

# Balco Group AB

## First quarter

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2022

### Double-digit growth in order intake, net sales and earnings

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#### January – March 2022

- Net sales amounted to 288 MSEK (250)
  - Order intake amounted to 292 MSEK (263)
  - Order backlog amounted to 1,567 MSEK (1,128)
  - Operating profit amounted to 26 MSEK (22)
  - Net profit after tax amounted to 19 MSEK (16)
  - Earnings per share amounted to 0.87 SEK (0.74)
  - Operating cash flow amounted to -14 MSEK (-13)
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# Interim report

2022: Q1 January-March

## Double-digit growth in order intake, net sales and earnings

### The first quarter: January – March

- Net sales increased by 15 percent to 288 MSEK (250)
- Order intake increased by 11 percent to 292 MSEK (263)
- Order backlog increased by 39 percent to 1,567 MSEK (1,128)
- Operating profit increased by 18 percent to 26 MSEK (22)
- Adjusted operating profit increased by 19 percent to 26 MSEK (22)
- Net profit after tax increased by 18 percent to 19 MSEK (16)
- Earnings per share increased by 18 percent to 0.87 SEK (0.74)
- Operating cash flow amounted to -14 MSEK (-13)

MSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Net sales	288.4	250.4	1,158.4	1,120.5
Order intake	291.8	263.1	1,586.9	1,558.3
Order backlog	1,567.3	1,127.6	1,567.3	1,557.0
Gross profit	73.7	63.2	306.7	296.3
Gross margin %	25.5	25.2	26.5	26.4
Operating profit	25.9	21.9	122.0	118.0
Operating profit margin (EBIT-margin), %	9.0	8.7	10.5	10.5
Adjusted operating profit (EBIT) 1)	26.1	21.9	123.8	119.5
Adjusted operating profit margin (EBIT-margin), %	9.1	8.7	10.7	10.7
Net profit for the period	19.2	16.3	93.1	90.2
Operating cash flow	-13.8	-12.8	95.0	96.0
Earnings per share, SEK 2)	0.87	0.74	4.25	3.58

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

2) Calculated in relation to the number of shares before dilution at the end of the reporting period





# President and CEO

Kenneth Lundahl

Balco had double-digit growth in both order intake and sales and earnings in the quarter, despite the impact of Covid restrictions and many employees were sick in Covid in January and February.

**“ Double-digit growth in order intake, sales and earnings despite the impact of Covid-19 in January and February.”**

We have increased the staff within our project organization to cope with the large increase in order intake since May last year and we have not had any problems finding skilled employees. Unfortunately, several building permits have been delayed in Sweden and Norway, which has negatively affected sales and earnings in the first quarter and will have a negative impact in the second quarter.

Our concept Green Transformation of estate that we launched in connection with the third quarter interim report last year has been very well received and we see great interest in most markets where we operate.

The concept Green Transformation of estate means that when signing a co-operation agreement for balcony renovation with glazed balconies, the customer is offered to go through their energy declaration. The customer is offered complementary energy-efficient measures so the total energy savings will be more than 30 percent. The banks can then offer our customers green loans at a lower interest rate.

The opportunity to be able to help customers with energy savings is becoming increasingly relevant with increased energy prices and provides both a positive economic effect and reduced environmental impact. Of the order intake in the last 12 months, 43 percent will give 15 to 30 percent in energy savings and 13 percent give more than 30 percent in energy savings.

Linked to the investment in Green Transformation, we are building up a self-employed flexible assembly and facade organization, which, like our balcony assembly organization, will work flexibly throughout the Nordic region. An investment that will initially have a certain negative impact on the result during the year when training takes place of the new staff, but in the end, it will be a strength for us.

In February, Balco launched a new unique product segment to solve the overcrowding "Balco Living". If a balcony renovation is needed, Balco can now offer new living space at a low construction cost. Additional square meter price on the new surface will be extremely attractive.

The development of Balco Living will be intensified and additional development resources will be invested in this product segment, as well as marketing resources, primarily in Sweden and Norway.

The launches Green Transformation and Balco Living together with a strong order backlog and a strong financial position make the future look promising. Balco is equipped to grow through acquisitions of companies that strengthen our offering and provide synergies for our organic growth.

Växjö 6 May 2022

Kenneth Lundahl, President and CEO

Balco Group AB

# The group's development

## First quarter: January - March

Net sales increased by 15 percent to 288 MSEK (250), of which 2 percent was organic growth. Net sales for the Renovation segment increased to 246 MSEK (199), while the net sales for New Build segment amounted to 42 MSEK (52).

The order intake increased by 11 percent to 292 MSEK (263). The Renovation segment accounted for 239 MSEK (246) of the order intake, while the New Build segment accounted for 52 MSEK (17).

The order backlog increased by 39 percent to 1,567 MSEK (1,128). The order backlog for the Renovation segment increased to 1,378 MSEK (937), while the order backlog for the New Build segment amounted to 189 MSEK (193).

Gross profit improved to 74 MSEK (63), entailing a gross margin of 25.5 percent (25.2). The gross margin has been stable despite increased staffing within the project organization and therefore too low occupancy.

Sales costs amounted to 31 MSEK (28) and administrative costs to 17 MSEK (13). Total operating costs amounted to 48 MSEK (41). The cost increase is explained by increased travel costs and marketing activities such as mini-fairs, as well as additional costs from the acquisition of RK Teknik which were consolidated for the second quarter of 2021.

Operating profit increased by 18 percent to 26 MSEK (22), corresponding to an operating margin of 9.0 percent (8.7). Adjusted operating profit increased by 19 percent to 26 MSEK (22), corresponding to an operating margin of 9.1 percent (8.7).

Net financial items amounted to -1.5 MSEK (-1.4), of which -0.4 (-0.4) refers to interest costs linked to right-to-use assets (leasing). Profit after tax increased by 18 percent to 19 MSEK (16), corresponding to earnings per share of 0.87 SEK (0.74).

Operating cash flow amounted to -14 MSEK (-13). The capital tied up between the quarters is dependent on the different phases of the projects.

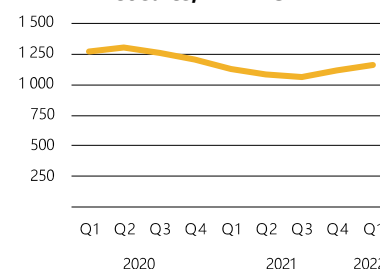
### Net sales per customer category, MSEK

	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Tenant-owner associations	206.5	178.6	836.7	808.7
Private landlords	17.7	4.6	58.7	45.6
Publicly owned companies	12.4	6.9	37.0	31.4
Construction and manufacturing	51.8	60.3	226.2	234.7
<b>Total Net sales</b>	<b>288.4</b>	<b>250.4</b>	<b>1,158.4</b>	<b>1,120.5</b>

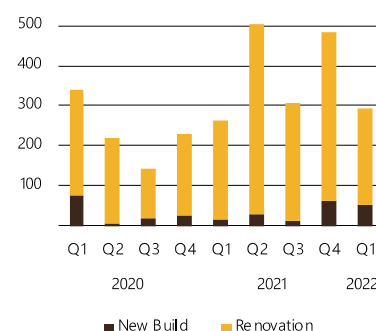
Gross margin  
Q1 2022

**25.5%**

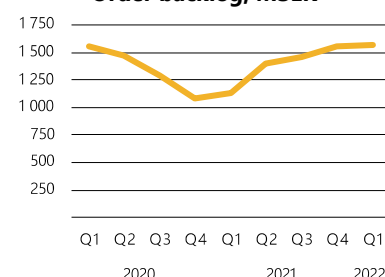
### Net sales, R12 MSEK



### Order intake per segment, MSEK



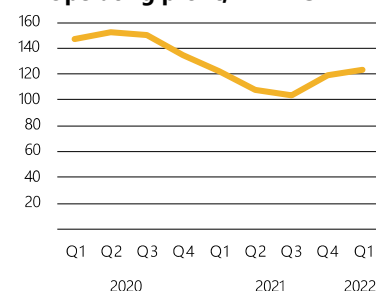
### Order backlog, MSEK



Adjusted  
Operating mar-  
gin Q1 2022

**9.1%**

### Operating profit, R12 MSEK



# Development per segment

	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Net sales, MSEK				
Renovation	246.4	198.7	994.3	946.6
New Build	42.0	51.7	164.2	173.9
Group other	6.6	5.8	25.4	24.5
Elimination	-6.6	-5.8	-25.4	-24.5
<b>Total Net Sales</b>	<b>288.4</b>	<b>250.4</b>	<b>1,158.4</b>	<b>1,120.5</b>

	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Operating profit, MSEK				
Renovation	23.7	18.1	111.2	105.6
New Build	2.4	3.9	12.5	14.0
Group other	-0.1	-0.1	-1.7	-1.7
Elimination	-	-	-	-
<b>Total EBIT</b>	<b>25.9</b>	<b>21.9</b>	<b>122.0</b>	<b>118.0</b>

	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
EBIT margin, %				
Renovation	9.6	9.1	11.2	11.2
New Build	5.7	7.5	7.6	8.1
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
<b>Total EBIT margin</b>	<b>9.0</b>	<b>8.7</b>	<b>10.5</b>	<b>10.5</b>

## Renovation

Net sales increased by 24 percent to 246 MSEK (199). The segment accounted for 85 percent of Balco's total net sales in the quarter.

Order intake amounted to 239 MSEK (246), which corresponds to 82 percent of the total order intake in the quarter.

Operating profit increased by 31 percent to 24 MSEK (18), corresponding to an operating margin of 9.6 percent (9.1).

The order backlog increased by 47 percent to 1,378 MSEK (935), which corresponds to 88 percent of the total order backlog.

Share  
renovation  
Q1 2022

**85%**

## New build

Net sales amounted to 42 MSEK (52). The segment accounted for 15 percent of Balco's total net sales in the quarter.

Order intake increased to 52 MSEK (17), corresponding to 18 percent of total order intake.

Operating profit amounted to 2 MSEK (4), corresponding to an operating margin of 5.7 percent (7.5).

The order backlog amounted to 189 MSEK (193), which corresponds to 12 percent of the total order backlog

Share  
new build  
Q1 2022

**15%**

# Financial position and cash flow

## Liquidity and financial position

The Group's interest-bearing net debt at the end of the quarter amounted to 190 MSEK (71). A new ten-year lease after the expansion of the head office in Växjö has increased the leasing debt by roughly 50 MSEK. Interest-bearing net debt in relation to adjusted EBITDA amounted to 1.2 times (0.4). Interest-bearing net debt, excluding leasing liability, in relation to adjusted EBITDA amounted to 0.6 times (0.2).

At the end of the quarter, the Group's equity amounted to 711 MSEK (616). The Group's equity ratio was 56 percent (50).

	31-mar 2022	31-mar 2021	31-dec 2021
<b>MSEK</b>			
leasing	121.8	200.3	171.7
Leasing non-current liabilities	69.0	27.3	21.9
Current interest-bearing liabilities	0.4	10.4	0.4
Leasing current liabilities	20.0	18.9	20.5
Cash and cash equivalents	-21.0	-185.7	-117.5
<b>Interest-bearing net debt</b>	<b>190.1</b>	<b>71.2</b>	<b>97.0</b>
<i>Interest-bearing net debt excl leasing</i>	<i>101.1</i>	<i>25.0</i>	<i>54.6</i>
External interest-bearing net debt/EBITDA (12 months), times	1.2 x	0.4 x	0.6 x
<i>External interest-bearing net debt excl. leasing/EBITDA (12 months), times</i>	<i>0.6 x</i>	<i>0.2 x</i>	<i>0.3 x</i>
Equity/assets ratio, %	56.0	50.5	55.6

## Cash flow, investments and amortization/depreciation

For the quarter, cash flow from operating activities amounted to -42 MSEK (-1), where the change comes from increased working capital and more paid tax. The capital tied up between the quarters depends on the different phases of the projects.

Cash flow from investing activities amounted to -3 MSEK (-26), of which -2 MSEK (-2) was replacement investments and -1 MSEK (0) expansion investments and 0 MSEK (24) acquisition of shares in subsidiaries.

Cash flow from financing activities amounted to -52 MSEK (-3) and mainly refers to reduced utilization of the Group's revolving credit facility.

Cash flow for the quarter amounted to -97 MSEK (-29).

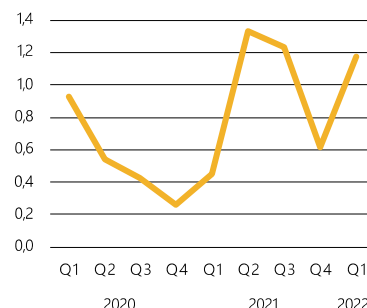
Depreciation for the quarter amounted to SEK 10 M (9), of which 5 (5) refers to depreciation linked to right-to-use assets (leasing).

## The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks.

The operating result amounted to 1 MSEK (1).

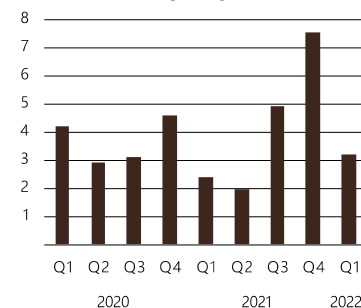
## External interest-bearing net debt relative to EBITDA



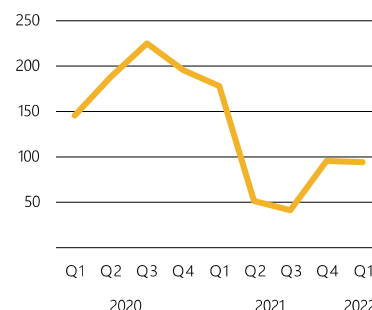
Equity ratio

**56%**

## Investments (excl. acquisitions) in MSEK per quarter



## Cash flow R12, MSEK



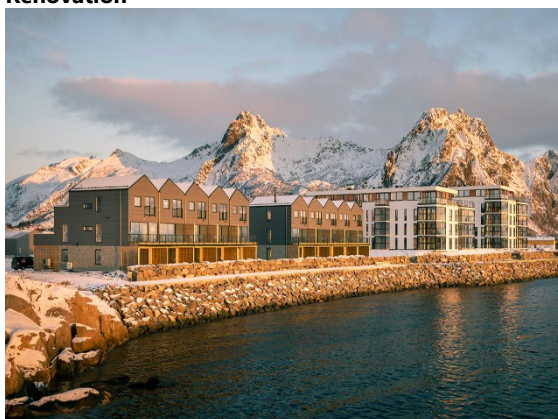
# Operations and segment description

## Operations

Balco Group is the market leader in the balcony industry, developing, manufacturing, selling and installing our own open and glazed balcony systems. The Group's customized products contribute to increased quality of life, safety and value for the residents of apartment buildings, and Balco Group's standardized glazing means lower energy consumption.

Delivering glazed balconies and other balcony solutions in accordance with the "Balco method" represents the core of what we do. The method, developed by Balco AB and applied predominantly in the renovation market, entails removing existing balconies and replacing them with new, larger glazed balconies. Balco's glazed balconies have a lifespan of more than 90 years, providing the most economical and sustainable solution in the market. Offering energy savings of 15-30%, each Balco balcony gives a positive climate footprint equal to that of ten growing trees. We assume full responsibility for the project, guiding customers through the entire process, from project planning to final inspection and service. We offer superior expertise in providing customized balcony solutions with fast delivery, regardless of size and complexity.

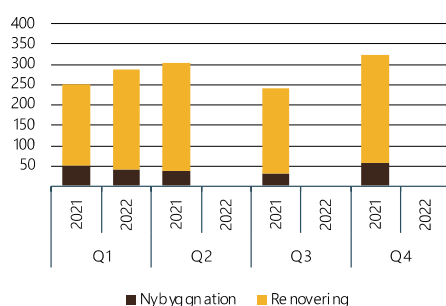
### Renovation



Sjösiden Boligpark

The segment includes replacement and extension of existing balconies, as well as installation of new balconies on apartment buildings, primarily glazed balconies. The main driving force is the pent-up need for renovation and the age profile of the properties. Our products include façade renovation in connection with balcony projects.

### Sales growth per quarter, MSEK



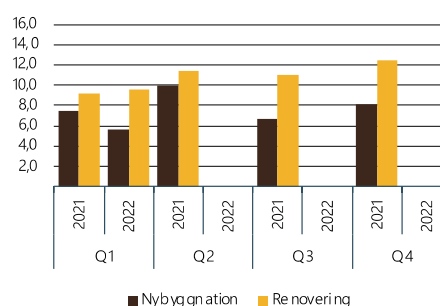
### New build



New Road Rainham

The segment includes installation of balconies in connection with building new apartment properties, as well as balcony projects in the maritime market. The largest product areas are glazed and open balconies. Balco is expanding selectively, focusing on profitability and low risk. Demand is driven by the pace of new housing building.

### Operating margin per quarter, %



# Sustainability for Balco Group

Our vision is to offer energy savings through innovative solutions and high quality products in the form of balconies and facade solutions that provide improved quality of life for residents, and create a safer and more aesthetically pleasing environment. Achieving this requires sustainable business practices, which are a prerequisite for Balco Group's operations to develop, be profitable and create value over time.

WE SUPPORT



SWEDEN  
GREEN BUILDING  
COUNCIL

## Sustainability trends

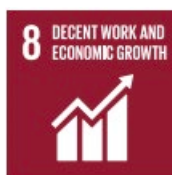
Sustainability issues are becoming increasingly important in the construction industry. They affect and place demands on all stages of the value chain and can be crucial to the success of a construction project. This is particularly true in the balcony market, where Balco Group operates. Property developers and owners are looking for economical, climate-smart, long-life balcony solutions that can be easily installed in renovation or new-build projects.

## Balco Group and Agenda 2030

UN's Sustainable Development Goals, Agenda 2030 addresses the social, environmental and economic challenges facing the global community and makes clear that not only political leadership but also industry has an important role to play. Balco Group has selected four specific global goals we believe can make the biggest positive difference and which are aligned with our overall business objectives and strategic sustainability areas - Sustainable Governance, Environment and People.



Goal 5 - Gender equality. Balco Group's goal is to achieve a more balanced gender distribution in all departments, work areas and positions. Working conditions must be suitable for all workers, regardless of gender.



Goal 8 - Decent work and economic growth. The Balco Group Code of Conduct requires decent employment conditions, within our own operations and at our suppliers.



Goal 9 - Industry, innovation and infrastructure. Balco Group will contribute to reduced environmental impact through active material choices, innovative solutions and focus on resource efficiency in development, purchasing and manufacturing processes.



Goal 12 - Responsible consumption and production. Balco Group's balcony solutions help create improved quality of life and more energy-efficient living environment.

### Sustainability - a prerequisite for long-term profitability

The vision for the Group as well as for our sustainability work is to be an innovative company, creating products that are in demand on the market and that contribute to an improved quality of life for the customer. A prerequisite for doing so is that Balco Group conducts sustainable business that lays the foundation for a business that grows, is profitable and creates value for our customers, employees, owners and other stakeholders.

### Caring for the environment

The environment and climate are constantly present in Balco Group's operations, manufacturing and product development work. As a group of manufacturing companies, we have a direct and indirect impact on our environment - an impact we are keen to take responsibility for and constantly work to improve.

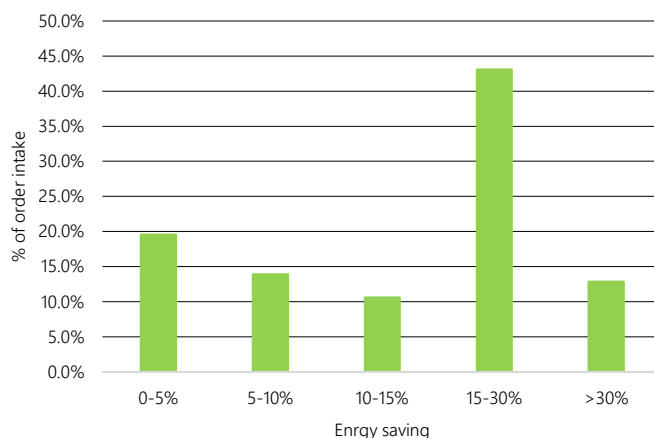
### Putting people first

The people in Balco Group are the most important resource we have. All the value we create comes from the skills, commitment, responsibility and desire of our employees to constantly develop themselves. That is why it is vital that our employees have the very best conditions to do their jobs in a stimulating, safe and secure way.

### Energy-savings in order intake

Of the order intake in the last twelve months, 43 percent will give 15 to 30 percent in energy savings and 13 percent will give more than 30 percent in energy savings.

Our goal is that more than 30 percent of the group's sales within three years shall be within the EU taxonomy and provide at least 30 percent energy savings to our customers.



# Other information

## Employees

At the end of March 2022 Balco had 484 (440) full-time employees. The increase in personnel is mainly attributable to the acquisition of RK Teknik, which was consolidated from April 2021.

## Seasonal variations

Balco's sales and earnings are partially affected by the date when orders are placed, seasonal variations and the fact that the annual general meetings of tenant-owner associations normally take place in the second and fourth quarter. In addition, the Group is positively affected by months with a large number of workdays and lack of absences, and somewhat negatively affected by weather factors, when winters with significant volumes of snow entail increased costs. The Group's strongest quarters are normally the second quarter.

## Shares, share capital and shareholders

At the end of March 2022, there were 21,909,348 shares in Balco, corresponding to a share capital of 131,461,248 SEK. There were 5,423 shareholders. The five largest shareholders were The Family Hamrin, Skandrenting AB, Swedbank Robur fonder, Lannebo Fonder and Tredje AP-fonden.

## Related-party transactions

Related parties comprise the Board of Directors, Group management and the CEO. This is due to ownership stakes in Balco and positions as senior executives. Related parties also include the Company's largest shareholder, The Family Hamrin that is represented on the Board of Directors by Carl-Mikael Lindholm and Skandrenting that is represented on the Board of Directors by Johannes Nyberg. Related-party transactions take place on commercial terms. For further information, see pages 45 and 101 in the 2021 annual report.

## Incentive program

Balco Group AB has two long-term incentive programs aimed at the company's senior executives and additional key employees, a total of 25 employees. The incentive programs comprise a total of no more than 600,000 warrants, which entitles to a maximum of new subscriptions of the corresponding number of shares. Balco's total cost for the incentive programs during the term of the programs is expected to amount to approximately 6 MSEK. The programs involve a dilution corresponding to approximately 2.7 percent of the company's total number of shares. The senior executives in Balco have acquired 372,498 warrants amounting to a total value of 3,999,276 SEK. The purpose of the incentive programs is to encourage broad shareholding among Balco's employees, facilitate recruitment, retain competent employees and increase motivation to achieve or exceed the company's financial goals. For more information, see the Annual Report 2021 on pages 44, 52-53, 62 and 87-88.

## Risks and uncertainty factors

Through its operations, the Group is exposed to various types of risks. The risks can be divided into industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand because of a weaker economy or other macroeconomic changes, a changed price picture for raw materials that are central to Balco's production, and a change in competition or price pressure. Business-related risks include Balco's ability to develop and sell new innovative products and solutions, that the Group can attract and retain qualified employees and that Balco's profitability depends on the results of the individual projects, i.e. the Group's ability to anticipate, calculate and deliver projects. The financial risks are summarized under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainties are described on pages 46-50, 63 and 79-82 in the annual report for 2021.

## **Outlook**

Balco is one of the few complete balcony suppliers on the market that provides customized and innovative balcony solutions on a turnkey basis. Balco is the market leader in Scandinavia and has a strong challenger position in other markets in which the Group operates.

Strong financial position means that the company is equipped for growth through further acquisitions. The timing of the building permit affects sales between quarters.

The market is fragmented and growing throughout northern Europe. The value of the balcony market in the countries where Balco is represented is estimated at just over 36 billion SEK and is expected to grow by approximately 5 percent annually over the next few years according to market research conducted by Arthur D. Little.

The Group's long-term goals are set out on the next page.

## **Events during the quarter and since the end of the quarter**

It is hard to assess at present how much impact Russia's invasion of Ukraine will have on our operations. What we have seen in the short term are increased material prices and electricity prices, as well as some labor shortages in Poland as many Ukrainian guest workers have returned to Ukraine. Continued material price fluctuations, possible raised interest rates, wage inflation and general uncertainty can have an impact on our order intake, sales and earnings.

# Financial targets

## Revenue growth

Balco shall achieve growth of 10 percent per year.

## Profitability

Earnings per share shall grow by 20 percent per year.

## Capital structure

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

## Dividend policy

Balco shall distribute 30-50 percent of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions.

## Sustainability

More than 30 percent of the group's sales shall be within the EU taxonomy and provide at least 30 percent energy savings to our customers.

The interim report has not been subject to a review of ISRE 2410 by the company's auditors.

Växjö, 6 May 2022

Kenneth Lundahl  
President and CEO

This information comprises such information as 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 6 May 2022 at 07:30 CET

## Telephone conference

An online telephone conference will be held on 6 May 2022 at 09:00 CET at which President and CEO Kenneth Lundahl and CFO Michael Grindborn will present the report and answer questions. To participate, please call:

SE: +46 8 505 583 50  
UK: +44 333 300 92 74  
USA: +1 646 722 49 04

## For more information, please contact:

Kenneth Lundahl, President and CEO, Tel: +46 70 630 20 57

Michael Grindborn, CFO and Head of IR, Tel: +46 70 670 18 48

## Calendar 2022/2023

Annual General Meeting 2022 ..... 24 May 2022

Interim report Jan-Jun 2022 ..... 14 July 2022

Interim report Jan-Sep 2022 ..... 31 October 2022 (NEW DATE)

Interim report Jan-Dec 2022 ..... 6 February 2023 (NEW DATE)

# Consolidated statement of comprehensive income

MSEK	Note	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Net sales		288.4	250.4	1,158.4	1,120.5
Production and project costs		-214.7	-187.2	-851.7	-824.2
<b>Gross profit</b>		<b>73.7</b>	<b>63.2</b>	<b>306.7</b>	<b>296.3</b>
Sales costs		-31.0	-28.0	-122.8	-119.7
Administration costs		-16.7	-13.4	-66.9	-63.5
Other operating income		-	-	4.9	4.9
Other operating expenses		-	-	-0.1	-0.1
<b>Operating costs</b>		<b>-47.8</b>	<b>-41.3</b>	<b>-184.8</b>	<b>-178.3</b>
<b>Operating profit</b>		<b>25.9</b>	<b>21.9</b>	<b>122.0</b>	<b>118.0</b>
Finance income		0.0	0.0	0.2	0.2
Finance costs		-1.5	-1.4	-6.6	-6.5
<b>Profit before tax</b>		<b>24.4</b>	<b>20.5</b>	<b>115.6</b>	<b>111.6</b>
Income tax		-5.3	-4.2	-22.5	-21.4
<b>Net profit for the period</b>		<b>19.2</b>	<b>16.3</b>	<b>93.1</b>	<b>90.2</b>
<b>Other comprehensive income</b>					
Items that may be re-classified to Income Statement					
Exchange rate differences on translation of foreign operation		0.3	0.6	0.9	1.2
<b>Comprehensive income for the period</b>		<b>19.4</b>	<b>16.9</b>	<b>94.0</b>	<b>91.4</b>
Of which attributable to:					
Parent company's shareholders		19.4	16.9	94.0	91.4
Earnings per share, SEK, before dilution	4	0.87	0.74	4.25	4.12
Earnings per share, SEK, after dilution	4	0.85	0.73	4.14	4.01
Average number of shares, thousands		21,909.3	21,909.3	21,909.3	21,909.3

# Consolidated balance sheet in summary

MSEK	31-mar 2022	31-mar 2021	31-dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	448.1	418.4	448.0
Other intangible assets	109.4	62.4	109.9
Right-to-use assets	88.6	42.8	39.7
Property, plant and equipment	151.1	127.9	151.8
Financial assets	0.2	0.1	0.0
Deferred tax assets	0.0	0.6	0.4
<b>Total non-current assets</b>	<b>797.4</b>	<b>652.2</b>	<b>749.8</b>
<b>Current assets</b>			
Inventory	55.6	28.4	53.1
Accounts receivables	186.0	147.8	153.5
Contract assets	163.8	121.2	136.7
Current tax receivables	14.9	5.0	8.0
Other current receivables	32.6	79.5	26.9
Cash and cash equivalents	21.0	185.7	117.5
<b>Total current assets</b>	<b>473.8</b>	<b>567.6</b>	<b>495.8</b>
<b>TOTAL ASSETS</b>	<b>1,271.2</b>	<b>1,219.7</b>	<b>1,245.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	131.5	131.5	131.5
Other capital contributions	405.1	403.2	405.1
Retained earnings, incl. profit for year	174.9	80.9	155.4
<b>Total equity attributable to Parent Company's shareholders</b>	<b>711.4</b>	<b>615.5</b>	<b>692.0</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	32.8	21.6	33.0
Interest-bearing liabilities to banks	121.8	200.3	171.7
Leasing non-current liabilities	69.0	27.3	21.9
Other non-current liabilities	29.1	10.0	28.3
<b>Total non-current liabilities</b>	<b>252.7</b>	<b>259.2</b>	<b>254.9</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities to banks	0.4	10.4	0.4
Leasing current liabilities	20.0	18.9	20.5
Contract liabilities	78.9	56.2	68.1
Accounts payables	112.5	124.0	112.2
Current tax liabilities	2.3	34.9	13.8
Other current liabilities	36.6	34.8	26.6
Accrued expenses and prepaid income	56.4	65.7	57.2
<b>Total current liabilities</b>	<b>307.1</b>	<b>345.0</b>	<b>298.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,271.2</b>	<b>1,219.7</b>	<b>1,245.6</b>

# Consolidated changes in equity in summary

MSEK	Share Capital	Additional paid-in capital	Reserves	Retained earnings including comprehensive income for the year	Total equity
<b>Opening balance 1 Jan 2021</b>	<b>131.5</b>	<b>403.2</b>	<b>0.1</b>	<b>63.9</b>	<b>598.6</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	16.3	16.3
Other comprehensive income for the period	-	-	0.6	-	0.6
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>16.3</b>	<b>16.9</b>
<b>Transactions with shareholders:</b>					
Distributed dividend	-	-	-	-	-
New warrants issue	-	-	-	-	-
<b>Total transactions with Company owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance 31 Mar 2021</b>	<b>131.5</b>	<b>403.2</b>	<b>0.7</b>	<b>80.1</b>	<b>615.5</b>
<b>Opening balance 1 Jan 2022</b>	<b>131.5</b>	<b>405.1</b>	<b>1.3</b>	<b>154.1</b>	<b>692.0</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	19.2	19.2
Other comprehensive income for the period	-	-	0.3	-	0.3
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>19.2</b>	<b>19.4</b>
<b>Transactions with shareholders:</b>					
Distributed dividend	-	-	-	-	-
New warrants issue	-	-	-	-	-
<b>Total transactions with Company owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance 31 Mar 2022</b>	<b>131.5</b>	<b>405.1</b>	<b>1.6</b>	<b>173.3</b>	<b>711.4</b>

# Cash flow statement in summary

MSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
<b>Operating activities</b>				
Operating profit (EBIT)	25.9	21.9	122.0	118.0
Adjustment for non-cash items	4.7	9.1	23.5	28.0
Interest received	0.2	0.1	0.9	0.8
Interest paid	-1.5	-1.5	-6.4	-6.4
Income tax paid	-23.8	9.5	-67.4	-34.1
<b>Cash flow from operating activities before changes in working capital</b>	<b>5.5</b>	<b>39.1</b>	<b>72.6</b>	<b>106.2</b>
<b>Changes in working capital</b>				
Increase (-)/Decrease (+) in inventories	-2.5	-2.7	-17.8	-18.0
Increase (-)/Decrease (+) in operating receivables	-55.1	-5.4	1.8	51.4
Increase (+)/Decrease (-) in operating liabilities	10.4	-31.5	-35.2	-77.1
<b>Cash flow from operating activities</b>	<b>-41.7</b>	<b>-0.6</b>	<b>21.4</b>	<b>62.5</b>
<b>Investing activities</b>				
Investments in intangible fixed assets	-0.0	-0.7	-2.6	-3.2
Investments in tangible fixed assets	-3.2	-1.7	-15.0	-13.6
Acquisitions of operations	-	-23.5	-61.8	-85.3
<b>Cash flow from investing activities</b>	<b>-3.2</b>	<b>-25.9</b>	<b>-79.4</b>	<b>-102.1</b>
<b>Financing activities</b>				
Changes in bank loans	-50.1	-2.6	-106.9	-59.4
Changes in leasing	-2.1	-	-2.1	-
Changes in other non-current assets/liabilities	0.6	-	0.6	-
New warrants issue	-	-	1.9	1.9
New share issue	-	-	-	-
<b>Cash flow from financing activities</b>	<b>-51.6</b>	<b>-2.6</b>	<b>-106.5</b>	<b>-57.5</b>
<b>Cash flow for the period</b>	<b>-96.5</b>	<b>-29.1</b>	<b>-164.5</b>	<b>-97.1</b>
Cash and cash equivalents at beginning of the period	117.5	214.1	185.7	214.1
Exchange rate differential cash and cash equivalents	0.1	0.6	-0.1	0.5
<b>Cash and cash equivalents at end of the period</b>	<b>21.0</b>	<b>185.7</b>	<b>21.0</b>	<b>117.5</b>

# Key ratios

MSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Net sales	288.4	250.4	1,158.4	1,120.5
Order intake	291.8	263.1	1,586.9	1,558.3
Order backlog	1,567.3	1,127.6	1,567.3	1,557.0
Gross profit	73.7	63.2	306.7	296.3
EBITDA	35.5	30.6	160.5	155.6
Adjusted EBITDA	35.7	30.6	162.3	157.1
Operating profit (EBIT)	25.9	21.9	122.0	118.0
Adjusted operating profit	26.1	21.9	123.8	119.5
Gross profit margin, %	25.5	25.2	26.5	26.4
EBITDA margin, %	12.3	12.2	13.9	13.9
Adjusted EBITDA margin, %	12.4	12.2	14.0	14.0
Operating profit margin (EBIT), %	9.0	8.7	10.5	10.5
Adjusted operating profit margin (EBIT), %	9.1	8.7	10.7	10.7
Operating cash flow	-13.8	-12.8	95.0	96.0
Operating cash conversion, %	-38.6	-41.9	58.5	61.1
Capital employed, average	845.3	665.3	716.4	660.2
Capital employed, excl. goodwill, average	397.2	255.6	292.0	259.1
Equity, average	701.7	607.1	645.3	556.6
External interest-bearing net debt	190.1	71.2	190.1	97.0
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1.2	0.4	1.2	0.6
Return on capital employed, %, (12 months)	14.6	18.4	16.7	20.4
Return on capital employed, excl. goodwill, %, (12 months)	31.2	47.9	40.9	52.0
Return on invested capital, %, (12 months)	13.3	11.3	14.0	13.9
Equity/assets ratio, %	56.0	50.5	52.3	47.8
Number of full-time employees on the closing date	484	440	484	467
Average number of shares for the period, 000s	21,909.3	21,909.3	21,909.3	21,623.3
Equity per share, SEK	32.03	27.71	29.45	25.74

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

# Parent Company, income statement in summary

MSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
Net sales	6.5	5.5	24.3	23.3
Operating expenses	-5.5	-4.6	-21.5	-20.6
<b>Operating profit</b>	<b>1.0</b>	<b>0.9</b>	<b>2.9</b>	<b>2.8</b>
Interest income	0.4	0.2	1.8	1.7
Interest expenses	-0.9	-0.9	-4.3	-4.3
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>0.9</b>
Appropriations	-	-	65.0	65.0
Tax	-0.1	-0.1	-13.7	-13.6
<b>Net profit/loss for the period</b>	<b>0.3</b>	<b>0.1</b>	<b>52.6</b>	<b>52.4</b>

In the Parent Company there are no items that are reported as other comprehensive income, so total comprehensive income is consistent with the profit for the period.

# Parent company, balance sheet in summary

MSEK	31-mar 2022	31-mar 2021	31-dec 2021
<b>ASSETS</b>			
Non-current assets			
Financial assets	684.8	601.9	684.9
<b>Total non-current assets</b>	<b>684.8</b>	<b>601.9</b>	<b>684.9</b>
Current assets			
Current receivables	150.2	249.3	146.3
Cash and cash equivalents	20.6	178.6	116.1
<b>Total current assets</b>	<b>170.8</b>	<b>427.9</b>	<b>262.3</b>
<b>TOTAL ASSETS</b>	<b>855.6</b>	<b>1,029.8</b>	<b>947.3</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Restricted equity	131.5	131.5	131.5
Non-restricted equity	337.4	282.9	337.1
<b>Total equity</b>	<b>468.8</b>	<b>414.3</b>	<b>468.5</b>
<b>Non-current liabilities</b>	<b>129.5</b>	<b>187.5</b>	<b>179.1</b>
<b>Other current liabilities</b>	<b>257.3</b>	<b>428.0</b>	<b>299.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>855.6</b>	<b>1,029.8</b>	<b>947.3</b>

# Notes

## Note 1 Accounting principles

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 2021 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU.

The information on pages 1–12 relating to the part of the year covered by this interim report constitutes 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 1.9 MSEK (4.7) at the end of the period while financial liabilities at fair value amounted to 0.2 MSEK (1.0).

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 categorized in level 2.

## Note 3 Business segments

Balco reports the following segments:

- Renovation: includes replacement and expansion of existing balconies and installation of new balconies on apartment buildings without balconies. The segment's main market driver is the age profile of the residential property portfolio.
- New Build: includes installation of balconies in conjunction with the construction of apartment buildings and balcony solutions in the maritime area. The segment is driven mainly by the rate of new residential construction. 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 per unit cost than glazed balconies.

Jan-Mar	Renovation		New Build		Group Other		Eliminations		Total	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales – External revenue	246.4	198.7	42.0	51.7	-	-	-	-	288.4	250.4
Net sales – Internal revenue	-	-	-	-	6.6	5.8	-6.6	-5.8	-	-
<b>Total sales</b>	<b>246.4</b>	<b>198.7</b>	<b>42.0</b>	<b>51.7</b>	<b>6.6</b>	<b>5.8</b>	<b>-6.6</b>	<b>-5.8</b>	<b>288.4</b>	<b>250.4</b>
<b>Operating profit (EBIT)</b>	<b>23.7</b>	<b>18.1</b>	<b>2.4</b>	<b>3.9</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-</b>	<b>-</b>	<b>25.9</b>	<b>21.9</b>
Depreciation included with	7.8	6.8	1.7	1.9	-	-	-	-	9.6	8.7
Non-recurring items	-	-	-	-	0.2	-	-	-	0.2	-
<b>Adjusted operating profit (EBIT)</b>	<b>23.7</b>	<b>18.1</b>	<b>2.4</b>	<b>3.9</b>	<b>0.1</b>	<b>-0.1</b>	<b>-</b>	<b>-</b>	<b>26.1</b>	<b>21.9</b>
Adjusted operating margin	9.6%	9.1%	5.7%	7.5%					9.1%	8.7%
Operating profit (EBIT)	23.7	18.1	2.4	3.9	-0.1	-0.1	-	-	25.9	21.9
Finance income	-	-	-	-	0.0	0.0	-	-	0.0	0.0
Finance cost	-	-	-	-	-1.5	-1.4	-	-	-1.5	-1.4
<b>Profit before tax</b>	<b>23.7</b>	<b>18.1</b>	<b>2.4</b>	<b>3.9</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-</b>	<b>-</b>	<b>24.4</b>	<b>20.4</b>

## Note 4 Earnings per share

MSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
<b>Net profit for the period attributable to the owners of the parent company</b>	<b>19.2</b>	<b>16.3</b>	<b>93.1</b>	<b>90.2</b>
Average number of shares, 000'	21,909.3	21,909.3	21,909.3	21,909.3
Earnings per share, SEK, before dilution	0.87	0.74	4.25	4.12
Earnings per share, SEK, after dilution	0.85	0.73	4.14	4.01

## 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 since, 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.

MSEK	Jan-Mar 2022	Jan-Mar 2021	Apr-Mar 2021/22	Jan-Dec 2021
<b>Adjusted operating profit</b>				
Operating profit	25.9	21.9	122.0	118.0
Acquisition costs	0.2	-	1.8	1.5
<b>Adjusted operating profit</b>	<b>26.1</b>	<b>21.9</b>	<b>123.8</b>	<b>119.5</b>
<b>Adjusted EBITDA</b>				
Adjusted operating profit	26.1	21.9	123.8	119.5
Depreciation	9.6	8.7	38.5	37.6
<b>Adjusted EBITDA</b>	<b>35.7</b>	<b>30.6</b>	<b>162.3</b>	<b>157.1</b>
<b>Operating cash flow</b>				
Adjusted EBITDA	35.7	30.6	162.3	157.1
Changes in working capital	-47.2	-41.0	-57.4	-51.2
Investments in other non-current assets, net	-2.2	-2.4	-9.8	-10.0
<b>Operating cash flow</b>	<b>-13.8</b>	<b>-12.8</b>	<b>95.0</b>	<b>96.0</b>

MSEK	31-mar 2022	31-mar 2021	31-dec 2021
<b>External interest-bearing net deb</b>			
External non-current interest-bearing liabilities	190.7	227.6	193.6
External current interest-bearing liabilities	20.4	29.3	20.9
Cash and cash equivalents	-21.0	-185.7	-117.5
<b>Interest-bearing net debt</b>	<b>190.1</b>	<b>71.2</b>	<b>97.0</b>
Adjusted EBITDA (12 months)	162.3	159.4	157.1
<b>Interest-bearing net debt/EBITDA 12 months, times</b>	<b>1.2</b>	<b>0.4</b>	<b>0.6</b>
<b>Return on capital employed</b>			
Equity	711.4	615.5	692.0
External interest-bearing net debt	190.1	71.2	97.0
Average capital employed	794.1	699.8	716.4
Adjusted operating profit (EBIT), (12 months)	123.8	122.5	119.5
<b>Return on capital employed, %</b>	<b>15.6</b>	<b>17.5</b>	<b>16.7</b>
<b>Equity/assets ratio</b>			
Equity attributable to owners of the parent company	711.4	615.5	692.0
Total assets	1,271.2	1,219.7	1,245.6
<b>Equity/assets ratio, %</b>	<b>56.0</b>	<b>50.5</b>	<b>55.6</b>

# 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 analyze 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
<b>Return on equity</b>	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.
<b>Return on capital employed</b>	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.	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.
<b>Return on capital employed excluding goodwill</b>	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.
<b>Gross income</b>	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.
<b>Gross margin</b>	Gross income as a percentage of net sales.	Ratio is used for analysis of the company's effectiveness and profitability.
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization.	Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.
<b>External interest-bearing net debt relative to adjusted EBITDA</b>	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.
<b>Adjusted EBITDA</b>	EBITDA as adjusted for items affecting comparability. For a reconciliation of adjusted EBITDA to income for the period.	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.
<b>Adjusted EBITDA margin</b>	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.

Alternative performance measures	Definition	Reason for use
<b>Adjusted EBIT margin</b>	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.
<b>Adjusted EBIT</b>	EBIT adjusted for items affecting comparability. For a reconciliation of adjusted EBIT to income for the period.	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.
<b>Items affecting comparability</b>	Items affecting comparability are significant items reported separately due to their size or frequency, e.g. restructuring costs, write-downs, divestments and acquisition costs.	Balco believes that adjustment for items affecting comparability improves the possibility of comparison over time by excluding items with irregularity in frequency or size. This is to give a more accurate picture of the underlying operating profit.
<b>Operating cash conversion</b>	Operating cash flow divided by adjusted EBITDA.	Balco believes this is a good measure for comparing cash flow with operating profit.
<b>Operating cash flow</b>	Adjusted EBITDA increased/decreased with changes in net working capital less investments, excluding expansion investments.	Operating cash flow is used by Balco to monitor business performance.
<b>Organic growth</b>	Net sales excluding acquired growth current period divided by net sales during the corresponding period last year.	Organic growth excludes the effects of changes in the Group's structure, which enables a comparison of net sales over time.
<b>Interest-bearing net debt</b>	The sum of non-current interest-bearing liabilities and current interest-bearing liabilities.	Balco believes interest-bearing net debt is a useful measure to show the company's total debt financing.
<b>Net working capital</b>	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.
<b>EBIT margin</b>	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.
<b>EBIT</b>	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
<b>Equity/asset ratio</b>	Equity divided on total assets.	Balco believes that equity to asset ratio is a useful measure for the company's survival.
<b>Capital employed</b>	Equity plus interest-bearing net debt.	Capital employed is used by Balco to indicate the general capital efficiency of the company.
<b>Capital employed excluding goodwill</b>	Capital employed minus goodwill.	Capital employed excluding goodwill is used together with capital employed by Balco as a measure of the company's capital efficiency.

## Balco Group in brief

Balco Group is the market leader in the balcony industry, developing, manufacturing, selling and installing our own open and glazed balcony systems. The Group's customized products contribute to increased quality of life, safety and value for the residents of apartment buildings, and Balco Group's standardised glazing means lower energy consumption.

**484** employees

**7** markets

Net sales of **1 158** MSEK, LTM

Total production area of **27 000** sqm

Balco Group was established in its current form in 2015 and is a group of 16 companies in total, including production and sales companies, as well as consulting and holding companies. The Group's five brands belong to Balco AB, Balco Altaner AS, TBO-Haglinds AB, Stora Fasad AB and RK Teknik i Gusum AB. The Group is the market leader in the Nordic region and operates in a number of markets in Northern Europe. The head office is located in Växjö and the Group employs approximately 500 people. A general and distinctive feature of the companies in the Group is that they control their entire value chain - from sales to the installed balcony.