Interim report

2018: Q4 October-December

BALCONIES FOR GREATER LIVING

Strong order intake and continued sales growth

The fourth quarter: October – December

- Net sales of SEK 304.2 (283.7) million, an increase of 7.3 percent or SEK 20.5 million.
- Order intake of SEK 305.0 (296.4) million, an increase of 2.9 percent
- Order backlog increased by SEK 0.8 million to SEK 1,203.5 million at the end of the quarter
- Operating profit of SEK 27.0 (26.3) million, an increase of 2.8 percent. Adjusted operating profit was SEK 41.6 (37.4) million, an increase of 11.0 percent
- Net profit after tax of SEK 19.0 (20.0) million, an decrease of SEK 1.0 million.
- Earnings per ordinary share of SEK 0.86 (1.09), before and after dilution.
- Operating cash flow of SEK 29.5 (138.4) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 has resulted in a reduction of sales for the quarter by SEK 4.4 million and a reduction of operating profit by SEK 1.7 million. Comparative figures have not been restated.

The full year 2018: January – December

- Net sales of SEK 1,058.1 (989.0) million, an increase of 7.0 percent or SEK 69.1 million.
- Order intake of SEK 1,003.1 (1,113.5) million, a decrease of 9.9 percent.
- Order backlog decreased by SEK 34.8 million, equivalent to 2.8 percent.
- Operating profit of SEK 105.6 (92.3) million, an increase of 14.4 percent. Adjusted operating profit was SEK 120.2 (116.7) million, an increase of 3.0 percent
- Net profit after tax of SEK 76.8 (37.7) million, an increase of 104 percent.
- Earnings per ordinary share of SEK 3.67 (2.43) before and after dilution.
- Operating cash flow of SEK 49.9 (182.9) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 resulted in a reduction of SEK 21.8 million in sales and SEK 9.4 million in operating profit. Comparative figures have not been restated.
- The Board proposes to the 2019 annual general meeting that a dividend of SEK 2.00 per share be paid in respect of the 2018 financial year.

Events during the fourth quarter and after end of the quarter

- Balco acquired and became the vested owner of all shares in TBO-Haglinds AB at the end of the fourth quarter. The acquired company has annual sales of approximately SEK 130 million and it is expected to make a positive contribution of SEK 0.50 in earnings per share in 2019. TBO-Haglinds AB has not affected Balco's order intake, sales or earnings in 2018.

Key ratios

	Q4		Jan-Dec	
MSEK	**2018**	**2017**	**2018**	**2017**
Net sales	304,2	283,7	1 058,1	989,0
Order intake	305,0	296,4	1 003,1	1 113,5
Order backlog	1 203,5	1 238,4	1 203,5	1 238,4
Gross profit	66,5	73,8	253,8	247,8
Gross profit, %	21,9	26,0	24,0	25,1
Operating profit	27,0	26,3	105,6	92,3
EBIT margin, %	8,9	9,3	10,0	9,3
Adjusted operating profit (EBIT)	41,6	37,4	120,2	116,7
Adjusted operating profit margin (EBIT), %	13,7	13,2	11,4	11,8
Net profit for the period	19,0	20,0	76,8	37,7
Operating cash flow	29,5	138,4	49,9	182,9

KENNETH LUNDAHL, PRESIDENT AND CEO

We are encountering continued strong interest from customers, which is reflected in a greater number of, and larger, tenders. We have not been affected by the declining market for newly produced housing, since most of our business is connected to the renovation segment.

Sales increased to SEK 1,058 million, corresponding to 7 percent organic growth. With the acquisition of TBO-Haglinds AB at the end of the year, we will add an additional SEK 130 million in annual sales and create positive conditions for delivering continued strong growth. TBO-Haglinds complements Balco's offering to customers in terms of both products and customer support.

Operating profit for the year amounted to SEK 105.6 million, an increase of SEK 13.3 million or 14.4 percent. The adjusted operating profit increased to SEK 120.2 million, corresponding to an adjusted operating margin of 11.4 percent.

The adjustment to IFRS 15, entails a lag in the reporting of sales and earnings from projects, which has affected sales and earnings in each quarter during the year and we summarise the total impact at SEK 21.8 million in lower sales and SEK 9.4 million in lower earnings. However, nothing has been lost and the reductions will be recouped over time.

Our total order intake in the quarter amounted to SEK 305.0 million, an increase of SEK 8.6 million or 3 percent. Within the renovation segment, the increase was 36 percent. With our high level of market activity and continued strong market, we anticipate a continued strong order intake within the renovation segment in the coming months.

We conclude the year with a stable order backlog of SEK 1,203 million from our existing operations and will add an opening order backlog of a further SEK 225 million through the acquisition of TBO-Haglinds AB.

We are pleased with our sales for the quarter, which increased by just over 7 percent to SEK 304 million.

The operating profit of SEK 27.0 million represents an increase of SEK 1.0 million compared with the preceding year.

The renovation segment in Sweden and Norway has developed positively and we are experiencing continued positive growth in Denmark. Sales in the renovation segment increased by SEK 23.7 million during the quarter (a 10 percent increase) and amounted to SEK 269.6 million. Profitability within the segment remains very good.

The project in Östersund involving almost 1,000 balconies was completed in the quarter. This is a project of which we are extremely proud of in several ways, by having completed the project in half the time compared to what it would have taken our industry colleagues, thus we exceeded our goals, and have an extremely satisfied customer. That’s Balco!

Within the new build segment, sales for the quarter declined by SEK 3.2 million, to SEK 34.6 million. This was due to our chosen strategy of being selective within the segment. The segment accounted for 11 percent of our total sales and 7 percent of the order intake in the quarter.

In the quarter we completed our first maritime project, which is included in the new build segment. The project has represented a challenge and delays resulted in large disruptions and additional costs for final installation; these are reported as a non-recurring item (SEK 13.3 million) in the quarter. We anticipate that future projects within maritime will be profitable.

The adjusted operating profit for the quarter amounted to SEK 41.6 million, corresponding to an adjusted operating margin of 13.7 percent; this demonstrates the strength of our business.

The year has been characterised by major focus on sustainability enquiries from customers and investors. We already know that an energy saving project with glazed balconies from Balco contributes to reducing CO2 emissions into the atmosphere equal to 10,000 m² of growing forest.

“Order intake in the renovation segment increased by 36% in the quarter. With our high level of market activity and continued strong market, we anticipate a continued strong order intake within the renovation segment in the coming months.”

Kenneth Lundahl, President and CEO

We are also the market leader on the balcony renovation niche market, where there is great need and growth potential also for the climate-smart alternative. Our strategy is to continue to invest in continued growth within the renovation segment, and this is now enhanced through the acquisition of TBO-Haglinds AB. With numerous large outstanding tenders, a stable order backlog and strong financial position, as well as exciting development possibilities, I remain positive as regards the future.

Växjö 22 February 2019

Kenneth Lundahl, President and CEO
Balco Group AB

THE GROUP'S DEVELOPMENT

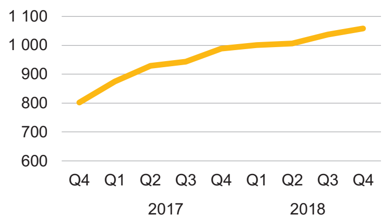
Sales, order backlog and order intake

Net sales in the fourth quarter grew by SEK 20.6 million to SEK 304.2 (283.7) million, corresponding to 7.3 percent. The growth was entirely organic. Sales were negatively affected by SEK 4.4 million as a result of the adaptation to IFRS 15, resulting in a comparable increase in sales of 8.8 percent in the quarter.

The main markets continued to develop well during the fourth quarter. Market conditions on the newly established markets have remained positive. Balco's sales growth is to a large extent affected by when planning permission is granted, and consequently sales fluctuate between quarters.

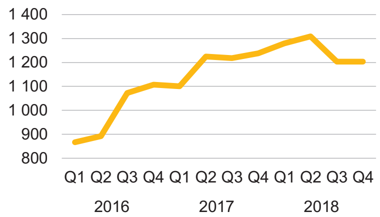
Order intake during the fourth quarter amounted to SEK 305.0 (296.4) million, an increase of SEK 8.6 million. The renovation segment accounted for SEK 283.5 (208.2) million of the order intake in the quarter, corresponding to an increase of 36 percent, while the new build segment declined to SEK 21.5 (88.2) million).

Net sales, R12 million



Sales for the full year January-December increased by 7.0 percent, to SEK 1,058.1 (989.0) million, representing an increase of SEK 69.1 million. Balco's long-term target is to grow by 10 percent per year. Sales for the year was adversely affected in the amount of SEK 21.8 million due to the adjustment to the new reporting standards in accordance with IFRS 15. When adjusted for IFRS 15, the comparable increase in sales was 9.2 percent for the full year.

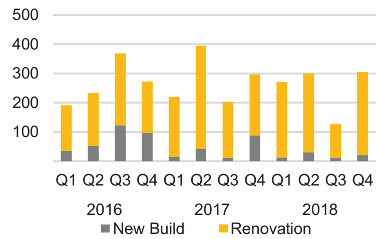
Order backlog, million



Order intake for the full year amounted to SEK 1,003.1 (1,113.5) million, a decrease of 9.9 percent. The decrease is primarily attributable to the new build segment. The order intake in the renovation segment was SEK 928.0 (956.4) million, while for the new build segment it was SEK 75.0 (157.1) million.

The order backlog has increased by SEK 0.8 million compared with last year. The accumulated order backlog was worth SEK 1,203.5 million, with 87 percent being attributable to the renovation segment.

Order intake, million



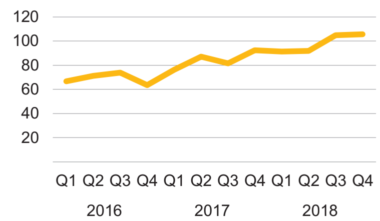
Earnings

Gross profit in the fourth quarter fell to SEK 66.5 (73.8) million, entailing a gross margin of 21.9 percent (26.0). The gross margin in the quarter was affected by increased costs of SEK 13.3 million in the final phase of the first maritime project; these are reported as a non-recurring item. The adjusted gross margin in the quarter was 26.2 percent.

Selling costs in the quarter increased marginally to SEK 24.4 (24.3) million, with a continued high pace of activity within sales and marketing. Administrative expenses in the quarter amounted to SEK 15.0 (23.6) million, with the quarter including one-off costs of SEK 1.2 million related to the acquisition of TBO-Haglinds AB, while the preceding year included one-off IPO costs of SEK 11.2 million. The underlying cost increase of SEK 1.4 million for the quarter is due to a strengthened organisation. Total operating expenses in the fourth quarter amounted to SEK 39.5 (47.5) million, corresponding to 13.0 percent (16.7 percent) of sales. Adjusted total operating expenses for the quarter amounted to SEK 38.2 (36.3) million, corresponding to 12.6 percent (12.8 percent) of sales.

The operating profit for the fourth quarter was SEK 27.0 (26.3) million, corresponding to an operating margin of 8.9 percent (9.3). The adjusted operating profit was SEK 41.6 (37.4) million, corresponding to an adjusted operating margin of 13.7 percent (13.2).

Operating profit, R12 million



Gross profit for the full year increased by SEK 6.0 million to SEK 253.8 (247.8) million, representing a gross margin of 24.0 percent (25.1 percent). The costs for the maritime project have affected the full year to a corresponding extent and the adjusted gross margin for the year was 25.2 percent.

Operating profit for the full year was SEK 105.6 (92.3) million. The increase in profit is due to increased volume. Balco's strategy is to grow within the renovation segment, while at the same time regularly evaluating the growth in selling expenses. Adjusted for items affecting comparability and effects of the adjustment to IFRS 15, operating profit amounted to SEK 43.3 million for the quarter and SEK 129.6 million for the full year, representing an operating margin of 14.0 percent for the quarter and 12.0 percent for the full year.

Financial expenses during the fourth quarter was SEK 1.7 (2.4) million and for the full year interest expenses amounted to SEK 6.2 (37.1) million, a reduction of SEK 30.9 million. The reduction is due to the improved capital structure which was established in conjunction with the Company's IPO.

Profit after tax for the quarter amounted to SEK 19.0 (20.0), corresponding to earnings per ordinary share of SEK 0.86 (1.09). Earnings after tax for the full year amounted to SEK 76.8 (37.7) million, corresponding to earnings per ordinary share of SEK 3.67 (2.43).

DEVELOPMENT PER SEGMENT

	Q4		Jan-Dec	
Net sales, SEK M	**2018**	**2017**	**2018**	**2017**
Renovation	269,6	245,9	947,7	847,5
New Build	34,6	37,8	110,4	141,4
Group other	4,1	3,2	16,1	8,6
Elimination	-4,1	-3,2	-16,1	-8,6
Total sales	**304,2**	**283,7**	**1 058,1**	**989,0**

	Q4		Jan-Dec	
Operating profit, SEK M	**2018**	**2017**	**2018**	**2017**
Renovation	36,8	36,3	117,2	114,5
New Build	-11,9	2,5	-10,6	7,3
Group other	2,1	-12,5	-1,0	-29,5
Elimination	-	-	-	-
Total EBIT	**27,0**	**26,3**	**105,6**	**92,3**

	Q4		Jan-Dec	
EBIT margin, %	**2018**	**2017**	**2018**	**2017**
Renovation	13,6	14,7	12,4	13,5
New Build	-34,4	6,7	-9,6	5,2
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
Total EBIT margin	**8,9**	**9,3**	**10,0**	**9,3**

Renovation

Sales within the renovation business segment grew in the fourth quarter by 9.7 percent, or SEK 23.7 million, to SEK 269.6 (245.9) million. The segment accounted for 88.6 percent of Balco's total sales in the fourth quarter.

Operating profit in the quarter was SEK 36.8 (36.3) million, corresponding to an operating margin of 13.6 (14.7) percent in the quarter.

For the full year, sales increased by 11.8 percent to SEK 947.7 (847.5) million. The Company's investment for growth in the segment has continued during the quarter and has been even strengthened with the acquisition of TBO-Haglinds AB, which operates entirely within the renovation business segment. Operating profit for the full year was SEK 117.2 (114.5) million, corresponding to an operating margin of 12.4 (13.5) percent.

Allocated shared Group administrative expenses reduced the profit in the quarter and for the full year; together with the adjustment to IFRS 15, this affected the segment's profitability by an amount corresponding to the actual decline in operating margin.

Share, renovation
Q4 2018
88.6%

New build

Sales within the new build business segment continued to decreased to SEK 34.6 (37.8) million in the fourth quarter. The segment accounted for 11.4 percent of Balco's total sales in the fourth quarter.

Operating profit for the new build segment in the quarter was SEK -11.9 (2.5) million. The negative result for the quarter is due entirely to the increased costs for the maritime project, which was completed in the fourth quarter. The project has represented a major challenge, with delays resulting in major disruptions and additional costs for the final installation, which are reported as a non-recurring item of SEK 13.3 million in the quarter. The adjusted operating profit in the quarter was SEK 1.4 million, corresponding to an adjusted operating margin of 1.1 percent.

Sales for the year fell to SEK 110.4 (141.4) million. The lower sales are due to a gradually reduced order backlog within new build as a consequence of the strategy of focusing on the Renovation segment and reducing exposure to new build.

Operating profit for the full year was SEK -10.6 (7.3) million and, when adjusted for items affecting comparability, the adjusted operating profit for the full year was SEK 2.7 million, corresponding an adjusted operating margin of 2.4 percent.

Share , new build
Q4 2018
11.4%

Net sales per customer category, MSEK

	Q4	Jan-Dec	
	2018	2018	2017
Tenant-owner associations	213,3	727,7	580,8
Private landlords	25,7	111,4	192,4
Publicly owned companies	26,1	114,0	93,4
Construction companies	39,2	104,9	122,3
Total Net sales	**304,2**	**1 058,1**	**989,0**

OPERATIONS AND SEGMENT DESCRIPTION

Operations

Balco's core expertise is in delivering glazed balconies and balcony solutions under its own brand, primarily to the renovation market and tenant-owner associations. Several advantages are achieved by replacing existing balconies with new glazed balconies in accordance with the Balco method. The method, which involves demolition and rebuilding of the entire balcony, contributes for example to lower energy costs, an enhanced quality of life and an increase in the value of the property. Balco is unique with processes that involve the Company assuming full responsibility and assisting the customer throughout the decision-making and building process, from visualisation and viewing to project planning, production and installation, with subsequent final inspection. Balco is a turnkey balcony supplier offering customised, high-quality balcony solutions irrespective of size and complexity, with short delivery times. Balco's offering is focused on tenant-owner associations, private landlords, municipal housing companies and construction companies in, primarily, Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is the market leader in Scandinavia within the attractive niche market for balconies. On other markets, Balco enjoys a strong challenger position. Through the acquisition of TBO-Haglinds AB, we are further strengthening our position within the renovation segment in Sweden.

Renovation

Project Majakka, Finland

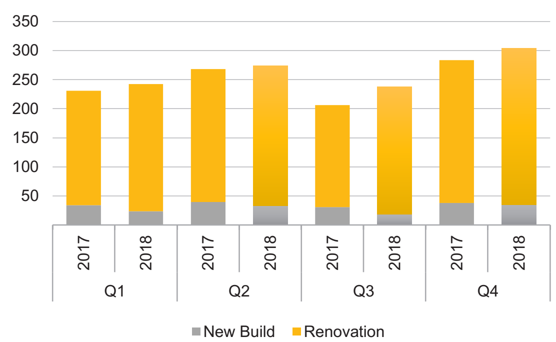
Within renovation, Balco provides solutions for replacing and expanding existing balconies and the installation of new balconies on apartment buildings without balconies. Most of Balco's sales within the area comprise glazed balconies for tenant-owner associations. Sweden is the Company's largest market within renovation and the main drivers on the market are the pent-up need for renovation and the prevailing age profile of the property portfolio.

New build

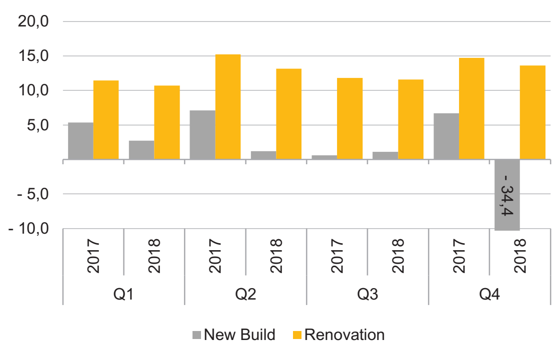
Project luxury cruise ship, Papenburg, Germany

Within new build, Balco performs installation of balconies in conjunction with the construction of new apartment buildings as well as balcony solutions within maritime applications (shipbuilding industry). The largest product areas comprise balcony glazing solutions and open balconies. Balco is acting selectively in the segment, based on a focus on profitability and low risk. Demand is driven by the rate of production of new housing and growth within the maritime segment.

Sales growth per quarter SEK m



Operating margin per quarter, %



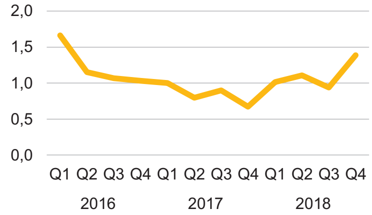
FINANCIAL POSITION AND CASH FLOW

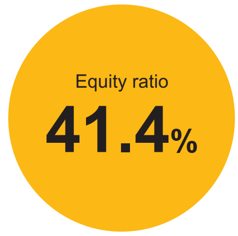
Liquidity and financial position

The Group's interest-bearing net debt at the end of the year amounted to SEK 194.7 million (SEK 90.0). Balco's interest-bearing net debt relative to adjusted EBITDA was 1.4 (0.7) times, which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). The increase in net debt is related to the acquisition of TBO-Haglinds AB. At the end of December 2018 the Group's equity amounted to SEK 440.5 million (SEK 386.4). The Group's equity ratio was 41.4 (43.6) percent. The decrease is due to the increased balance sheet total as a result of the acquisition.

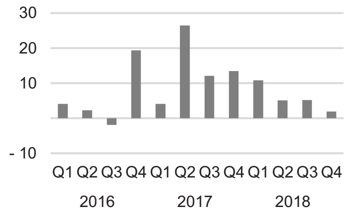
SEK M	31-dec 2018	31-dec 2017
Shareholder financing	-	-
External non-current interest-bearing liabilities	272,0	187,7
Current interest-bearing liabilities	9,7	8,8
Cash and cash equivalents	-87,0	-106,5
Interest-bearing net debt	**194,7**	**90,0**
External interest-bearing net debt	**194,7**	**90,0**
Equity/assets ratio, %	41,4	43,6
External interest-bearing net debt/EBITDA (12 months), times	1,4 x	0,7 x

External interest-bearing net debt relative to EBITDA

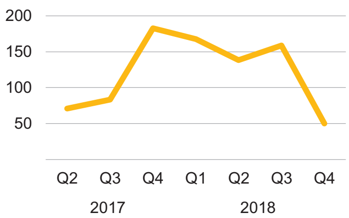




Investments in SEK m per quarter



Cash flow R12, SEK m



Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the quarter amounted to SEK 10.9 (127.8) million. The reduction was primarily due to an increase in working capital in contractual receivables, depending on varying capital tie-up in projects. To a certain extent capital tie-up varies between quarters depending on the different phases of the projects. The cash flow from investing activities during the quarter was SEK -13.4 million. The acquisition of TBO-Haglinds AB accounted for most of the investments in the quarter. Cash flow from financing activities amounted to SEK 78.3 (-32.5) million, since loans were taken up in the quarter in connection with the acquisition. Amortisation/ depreciation in the quarter amounted to SEK 5.4 (4.6) million. Cash flow from operating activities for the full year amounted to SEK 28.0 (155.4) million, with the decrease being due to a higher amount of .capital tied up in ongoing projects, compared with the preceding year. The cash flow from investing activities was SEK - 93.6 (-55.1) million, with the acquisition of TBO-Haglinds AB accounting for most of the cash flow, together with investments in tube plasma in Växjö and the production unit for city balconies in Poland. Investments financed through financial leasing amounted to SEK 12.5 (8.3) million. Excluding the acquisition of TBO-Haglinds AB, expansion investments accounted for SEK 15.3 (50.4) million of total investments. The cash flow from financing activities amounted to SEK 46.1 (-15.5) million, with SEK 80 million relating to utilised acquisition loans. Cash flow for the year declined compared with the preceding year, to SEK -19.5 (84.8) million; this was due to an increased amount of tied up working capital, dividends and acquisitions. Amortisation/depreciation amounted to SEK 20.2 (17.1) million.

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. Profit for the full year amounted to SEK 0.8 (-26.9) million. The improvement in profit is due to increased debiting of shared group costs and lower interest expenses.

OTHER INFORMATION

Employees
At the end of December 2018 Balco had 385 (346) full-time employees. The increase in personnel is due to the start-up of the new production unit in Poland as well as an expansion of the sales and operating organisation (designers, structural engineers, project managers and assembly managers).

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 work days 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 and fourth quarters.

Shares, share capital and shareholders
At the end of December 2018 Balco Group AB's share capital comprised 21,428,773, corresponding to a share capital of SEK 128,557,685. At the end of December 2018 there were 2,890 shareholders. The five largest shareholders were Segulah IV L.P., Carl-Olof och Jenz Hamrins Stiftelse, Skandrenting AB, Swedbank Robur Fonder and Danica Pension.

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, Segulah, which is represented on the Board of Directors by Board Chairman Lennart Kalén, and Percy Calissendorff. Related-party transactions take place on commercial terms. For further information, see the 2017 annual report.

Incentive program
Balco Group AB has a long-term incentive program aimed at the Company's senior executives and additional key employees, in total 49 employees. The aim of the incentive program is to encourage broad share ownership among Balco's employees, to facilitate the recruitment and retention of skilled employees, and to enhance motivation to achieve or exceed the Company's financial targets. In addition to the above incentive program, Segulah has issued call options on Balco shares to the Company's senior executives. The call option program is not expected to result in any costs for the Company. For further information, see pages 49-50 in the 2017 annual report.

Annual General Meeting 2019
Balco's 2019 annual general meeting will be held at 3pm on 21 May 2019 at KÖK11, Honnörsgatan 15 in Växjö. Registration will commence at 2.30pm. The annual report for 2018 will be published on 12 April on Balco's website www.balcogroup.se

Dividend
The Board proposes to the 2019 annual general meeting that a dividend be paid of SEK 2.00 per share in respect of the 2018 financial year. The remaining earnings will be carried forward.

Risks and uncertainty factors
The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand due to 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 ability 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 summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 28 – 41 and page 70 of the 2017 annual report. TBO-Haglinds AB's operations are similar Balco's and thus carry corresponding risks.

Outlook
Balco is one of a small number of complete balcony suppliers on the market who provide customised, innovative balcony solutions on a turnkey basis. Balco is the market leader in Scandinavia and enjoys a strong challenger position on other markets on which the Group operates.

We anticipate an increased order inflow in the renovation segment in the coming quarters; this is in line with our increased tendering. We will continue to be selective within new production.

The market is fragmented and is growing throughout Northern Europe. The value of the balcony market in those countries in which Balco is represented is estimated to exceed SEK 30 billion and is expected to grow by approximately 3 percent annually in the coming years.

The Group's long-term targets are presented on the next page.

Events during the quarter and since the end of the quarter
Balco has acquired and obtained vested title to all shares in TBO- Haglinds AB. The acquired company has annual sales of approximately SEK 130 million and is expected to contribute earnings per share of SEK 0.50 in 2019.

FINANCIAL GOALS

Revenue growth
Balco shall achieve growth of 10 percent 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 at least one-half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions.

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

Växjö, 22 February 2019

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 22 February 2019 at 08.00 CET.

Telephone conference
An online telephone conference will be held on 22 February at 09.00 CET at which President and CEO Kenneth Lundahl and CFO Fredrik Hall will present the report and answer questions. To participate, please call:

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Calendar 2019

Interim report Jan-Mar 2019	21 May 2019
AGM 2019	21 May 2019
Interim report Jan-Jul 2019	27 August 2019
Interim report Jan-Sep 2019	14 November 2018
Interim report Jan-Dec 2019	20 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Q4		Jan-Dec	
SEK M	**Note**	**2018**	**2017**	**2018**	**2017**
Net sales		304,2	283,7	1 058,1	989,0
Production and project costs		-237,7	-209,9	-804,3	-741,1
Gross profit		**66,5**	**73,8**	**253,8**	**247,8**
Sales costs		-24,4	-24,3	-94,1	-87,6
Administration costs		-15,0	-23,6	-53,9	-68,4
Share of profit or loss of associates		-0,0	0,0	0,0	0,1
Other operating income		0,1	1,8	0,7	6,8
Other operating expenses		-0,2	-1,5	-0,9	-6,5
Operating costs		**-39,5**	**-47,5**	**-148,2**	**-155,5**
Operating profit		**27,0**	**26,3**	**105,6**	**92,3**
Finance income		0,0	0,0	0,1	0,0
Finance costs		-1,7	-2,4	-6,2	-37,1
Profit before tax		**25,4**	**23,9**	**99,5**	**55,3**
Income tax		-6,4	-3,9	-22,8	-17,6
Net profit for the period		**19,0**	**20,0**	**76,8**	**37,7**
Other comprehensive income					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		-0,6	3,5	1,9	2,0
Comprehensive income for the period		**18,3**	**23,5**	**78,6**	**39,7**
Of which attributable to:					
Owners of the parent company		18,3	23,5	78,6	39,7
Earnings per common share, SEK, before dilution	4	0,86	1,09	3,67	2,43
Earnings per common share, SEK, after dilution	4	0,86	1,09	3,67	2,43
Average number of common shares, thousands		21 428,8	21 429,2	21 428,8	13 703,7

CONSOLIDATED BALANCE SHEET IN SUMMARY

SEK M	31-dec 2018	31-dec 2017
ASSETS		
Non-current assets		
Goodwill	401,1	372,0
Other intangible assets	51,8	11,4
Property, plant and equipment	189,9	130,3
Financial assets	4,2	4,1
Deferred tax assets	1,7	0,9
Total non-current assets	**648,6**	**518,9**
Current assets		
Inventory	26,4	21,1
Trade receivables	161,6	119,1
Contract assets	116,9	100,1
Current tax receivables	1,6	1,6
Other current receivables	21,1	18,1
Cash and cash equivalents	87,0	106,5
Total current assets	**414,6**	**366,5**
TOTAL ASSETS	**1 063,2**	**885,4**
EQUITY AND LIABILITIES		
Equity		
Share capital	128,6	128,6
Additional paid-in capital	381,8	381,8
Retained earnings, incl. profit for year	-69,8	-124,0
Equity attributable to owners of the parent company	**440,5**	**386,4**
Non-current liabilities		
Deferred tax liabilities	27,7	4,8
Interest-bearing liabilities	271,3	187,7
Other non-current liabilities	20,1	-
Total non-current liabilities	**319,8**	**192,5**
Current liabilities		
Interest-bearing liabilities	10,4	8,8
Contract liabilities	45,7	106,2
Trade payables	138,5	101,2
Current tax liabilities	24,9	14,3
Other liabilities	27,7	22,1
Other accrued expenses and prepaid income	56,4	54,1
Total current liabilities	**302,9**	**306,5**
TOTAL EQUITY AND LIABILITIES	**1 063,2**	**885,4**

CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

SEK M	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance 1 Jan 2017	**67,7**	**177,3**	**1,0**	**-106,6**	**139,5**
Comprehensive income for the period					
Profit for the period				37,7	37,7
Other comprehensive income for the period			2,0		2,0
Total comprehensive income for the period			**2,0**	**37,7**	**39,7**
Transactions with shareholders in their status as Company owners:					
Cancellation of ordinary and preference shares	-56,4			10,5	-45,9
Bonus issues and debt for equity swaps	117,3	204,8		-56,4	265,7
Repayment of conditional shareholders' contributions		-3,4		-12,2	-15,6
Proceeds, Warrants		3,0			3,0
Total transactions with Company owners	**60,9**	**204,4**	**-**	**-58,1**	**207,1**
Closing balance 31 Dec 2017	**128,6**	**381,8**	**3,1**	**-127,1**	**386,4**
Opening balance 1 Jan 2018	**128,6**	**381,8**	**3,1**	**-127,1**	**386,4**
Impact from implementation of IFRS 15				-3,1	-3,1
Comprehensive income for the period					
Profit for the period				76,8	76,8
Other comprehensive income for the period			1,9		1,9
Total comprehensive income for the period	**-**	**-**	**1,9**	**76,8**	**78,6**
Transactions with shareholders in their status as Company owners:					
Distributed dividend				-21,4	-21,4
Total transactions with Company owners	**-**	**-**	**-**	**-21,4**	**-21,4**
Closing balance 31 Dec 2018	**128,6**	**381,8**	**5,0**	**-74,8**	**440,5**

CASH FLOW STATEMENT IN SUMMARY

	Q4		Jan-Dec	
SEK M	**2018**	**2017**	**2018**	**2017**
Operating activities				
Operating profit (EBIT)	27,0	26,3	105,6	92,3
Adjustment for non-cash items	7,6	6,9	21,0	19,7
Interest received	0,0	0,0	0,1	0,0
Interest paid	-1,7	-1,8	-6,2	-7,2
Income tax paid	-4,6	-3,9	-9,6	-6,2
Cash flow from operating activities before changes in working capital	**28,4**	**27,4**	**110,8**	**98,6**
Changes in working capital				
Increase (-)/Decrease (+) in inventories	1,0	3,6	1,2	-4,4
Increase (-)/Decrease (+) in operating receivables	37,5	57,9	-4,4	-32,1
Increase (+)/Decrease (-) in operating liabilities	-55,9	38,8	-79,7	93,3
Cash flow from operating activities	**10,9**	**127,8**	**28,0**	**155,4**
Investing activities				
Purchase/sale of intangible assets	-0,5	-0,0	-1,9	-0,2
Purchase/sale of property, plant and equipment	-1,4	-13,4	-21,1	-54,8
Purchase/sale of subsidiaries	-70,6	-	-70,6	-0,5
Change in other financial assets	-	0,1	-	0,4
Cash flow from investing activities	**-72,5**	**-13,4**	**-93,6**	**-55,1**
Financing activities				
Amortisation of loans	-	-50,9	-	-50,9
Proceeds from loans	80,4	142,6	80,0	143,6
Changes in financial leasing	-1,8	-1,2	-12,5	-8,3
Changes in current financial liabilities	-0,3	-64,5	-	-41,4
Warrants	-	3,0	-	3,0
Redemption, preference shares	-	-45,9	-	-45,9
Repayment, shareholders' contributions	-	-15,6	-	-15,6
Distributed dividend	-	-	-21,4	-
Cash flow from financing activities	**78,3**	**-32,5**	**46,1**	**-15,5**
Cash flow for the period	16,7	81,9	-19,5	84,8
Cash and cash equivalents at beginning of the period	70,2	24,5	106,5	21,7
Exchange rate differential cash and cash equivalents	0,1	0,0	0,1	0,0

KEY RATIOS

SEK M	Q1 2018	2017	%	Apr-Mar 2017/18	Jan-Dec 2017
Net sales, SEK M	242,6	230,8	5%	1 000,7	989,0
Order intake, SEK M	271,2	220,1	23%	1 164,6	1 113,5
Order backlog, SEK M	1 280,0	1 100,6	16%	1 280,0	1 238,4
Gross profit, SEK M	60,2	57,6	4%	250,4	247,8
EBITDA, SEK M	26,7	27,3	-2%	108,9	109,4
Adjusted EBITDA, SEK M	26,7	28,5	-6%	132,0	133,8
Operating profit, SEK M	22,0	23,1	-5%	91,2	92,3
Adjusted operating profit, SEK M	22,0	24,3	-10%	114,4	116,7
Gross profit margin, %	24,8	25,0		25,0	25,1
EBITDA margin, %	11,0	11,8		10,9	11,1
Adjusted EBITDA margin, %	11,0	12,3		13,2	13,5
Operating profit margin (EBIT), %	9,1	10,0		9,1	9,3
Adjusted operating profit margin (EBIT), %	9,1	10,5		11,4	11,8
Operating cash flow, SEK M	-23,4	-8,2	187%	167,6	182,9
Operating cash conversion, %	-87,5	-28,6		126,9	136,7
Capital employed, average	506,0	513,9	-2%	532,0	488,0
Capital employed, excl. goodwill, average	133,8	142,6	-6%	160,2	116,3
Equity, average	394,2	143,2	175%	274,4	262,9
External interest-bearing net debt, SEK M	133,7	111,5	20%	133,7	90,0
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1,0	1,0	1%	1,0	0,7
Return on capital employed, %, (12 months)	22,6	18,7	21%	21,5	23,9
Return on capital employed, excl. goodwill, %, (12 months)	85,5	67,6	26%	71,4	100,4
Return on invested capital, %, (12 months)	12,9	14,4	-10%	18,6	15,1
Equity/assets ratio, %	45,7	19,0	141%	45,7	43,6
Number of full-time employees on the closing date	354,0	302,0	17%	354,0	346,0
Average number of common shares for the period, 000s	21 428,8	11 286,6	90%	16 204,6	13 703,7
Equity per common share, SEK	18,39	12,69		16,94	19,19

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

SEK M	2018	2017	2018	2017
Net sales	3,8	4,0	15,2	4,0
Operating expenses	-3,0	-9,6	-11,5	-17,3
Operating profit	**0,8**	**-5,7**	**3,7**	**-13,3**
Interest income	0,2	0,2	0,5	0,2
Interest expenses	-0,8	-1,4	-3,2	-30,7
Profit/loss after financial items	**0,3**	**-6,8**	**1,0**	**-43,7**
Group contribution	-	17,0	-	17,0
Change in untaxed reserves	-	-	-	-
Tax	-0,1	-1,8	-0,2	-0,1
Net profit/loss for the period	**0,2**	**8,4**	**0,8**	**-26,9**

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

SEK M	31-dec 2018	31-dec 2017
ASSETS		
Non-current assets	**389,8**	**390,0**
Current assets	76,9	125,9
TOTAL ASSETS	**466,7**	**515,9**
EQUITY AND LIABILITIES		
Restricted equity	128,6	128,6
Unrestricted equity	173,8	194,4
Total equity	**302,3**	**322,9**
Non-current liabilities	**161,1**	**120,0**
Other current liabilities	**3,3**	**72,9**
TOTAL EQUITY AND LIABILITIES	**466,7**	**515,9**

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 2017 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU with the exception of changes specified below.

The information on pages 1 –9 relating to the part of the year covered by this interim report constitutes an integral part of this financial report.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 results in new requirements regarding recognition of revenue and replaces IAS 18 Revenue, IAS 11 Construction Contracts, as well as several related interpretations. The new standard provides more detailed guidance within many areas that were previously not addressed by IFRS, including the way to report contracts involving several performance obligations, variable pricing, the time when revenues are to be recognised, etc. The standard has been adopted by the EU. The standard is applied as from the 2018 financial year.

The difference that has been identified compared with previous accounting principles relates to what can be identified as project expenditures when applying the percentage of completion method. Certain of the expenditures incurred by the Group, which under current rules are treated as project expenditures under IAS 11 when applying the percentage of completion method, will be treated as completion costs and capitalized as well as written off over the project period. IFRS prescribes that these costs may not be included as a project expenditure. Thus, they will no longer be included when calculating the work-up rate of the project. Consequently, there will be a time lag with respect to when revenue can be recognised, compared with current principles.

Since the Group has chosen to apply the modified transition method in which only forward-looking adjustments are made, the application of IFRS 15 has affect shareholders' equity as of 1 January 2018 with SEK 3.1 million including tax.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, valuation and reporting of financial assets and liabilities and introduces new rules regarding hedge accounting. IFRS 9 is applied by the Group for the financial year beginning 1 January 2018. In accordance with the standard's transition rules, the Group will not recalculate comparison figures for the 2017 financial year.

IFRS 9 introduces a new write-down model which is based on anticipated credit losses and which takes into account forward-looking information. Historically, the Group has incurred very small credit losses and the customer base comprises stable customers and, also from a forward-looking perspective, the assessment is that the likelihood of default by our customers is low. Thus, the conclusion is that no additional write-downs of accounts receivable or contract assets is necessary.

The amended rules concerning hedge accounting do not affect the Group since hedge accounting is not applied.

IFRS 16 Leasing

IFRS 16 Leases was published in January 2016 by IASB. The standard has been adopted by the EU and will replace IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC 17. IFRS 6 requires that assets and liabilities related to all leases, with the exception of short leases or agreements regarding assets of low value, be reported in the balance sheet. This reporting is based on the view that the lessee is entitled to use an asset during a specific period of time, and at the same time has an obligation to pay for such entitlement. Consequently, most of the Group's leases will be reported in the balance sheet as from 2019.

The Group has concluded the work on adjustment to the new reporting standard IFRS 16 and its impact on the Group's financial statements Most of the Group's important leasing agreements are already reported as financial leases. In connection with the transition to IFRS 16, additional leases will be included in the Group's reported balance sheet as right of use assets and financial liabilities.

The Group will partially apply the standard retroactively, without recalculation of comparison figures. The Group's balance sheet total will increase by SEK 13 million as a consequence of the implementation of IFRS16.

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to SEK 0.9 (3.6) million at the end of the year, while financial liabilities at fair value amounted to SEK 3.7 (4.4) 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 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-Dec	Renovation		New Build		Group Other		Eliminations		Total	
SEK M	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales – External revenue	947,7	847,5	110,4	141,4	-	-	-	-	1 058,1	989,0
Net sales – Internal revenue	-	-	-	-	16,1	8,6	-16,1	-8,6	-	-
Total sales	**947,7**	**847,5**	**110,4**	**141,4**	**16,1**	**8,6**	**-16,1**	**-8,6**	**1 058,1**	**989,0**
Operating profit (EBIT)	**117,2**	**114,5**	**-10,6**	**7,3**	**-1,0**	**-29,5**	**-**	**-**	**105,6**	**92,3**
Depreciation included with	18,5	14,8	1,8	2,3	-	-	-	-	20,2	17,1
IPO costs	-	-	-	-	-	24,4	-	-	-	24,4
Adjusted operating profit (EBIT)	**117,2**	**114,5**	**2,7**	**7,3**	**0,3**	**-5,1**	**-**	**-**	**120,2**	**116,7**
Operating profit (EBIT)	**117,2**	**114,5**	**-10,6**	**7,3**	**-1,0**	**-29,5**	**-**	**-**	**105,6**	**92,3**
Finance income	-	-	-	-	0,1	0,0	-	-	0,1	0,0
Finance cost	-	-	-	-	-6,2	-37,1	-	-	-6,2	-37,1
Profit before tax	**-**	**-**	**-**	**-**	**-7,1**	**-66,5**		**-**	**99,5**	**55,3**

Note 4 Earnings per share

	Q4		Jan-Dec	
SEK M	2018	2017	2018	2017
Net profit for the period attributable to the owners of the parent company	18,3	23,5	78,6	39,7
Less return on preference shares	-	-0,1	-	-6,4
Profit for the period after return on preference shares	**18,3**	**23,3**	**78,6**	**33,3**
Average number of common shares, 000'	21 428,8	21 429,2	21 428,8	13 703,7
Earnings per common share, SEK, before dilution	0,86	1,09	3,67	2,43
Earnings per common share, SEK, after dilution	0,86	1,09	3,67	2,43

Note 5 Acquisition of TBO-Haglinds AB

On 15 November 2018 Balco entered into an agreement to acquire 100 per cent of the shares in TBO-Haglinds AB, a company in Arboga which operates within balcony renovations in Sweden, with a focus on the renovation segment. The acquisition is expected to make a positive contribution of approximately SEK 0.50 in earnings per share, starting in 2019.

At the end of 2018, TBO-Haglinds AB had 45 employees and sales of SEK 130 million, with an underlying operating profit of approximately SEK 15 million. Balco paid SEK 100 million in cash for the shares upon completion. An additional SEK 20 million may be payable as a supplemental purchase price; this is based on TBO-Haglind's accumulated earnings trend during the period 2019 and 2020, and will be paid in 2021. The acquisition has been financed through an existing credit facility and in cash. More information is available in press releases dated 15 November and 13 December 2018.The acquisition was completed on 5 December and TBO-Haglinds will be consolidated in the accounts as from 31 December 2018.

The purchase price comprises the following components (SEK millions)	
Cash payment	100,0
Conditional purchase price	18,3
Aquired net assets	-89,5
Goodwill	**28,8**

The following assets and liabilities were included in the acquisition (SEI	
Cash and cash equivalents	29,4
Tangible fixed assets	44,3
Financial assets	-
Intangible assets	34,7
Inventories	6,5
Receivables	26,0
Liabilities	-33,6
Deferred tax liabilities	-17,8
Acquired net assets	**89,5**

Note 6 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.

	Q4		Jan-Dec	
SEK M	**2018**	**2017**	**2018**	**2017**
Adjusted operating profit				
Operating profit	27,0	26,3	105,6	92,3
IPO costs	-	11,2	-	24,4
Forcing cost Maritime	13,3	-	13,3	-
Other non-recurring items	1,2	-	1,2	-
Adjusted operating profit	**41,6**	**37,4**	**120,2**	**116,7**
Adjusted EBITDA				
Operating profit	27,0	26,3	105,6	92,3
Depreciation	5,3	4,6	20,2	17,1
IPO costs	-	11,2	-	24,4
0	13,3	-	13,3	-
Other non-recurring items	1,2	-	1,2	-
Adjusted EBITDA	**46,9**	**42,0**	**140,4**	**133,8**
Operating cash flow, SEK M				
Adjusted EBITDA	46,9	42,0	140,4	133,8
Changes in working capital	-17,1	97,3	-82,7	53,6

SEK M	31-dec 2018	31-dec 2017
External interest-bearing net debt, SEK M		
External non-current interest-bearing liabilities	272,0	187,7
Current interest-bearing liabilities	9,7	8,8
Cash and cash equivalents	-87,0	-106,5
Interest-bearing net debt	**194,7**	**90,0**
Adjusted EBITDA (12 months)	**140,4**	**133,8**
Interest-bearing net debt/EBITDA 12 months, times	**1,4 x**	**0,7 x**
Return on capital employed, %		
Equity	440,5	386,4
External interest-bearing net debt	194,7	90,0
Average capital employed	555,8	488,0
Adjusted operating profit (EBIT), (12 months)	120,2	116,7
Return on capital employed, %	**21,6**	**23,9**
Equity/assets ratio, %		
Equity attributable to owners of the parent company	440,5	386,4
Total assets	1 063,2	885,4
Equity/assets ratio, %	**41,4**	**43,6**

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 6.	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 excluding goodwill	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 net sales.	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 6.	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 relative 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 6.	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.
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 6.	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 flow	Adjusted EBITDA increased/decreased with changes in net working capital less investments, excluding expansion investments, see note 6.	Operating cash flow is used by Balco to monitor business performance.
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 6.	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.

Alternative performance measures	Definition	Reason for use
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 6.	Balco believes that equity to asset ratio is a useful measure for the Company's survival.
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