associations, private property owners, the public sector and construction companies primarily in Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is currently the leader in the Swedish and Norwegian balcony markets and second largest in Denmark. Balco holds a strong challenging position in other markets. Balco's business is divided into two operating segments: Renovation and New Build. The value of the North European balcony market in 2016 is estimated at about SEK 38 billion and is expected to show annual growth of about 6 percent in the period 2015-2020¹⁾. The growth is driven by continuing strong development in Balco's main markets of Sweden, Norway and Denmark, which are expected to show annual growth in value of about 13 percent in the period 2015-2020¹⁾.

Products

Balco offers a comprehensive range of products and solutions to the balcony industry under its own brand. The Company's products are proprietary, patented and tailored to customers' requirements and specific needs, and can be installed during renovation or new build. Balco's glazed balconies are the largest product category. Other important product categories are climate walls, open balconies, city balconies, access balconies and prefabricated balconies.

Renovation

The Renovation segment includes replacement and expansion of existing balconies as well as installation of new balconies on multi-dwelling buildings without balconies. The majority of Balco's sales in this area consist of glazed balconies for tenant-owner associations.

The Renovation operating segment's net sales for the third quarter increased by SEK 5.9 million to SEK 175.5 (169.6) million. Net sales for the nine-month

period increased by 17.8 percent to SEK 601.6 (510.5) million. The segment accounted for 85.2 percent of Balco's total sales in the third quarter. In addition, the company's product development as well as geographic expansion of the segment have continued.

Operating profit in the quarter amounted to SEK 20.7 (20.5) million, corresponding to an operating margin of 11.8 (12.1) percent in the quarter. For the period, the operating profit increased to SEK 78.2 (54.4) million, an increase of 43.8 percent. The decrease in the margin during the period was due to expansion costs and currency movements.

New Build

The New Build segment includes installation of balconies during construction of multi-dwelling buildings and balcony solutions in maritime applications. Balco offers its entire product range in the New Build segment. The largest product areas are glazed and open balconies.

The New Build operating segment's net sales for the third quarter increased by SEK 8.1 million to SEK 30.6 (22.5) million. The segment's net sales for the period increased by 92.2 percent to SEK 103.7 (53.4) million. The segment accounted for 14.8 percent of Balco's total net sales in the third quarter.

The New Build segment's operating profit improved in the quarter and was SEK 0.2 (-1.7) million, corresponding to an operating margin of 0.6 (-7.6) percent. Operating profit for the nine-month period amounted to SEK 4.8 (-1.7) million, giving an operating margin of 4.6 (-3.2) percent. The margin increase for the quarter and period is mainly due to the organisational changes made at the end of the previous year, which resulted in stricter project selection and a changed sales organisation for the segment.

¹⁾ Source: Market study, Arthur D. Little

Sales by segment

SEK M	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%	Oct-Sep 2016/17	Jan-Dec 2016	%
Renovation	175,5	169,6	3%	601,6	510,5	18%	817,6	726,4	13%
New Build	30,6	22,5	36%	103,7	53,4	94%	125,4	75,2	67%
Group other	1,8	0,2	870%	5,4	0,6	870%	11,0	6,2	78%
Elimination	-1,8	-0,2	n/a	-5,4	-0,6	n/a	-11,0	-6,2	n/a
Total sales	206,0	192,1	7%	705,3	563,9	25%	943,0	801,6	18%

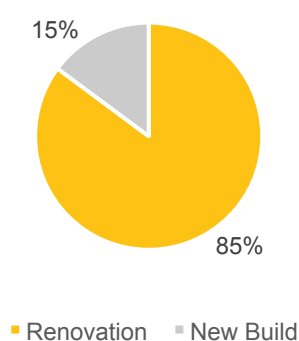
EBIT by segment

SEK M	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%	Oct-Sep 2016/17	Jan-Dec 2016	%
Renovation	20,7	20,5	1%	78,2	54,4	44%	107,1	83,2	29%
New Build	0,2	-1,7	n/a	4,8	-1,7	n/a	-13,3	-19,8	n/a
Group other	-8,7	-1,0	n/a	-17,0	-4,5	n/a	-12,3	0,2	n/a
Elimination	0,0	0,0	n/a	0,0	0,0	n/a	0	0,0	n/a
Total EBIT	12,2	17,7	-31%	66,0	48,2	37%	81,5	63,6	28%

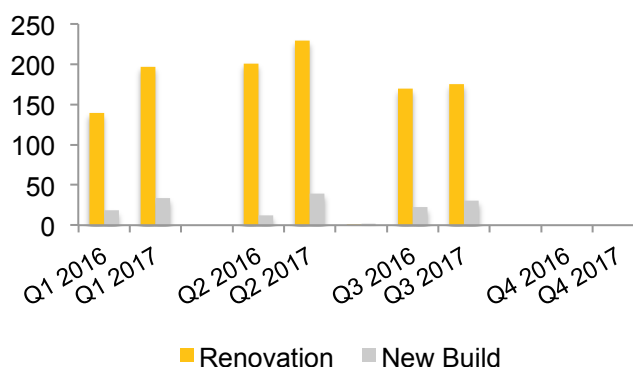
EBIT margins by segment

%	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/17	Jan-Dec 2016
Renovation	11,8%	12,1%	13,0%	10,6%	13,1%	11,5%
New Build	0,6%	-7,6%	4,6%	-3,2%	n/a	n/a
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	5,9%	9,2%	9,4%	8,5%	8,6%	7,9%

Share of total net sales, Q3 (%)



Development of sales per quarter



Balance sheet, financial position & cash flow

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to SEK 405.1 million (SEK 370.3 million on 30 September 2016, SEK 360.0 million on 31 December 2016). The interest-bearing net debt includes shareholder loans of SEK 289.4 (251.6) million. Excluding shareholder loans, the external interest-bearing net debt amounted to SEK 115.7 (118.6) million. At the end of the period, Balco's external interest-bearing net debt in relation to adjusted EBITDA amounted to 0.9 (1.1) times, which is within the scope of the company's indebtedness objective (not to exceed 2.5 times). At the end of the nine-month period of 2017, the Group's equity amounted to SEK 155.7 million (SEK 136.1 million on 30 September 2016 and SEK 139.5 million on 31 December 2016). The Group's equity ratio was 18.4 (18.5) percent.

In connection with Balco's IPO on Nasdaq Stockholm on 6 October 2017, the company's operations were refinanced and a new three-year bank agreement was entered into. The agreement comprises a bank loan of approximately SEK 142 million, an overdraft facility of SEK 65 million, and SEK 100 million in credit headroom for future acquisitions. In conjunction with this shareholder loans and preference shares were redeemed in their entirety in exchange for common shares and a small amount in cash. The Parent Company's equity has increased and the Group's equity ratio has thereby strengthened from 18.4 percent to 42.5 percent.

Financial position

SEK M	30 Sep 2017	30 Sep 2016	31 Dec 2016
Shareholder financing	289,4	251,6	260,1
External non-current interest-bearing liabilities	43,2	64,5	45,0
Current interest-bearing liabilities	97,1	74,9	76,6
Cash and cash equivalents	-24,5	-20,7	-21,7
Interest-bearing net debt	405,1	370,3	360,0
Less: shareholder financing	-289,4	-251,6	-260,1
External interest-bearing net debt	115,7	118,6	99,9
Equity/assets ratio, %	1841,2%	1853,8%	1953,3%
External interest-bearing net debt/EBITDA (12 months), times	0,9x	1,1x	1,0x

Cash flow

Cash flow from operating activities for the period was SEK 27.6 (31.8) million. The decline is attributable to increased sales. The change in working capital during the period was SEK -43.6 (-24.3) million. Working capital was affected by increased operating receivables due to increased sales and the fact that the stage of completion in on-going projects has increased compared with the same period the previous year. Cash flow from investing activities for the period amounted to SEK -41.7 million, an increase from the previous year's investments of SEK -4.7 million. The investments for the year are largely related to the construction of a new production building of 5,800 sq.m.in Poland. Cash flow from financing activities was SEK 16.9 (-34.5) million. The change is mainly due to the absence of loan amortisations during the increased drawdown on the overdraft facility. Cash flow for the period increased to SEK 2.8 (-7.4) million compared with the previous year, in a period of major expansion investments for Balco, which totalled SEK 37.9 (4.9) million.

Investments and depreciation

Investments during the period totalled SEK -41.7 (-4.7) million and were mainly related to the construction of the new production unit building in Poland. Depreciation amounted to SEK 12.5 (10.3) million. SEK 1.7 (15.3) million of the investments were financed through finance leases during the period.

Parent Company

The registered office of the Parent Company is in Växjö and the Company operates directly through 13 Swedish and foreign subsidiaries. The Parent Company's activities are mainly focused on corporate governance issues, Board work and financing. In connection with Balco's IPO, the company was refinanced and the Parent Company's capital structure was changed. Profit/loss for the period was SEK -35.2 (-25.4) million.

Other information

Employees

The number of full-time employees at Balco at the end of September 2017 was 322 (293). The increase in employees compared with the same period the previous year is mainly due to the expanded sales and operations organisation (designers, structural engineers, project and assembly managers).

Seasonal variations

Balco's operations are marginally affected by seasonal variations. The Group is partly affected by the timing of orders, seasonal variations and the fact that the general meeting season for tenant-owner associations normally occurs in the second and fourth quarters. The second and fourth quarters are normally the Group's strongest quarters. Sales and earnings are also positively affected by months with a large number of working days and no holidays, and somewhat negatively by weather factors, with extremely cold winters bringing increased costs.

Shares, share capital and shareholders

Balco was listed on Nasdaq Stockholm on 6 October 2017. In connection with the listing, shareholder loans and preference shares were redeemed. Part of the preparations pending the listing included a reverse share split and a private placement of new shares issued in a debt for equity swap. A detailed description of changes in the share capital is available on the company's website, www.balcogroup.se under Share Information. At the end of September 2017, Balco Group AB had 11,286,574 shares, each with a quotient value of SEK 6.00 and, following completion of the capital structure changes, there are 21,428,773 shares, a share capital of SEK 128,577,685. At the end of October 2017 (the company was listed on 6 October), the company had 2,866 shareholders. The five largest shareholders were Segulah IV L.P., AB Skandrenting, Swedbank Robur Fonder, Danica Pension, and MSIL IPL Client account.

Related party transactions

The Group's key persons consist of the Board, Group management and the CEO, partly through ownership of Balco and partly through the senior executive role. Close associates also include the Company's largest shareholder, Segulah, which is represented on the Board by Lennart Kalén (Chairman), Percy Calissendorff and Marcus Planting-Bergloo. Related party transactions are conducted at market conditions.

Incentive program

At an extraordinary general meeting held on 5 October 2017, it was decided to establish a long-term incentive program aimed at the company's senior executives and additional key employees, in total 49

employees. The incentive program covers in total not more than 1,071,432 warrants which carry an entitlement to subscribe for not more than a corresponding number of shares. Balco's total costs for the incentive program during the lifetime of the program are not expected to exceed SEK 150,000. The program entails a dilution of not more than 5 percent in the total number of shares in the company. Balco senior executives have acquired 397,964 warrants amounting in value to a total of SEK 1,405,807. In addition to the above incentive program, in September 2017 Balco's former main owner, Segulah, issued call options on shares in Balco to the company's senior executives. Each call option under the program entitles the holder to acquire one share in the company from Segulah. The exercise price for each share is 110 percent of the introduction price. In total, the program covers 1,100,000 shares in Balco, corresponding to approx. 5 percent of the total number of shares and votes in the company. The company is not expected to incur any costs related to the call option program.

Risks and uncertainties

The Group is exposed to different types of risks during its operations. The risks can be classified into the following categories: sector and market-related risks, business-related risks and financial risks. Sector and market-related risks include changes in demand because of a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's capacity to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are categorised as financing risk, liquidity risk, credit risk and interest rate risk. Balco is subject to currency risk. In the third quarter of 2017 52 percent of operating income was invoiced in foreign currencies. Balco's risks and uncertainties are described on pages 23-25 of the 2016 annual report.

Outlook

Balco does not provide any financial forecasts of its future development. The Group's long-term targets are presented below. Balco has a strong position in a fragmented and attractive growing European balcony market. The value of the North European balcony market in 2016 is estimated at about SEK 38 billion and is expected to show annual growth of about 6 percent in the period 2015-2020. Balco is one of the few complete balcony suppliers in the market able to provide unique, customised balcony solutions.

Financial targets

Growth

- Balco shall achieve grow of 10% per year.

Profitability

- Balco shall achieve an operating profit margin (EBIT) of at least 13 percent.

Capital structure

- Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortisation (EBITDA), other than temporarily.

Dividend policy

- Balco shall distribute least half of profit after tax, provided this does not endanger the Company's long-term development.

The interim report has not been the subject of a general review by the company's auditors in accordance with ISRE 2410.

This information is information that Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 16 November 2017 at 08.00 CET.

Telephone conference

A web telephone conference will be held today, 16 November at 10:30 am (CET), at which the President and CEO Kenneth Lundahl and CFO Fredrik Hall will present the report and answer questions. To participate, kindly call:

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The Board of Directors and CEO confirm that the interim nine-month report provides a true and fair overview of the operations, financial position and performance of the Parent Company and Group, and describes the material risks and uncertainties faced by the Parent Company and Group companies.

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Calendar 2018

Year-end report	23 Feb 2018
Annual report	13 April 2018
Interim report Jan-Dec 2017	17 May 2018
AGM	17 May 2018

Consolidated income statement

SEK M	Note	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/17	Jan-Dec 2016
Net sales		206,0	192,1	705,3	563,9	943,0	801,6
Production and project costs		-157,1	-144,3	-531,2	-426,3	-716,7	-611,7
Gross profit		49,0	47,8	174,0	137,6	226,3	189,9
Sales costs		-18,2	-20,2	-63,3	-62,5	-89,9	-89,1
Administration costs		-18,5	-10,1	-44,8	-28,2	-55,4	-38,8
Share of profit or loss of associates		-0,1	0,1	0,1	0,2	0,4	0,6
Other operating income		1,3	1,4	5,1	3,4	12,1	10,4
Other operating expenses		-1,3	-1,3	-5,1	-2,4	-12,0	-9,4
Operating costs		-36,8	-30,0	-108,0	-89,5	-144,8	-126,3
Operating profit		12,2	17,7	66,0	48,2	81,5	63,6
Finance income		0,0	0,1	0,0	0,2	0,0	-
Finance costs		-12,0	-10,3	-34,7	-30,5	-45,1	-40,9
Profit before tax		0,2	7,5	31,4	17,8	36,4	22,7
Income tax		-2,2	-3,6	-13,7	-9,5	-13,6	-10,7
Net profit for the period		-2,0	3,9	17,6	8,3	21,6	12,1
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		-1,3	0,8	-1,4	1,3	-1,8	0,9
Comprehensive income for the period		-3,3	4,7	16,2	9,6	19,8	12,9
Of which attributable to:							
Owners of the parent company		-3,3	4,7	16,2	9,6	19,8	12,9
Earnings per common share, SEK, before dilution	4	-0,48	0,04	0,88	0,06	1,07	0,08
Earnings per common share, SEK, after dilution	4	-0,48	0,04	0,88	0,06	1,07	0,08
Average number of common shares, thousands		11 286	67 717	11 286	67 717	11 286	67 717

Consolidated balance sheet in summary

SEK M	30 Sep 2017	30 Sep 2016	31 Dec 2016
Assets			
Non-current assets			
Goodwill	371,9	371,4	371,4
Other intangible assets	11,2	9,7	11,2
Property, plant and equipment	114,6	76,5	85,1
Financial assets	4,0	4,6	3,9
Deferred tax assets	0,7	0,3	1,0
Total non-current assets	502,4	462,5	472,5
Current assets			
Inventory	24,7	18,8	16,7
Trade receivables	151,2	128,2	94,5
Gross amount due from customers	120,6	93,4	96,3
Current tax receivables	2,1	0,0	1,3
Other current receivables	20,3	10,7	11,2
Cash and cash equivalents	24,5	20,7	21,7
Total current assets	343,5	271,9	241,8
TOTAL ASSETS	845,9	734,4	714,3
Equity and liabilities			
Equity			
Share capital	67,7	67,7	67,7
Additional paid-in capital	177,3	177,3	177,3
Retained earnings, incl. profit for year	-89,3	-108,9	-105,5
Equity attributable to owners of the parent company	155,7	136,1	139,5
Non-current liabilities			
Deferred tax liabilities	1,1	0,1	0,3
Shareholder financing	289,4	251,6	260,1
Interest-bearing liabilities	43,2	64,5	45,0
Total non-current liabilities	333,6	316,2	305,4
Current liabilities			
Interest-bearing liabilities	97,1	74,9	76,6
Gross amount due to customers	55,2	63,0	38,2
Trade payables	109,1	79,7	89,0
Current tax liabilities	14,7	0,5	2,5
Other liabilities	25,2	27,3	10,4
Other accrued expenses and prepaid income	55,0	36,6	52,6
Total current liabilities	356,5	282,0	269,3
TOTAL EQUITY AND LIABILITIES	845,9	734,4	714,3

Consolidated statement of cash flows in summary

SEK M	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/17	Jan-Dec 2016
Operating activities						
Operating profit (EBIT)	12,2	17,7	66,0	48,2	81,5	63,6
Adjustment for non-cash items	3,9	7,5	12,9	22,6	6,3	16,0
Interest received	0,0	0,1	0,0	0,2	-0,2	0,0
Interest paid	-2,2	-1,9	-5,4	-5,1	-7,3	-7,0
Income tax paid	-0,3	-3,6	-2,3	-9,8	4,5	-3,0
Cash flow from operating activities before changes in working capital	13,6	19,9	71,2	56,1	84,7	69,6
Changes in working capital						
Increase (-)/Decrease (+) in inventories	-5,2	0,1	-8,0	-5,0	-5,9	-2,9
Increase (-)/Decrease (+) in operating receivables	-22,8	-42,4	-90,1	-66,2	-59,1	-35,2
Increase (+)/Decrease (-) in operating liabilities	12,1	12,6	54,5	46,9	37,4	29,8
Cash flow from operating activities	-2,3	-9,8	27,6	31,8	57,1	61,3
Investing activities						
Purchase/sale of intangible assets	-0,1	-	-0,2	-	-1,2	-1,0
Purchase/sale of property, plant and equipment	-11,5	1,9	-41,4	-4,4	-61,0	-24,1
Purchase/sale of property, plant and equipment	0,0	0,0	-	-	1,3	1,3
Purchase/sale of subsidiaries	-0,5	0,0	-0,5	0,0	-0,5	0,0
Change in other financial assets	0,0	-0,2	0,3	-0,3	0,3	-0,3
Cash flow from investing activities	-14,4	-8,1	-14,1	27,1	-61,1	-24,1
Financing activities						
Amortisation of loans	-	0,3	-	-15,7	-8,2	-24,0
Proceeds from loans	0,3	-	1,0	-	1,0	-
Changes in financial leasing	-2,6	-5,4	-7,1	-10,3	-7,0	-10,2
Changes in current financial liabilities	21,6	-2,3	23,0	-8,4	22,0	-9,5
Cash flow from investing activities	19,3	-7,4	16,9	-34,5	7,7	-43,7
Cash flow for the period	5,0	-15,5	2,8	-7,4	3,8	-6,4
Cash and cash equivalents at beginning of the period	19,6	36,2	21,7	28,2	20,7	28,2
Cash and cash equivalents at end of the period	24,5	20,7	24,5	20,7	24,5	21,7

The cash flow statement for the 2016 financial year has been adjusted by SEK 33.9 million for interest paid, and proceeds from borrowings have also been adjusted correspondingly. The adjustment was made because these are non-cash items and therefore not to be reflected in the cash flow.

Consolidated statement of changes in equity in summary

SEK M	Share Capital	Additional paid-in capital	Translation reserve	Retained earnings	Total equity
Opening balance, 1 January 2016	67,7	177,3	0,1	-118,6	126,6
Comprehensive income for the period					
Profit for the period	-	-	-	8,3	8,3
Other comprehensive income for the period	-	-	1,3	-	1,3
Total comprehensive income for the period	-	-	1,3	8,3	9,6
Closing balance, 30 September 2016	67,7	177,3	1,4	-110,3	136,1
Opening balance, 1 January 2017	67,7	177,3	1,0	-106,6	139,5
Comprehensive income for the period					
Profit for the period	-	-	-	17,6	17,6
Other comprehensive income for the period	-	-	-1,4	-	-1,4
Total comprehensive income for the period	-	-	-1,4	17,6	16,2
Closing balance, 30 September 2017	67,7	177,3	-0,4	-88,9	155,7

Key ratios

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/17	Jan-Dec 2016
Net sales, SEK M	206,0	192,1	705,3	563,9	943,0	943,0
Order intake, SEK M	202,2	368,3	817,0	793,3	1 090,0	1 066,3
Order backlog, SEK M	1 218,2	1 073,0	1 218,2	1 073,0	1 218,2	1 107,2
Gross profit, SEK M	49,0	47,8	174,0	137,6	226,3	189,9
EBITDA, SEK M	16,3	21,4	78,6	58,5	98,0	77,9
Adjusted EBITDA, SEK M	25,5	22,8	91,8	59,8	128,6	96,6
Operating profit, SEK M	12,2	17,7	66,0	48,2	81,5	63,6
Adjusted operating profit, SEK M	21,4	19,1	79,3	49,5	112,1	82,4
Gross profit margin, %	23,8	24,9	24,7	24,4	24,0	23,7
EBITDA margin, %	7,9	11,2	11,1	10,4	10,4	9,7
Adjusted EBITDA margin, %	12,4	11,9	13,0	10,6	13,6	12,1
Operating profit margin (EBIT), %	5,9	9,2	9,4	8,5	8,6	7,9
Adjusted operating profit margin (EBIT), %	10,4	9,9	11,2	8,8	11,9	10,3
Operating cash flow, SEK M	10,1	-2,1	44,5	36,0	81,9	73,4
Operating cash conversion, %	39,6	-9,0	48,4	60,2	63,7	76,0
Capital employed, average	550,1	491,4	530,2	494,7	533,6	491,3
Capital employed, excl. goodwill, average	178,5	120,1	158,6	123,5	162,0	120,1
Equity, average	157,5	133,8	147,6	131,4	145,9	133,0
External interest-bearing net debt, SEK M	115,7	118,6	115,7	118,6	115,7	99,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,9x	1,1x	0,9x	1,1x	0,9x	1,0x
Return on capital employed, %, (12 months)	20,4	18,6	21,2	18,5	21,0	16,8
Return on capital employed, excl. goodwill, %, (12 months)	62,8	76,1	70,7	74,0	69,2	68,6
Return on invested capital, %, (12 months)	12,6	21,6	13,4	22,0	13,6	9,7
Equity/assets ratio, %	18,4	18,5	18,4	18,5	18,4	19,5
Number of full-time employees on the closing date	322	293	322	293	322	301
Average number of common shares for the period, 000s	11 286	67 717	11 286	67 717	11 286	67 717
Equity per common share, SEK	13,96	1,98	13,08	1,94	12,93	1,96

Parent company

Income statement in summary

SEK M	Jan-Sep 2017	Jan-Jun 2015	Oct-Sep 2016/17	Jan-Dec 2016
Net sales	-	-	-	-
Operating expenses	-7,6	-	-7,6	-
Operating profit	-7,6	-	-7,6	-
Group contribution	-	-	10,0	10,0
Interest income	-	-	-	-
Interest expenses	-29,3	-25,4	-37,7	-33,9
Profit/loss after financial items	-36,9	-25,4	-35,4	-23,9
Change in untaxed reserves	-	-	-	-
Tax	1,7	-	0,7	-1,0
Net profit/loss for the period	-35,2	-25,4	-34,7	-24,9

Total comprehensive income does not agree with profit for the period since no items in the Parent Company are recognised as other comprehensive income.

Balance sheet in summary

SEK M	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Non-current assets	389,1	389,1	403,8
Current assets	14,7	4,7	-
TOTAL ASSETS	403,8	393,8	403,8
EQUITY AND LIABILITIES			
Restricted equity	67,7	67,7	67,7
Unrestricted equity	39,7	74,4	75,0
Total equity	107,5	142,2	142,7
Non-current liabilities	289,4	251,6	260,1
Other current liabilities	7,0	-	1,0
TOTAL EQUITY AND LIABILITIES	403,8	393,8	403,8

Notes

Note 1 Accounting policies

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2 and Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. For the Group, the same accounting policies and computation methods have been applied as in the 2016 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU. There have not been any changes to the Group's accounting policies.

The company is currently conducting a work in advance of the implementation of the new rules in accordance with IFRS 9 and IFRS 15. So far no significant effects have been identified.

The interim information on pages 2-8 is an integral part of this financial report.

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to SEK 2.3 million at the end of the period, while financial liabilities at fair value were SEK 1.9 million. At 31 December 2016, financial assets at fair value amounted to SEK 1.0 million and financial liabilities at fair value were SEK 0.7 million.

The fair values of financial instruments are determined using valuation techniques. Market information is used as far as possible when available, while company-specific information is used as little as possible. If all key inputs required for the fair value measurement of an instrument are observable the instrument is categorised in level 2.

Note 3 Operating segments

Balco reports in the following segments:

- **Renovation:** includes replacement and expansion of existing balconies and installation of new balconies on multi-dwelling buildings without balconies. The segment's main market driver is the age profile of the residential property portfolio.
- **New Build:** includes installation of balconies during construction of multi-dwelling buildings and balcony solutions in the maritime area. The segment is mainly driven by the rate of construction for new housing. The balcony solutions in the New Build segment have a lower average cost than those in Renovation. This is because the segment consists largely of open balconies, which have a lower unit cost than glazed balconies.

SEK M	Renovation		New Build		Group other		Eliminations		Total	
	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Net sales –										
External revenue	601,6	510,5	103,7	53,4	-	-	-	-	705,3	563,9
Net sales –										
Internal revenue	-	-	-	-	5,4	0,6	-5,4	-0,6	-	-
Total sales	601,6	510,5	103,7	53,4	5,4	0,6	-5,4	-0,6	705,3	563,9
Operating profit (EBIT)	78,2	54,4	4,8	-1,7	-17,0	-4,5	-	-	66,0	48,2
Depreciation										
included with	10,7	9,5	1,8	0,8	-	-	-	-	12,5	10,3
IPO costs	-	-	-	-	13,2	1,3	-	-	13,2	1,3
Adjusted operating profit (EBIT)	78,2	54,4	4,8	- 1,7	-3,7	-3,1	-	-	79,3	49,5
Operating profit (EBIT)	78,2	54,4	4,8	- 1,7	-17,0	-4,5	-	-	66,0	48,2
Finance income	-	-	-	-	0,0	0,2	-	-	0,0	0,2
Finance cost	-	-	-	-	-34,7	-30,5	-	-	-34,7	-30,5
Profit before tax	-	-	-	-	-51,7	-34,8	-	-	31,4	17,8

Note 4 Earnings per share

SEK M	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/17	Jan-Dec 2016
Net profit for the period attributable to the owners of the parent company	-3,3	4,7	16,2	9,6	19,6	12,9
Less return on preference shares	-2,1	-1,8	-6,3	-5,5	-7,6	-7,3
Profit for the period after return on preference shares	-5,4	2,9	9,9	4,1	12,0	5,6
Average number of common shares, 000'	11 286	67 717	11 286	67 717	11 286	67 717
Earnings per common share, SEK, before dilution	-0,48	0,04	0,88	0,06	1,07	0,08
Earnings per common share, SEK, after dilution	-0,48	0,04	0,88	0,06	1,07	0,08

Note 5 Reconciliation with IFRS financial statements

Balco's financial statements include alternative performance measures, which complement the measures that are defined or specified in applicable rules for financial reporting. Alternative performance measures are presented, as in their context they provide clearer or more in-depth information than the measures defined in applicable rules for financial reporting. The alternative performance measures are derived from the Company's consolidated financial reporting and are not measured in accordance with IFRS.

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Oct-Sep 2016/17	Jan-Dec 2016
Adjusted operating profit						
Operating profit	12,2	17,7	66,0	48,2	81,5	63,6
IPO costs	9,2	1,3	13,2	1,3	14,5	2,6
Other non-recurring items	0,0	0,0	0,0	0,0	16,1	16,1
Adjusted operating profit	21,4	19,1	79,3	49,5	112,1	82,4
Adjusted EBITDA						
Operating profit	12,2	17,7	66,0	48,2	81,5	63,6
Depreciation	4,1	3,7	12,5	10,3	16,5	14,3
IPO costs	9,2	1,3	13,2	1,3	14,5	2,6
Other non-recurring items	0,0	0,0	0,0	0,0	16,1	16,1
Adjusted EBITDA	25,5	22,8	91,8	59,8	128,6	96,6
Operating cash flow, SEK M						
Adjusted EBITDA	25,5	22,8	91,8	59,8	128,6	96,6
Changes in working capital	-15,9	-29,7	-43,6	-24,3	-27,6	-8,3
Investments in other non-current assets, net	0,5	4,9	-3,7	0,5	-19,1	-14,9
Operating cash flow, SEK M	10,1	-2,1	44,5	36,0	81,9	73,4
			30 Sep 2017	30 Sep 2016	31 Dec 2016	
External interest-bearing net debt, SEK M						
External non-current interest-bearing liabilities			43,2	64,5	45,0	
Current interest-bearing liabilities			97,1	74,9	76,6	
Cash and cash equivalents			-24,5	-20,7	-21,7	
Interest-bearing net debt			115,7	118,6	99,9	
Adjusted EBITDA (12 months)			128,6	111,2	96,6	
Interest-bearing net debt/EBITDA 12 months, times			0,9x	1,1x	1,0x	
Return on capital employed, %						
Equity			155,7	136,1	139,5	
External interest-bearing net debt			115,7	118,6	99,9	
Shareholder financing			289,4	251,6	260,1	
Average capital employed			530,2	491,1	491,3	
Adjusted operating profit (EBIT), (12 months)			112,1	111,2	96,6	
Return on capital employed, %			21,2	22,6	19,7	
Equity/assets ratio, %						
Equity attributable to owners of the parent company			155,7	136,1	139,5	
Total assets			845,9	734,4	714,3	
Equity/assets ratio, %			18,4	18,5	19,5	

Alternative performance measures

This interim report contains references to a number of performance measures. Some of these measures are defined in IFRS, while others are alternative measures and are not reported in accordance with applicable financial reporting frameworks or other legislation. The measures are used by Balco to help both investors and management to analyse its operations. The measures used in this interim report are described below, together with definitions and the reason for their use.

Alternative performance measures	Definition	Reason for use
Return on equity	Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period.	Return on equity shows the return that is generated on the shareholders' capital that is invested in the Company.
Return on capital employed	Adjusted EBIT as a percentage of average capital employed for the period. Average calculated as the average of the opening balance and the closing balance for the period, see note 5.	Return on capital employed shows the return that is generated on capital employed by the Company, and is used by Balco to monitor profitability as it relates to the capital efficiency of the Company
Return on capital employed	Adjusted EBIT as a percentage of average capital employed for the period excluding goodwill. Average calculated as the average of the opening balance and the closing balance for the period.	Balco believes that return on capital employed excluding goodwill together with return on capital employed shows a complete picture of Balco's capital efficiency
Gross income	Revenue less production and project costs.	Shows the effectiveness of Balco's operations and together with EBIT, provides a complete picture of the operating profit generation and expenses.
Gross margin	Gross income as a percentage of revenue.	Ratio is used for analysis of the Company's effectiveness and profitability.
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.
External interest-bearing net debt	Interest-bearing net Debt excluding the Shareholder Loan. For a reconciliation of Net Debt for the periods, see note 5.	Balco believes that external interest-bearing net debt is a useful measure for showing the Company's total external debt financing.
External interest-bearing net debt to adjusted EBITDA	Interest-bearing external net debt divided by adjusted EBITDA.	Balco believes this ratio helps to show financial risk and is a useful measure for Balco to monitor the level of the Company's indebtedness.
Adjusted EBITDA	EBITDA as adjusted for items affecting comparability. For a reconciliation of Adjusted EBITDA to income for the period, see note 5.	Balco believes that adjusted EBITDA is a useful measure for showing the Company's profit generated by the operating activities after adjusting for non recurring items, and primarily uses adjusted EBITDA for purposes of calculating the Company's operating cash flow and cash conversion.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales	Balco believes that adjusted EBITDA margin is a useful measure for showing the Company's profit generated by the operating activities after non recurring items.
Operating cash flow	Adjusted EBITDA increased/decreased with changes in net working capital less investments, excluding expansion investments, see note 5.	Operating cash flow is used by Balco to monitor business performance.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	Balco believes that adjusted EBIT Margin is a useful measure for showing the Company's profit generated by the operating activities.
Adjusted EBIT	EBIT adjusted for items affecting comparability. For a reconciliation of Adjusted EBIT to income for the period, see note 5.	Balco believes that adjusted EBIT is a useful measure for showing the Company's profit generated by the operating activities, and primarily uses adjusted EBIT for calculating the Company's return on capital employed, which is used by Balco to monitor profitability as it relates to the capital efficiency of the Company.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA	Cash conversion is used by Balco to indicate how effectively allocated net working capital is used.
Interest-bearing net debt	The sum of shareholder loan, non-current interest-bearing liabilities and current interest-bearing liabilities. For a reconciliation of net debt for the periods, see note 5.	Balco believes interest-bearing net debt is a useful measure to show the Company's total debt financing.

Net working capital	Current assets excluding cash and cash equivalents and current tax assets less non-interest-bearing liabilities excluding current tax liabilities	This measure shows how much net working capital that is tied up in the operations and can be put in relation to sales to understand how effectively net working capital tied up in the operations is used.
EBIT margin	EBIT as a percentage of net sales	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.
EBIT	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
Equity/asset ratio	Equity divided on total assets, see note 5.	Balco believes that equity to asset ratio shows the Company's long-term survival rate
Capital employed	Equity plus interest-bearing net debt (external net debt plus shareholder loan)	Capital employed is used by Balco to indicate the general capital efficiency of the Company
Capital employed excluding goodwill	Capital employed less goodwill.	Capital employed excluding goodwill together with capital employed is used by Balco to indicate the capital efficiency of the Company